JUNE 1978

FEDERAL RESERVE BULLETIN

Recent Developments in Corporate Finance

Insured Commercial Bank Income in 1977

Foreign Exchange Operations: Interim Report

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FEDERAL RESERVE
BULLETIN

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Washington, D.C.

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the midpoints of the indicated ranges, the operational objective for the weekly-average Federal funds rate should be modified in an orderly fashion within a range of 6¾ to 7½ per cent. It was also agreed, however, that an increase in the rate above 7¼ per cent would not be sought until the Committee had had an opportunity for further consultation.

Subsequent to the regular meeting on May 5, 1978, the Committee directed the Manager, until further instructed, to seek to maintain the weekly-average Federal funds rate at about 7¼ per cent, with any deviations tending to be in the direction of higher rather than lower funds rates.

Amendments to Regulations Q, Z, G, T, and U; supplement to Regulation Z; various rules and bank holding company and bank merger orders; and pending cases.

The three bank regulatory agencies have made available data from a survey on foreign lending by large U.S. banks as of December 31, 1977.

Combined assets of the 730 overseas branches of member banks increased more than 17 per cent during 1977.

Amendment to Regulation Z requiring certain lenders to retain for more than 2 years all records of credit transactions in their possession.

Approval of actions reducing the burden on commercial banks of statistical reporting to the Board.

Revisions in data series on loans and investments at all commercial banks.

Consumer Advisory Council meeting.

The Board has made the following proposals: An interpretation of Regulation Z that would facilitate the computation of the annual percentage rate for graduated payment mortgages; authorization under Regulation Y for bank holding companies to act as general insurance agents in towns of less than 5,000 population; and a policy statement on tax transactions between State member banks and their parent holding companies.

Changes in Board staff.

Publication of *Annual Report* for 1977.

Ruling under Regulation Q permitting member banks to pay up to 8 per cent interest on IRA and Keogh Plan accounts.

Two State banks were admitted to membership in the Federal Reserve System.

Output increased an estimated 0.6 per cent in May.

Recent Developments in Corporate Finance

This article was prepared by Frederick O. Yohn, Jr., of the Capital Markets Section of the Division of Research and Statistics.

External financing by the Nation's business firms increased sharply in 1977 as the economic expansion continued into its third year. Corporations helped to sustain the advance in economic activity during 1977 by increasing their expenditures for fixed investment and inventories. Because capital spending grew more rapidly than the flow of internal funds, the external financing requirements of nonfarm nonfinancial corporations increased, and the amount of net funds raised by these firms in domestic credit and equity markets reached a record high when measured in current dollars.

Both the larger total of funds raised and the marked increase in short- and intermediate-term credit contrasted with the pattern of corporate external financing during 1975 and 1976, a period during which many companies had emphasized restructuring of their balance sheets. The greater reliance on shorter-term funds in 1977, together with only a modest increase in liquid asset holdings, resulted in moderate deterioration of the aggregate liquidity position of nonfinancial corporations, as measured by the ratio of liquid assets to current liabilities. Also, 1977 brought a marked reversal of the trend toward the lengthening of the over-all corporate debt structure that had characterized the 1975–76 period.

Even with heavy borrowing in short-term markets in 1977, corporations continued to raise sizable amounts of long-term funds. During the earlier part of the cyclical recovery and expansion, issues of large, highly rated firms had dominated bond offerings of nonfinancial corporations. In contrast, much of the increase in long-term debt outstanding in 1977 was attributable to bond issues by lower-rated companies, many of which had been able to obtain long-term credit during 1975–76 only at relatively unattractive interest rates.

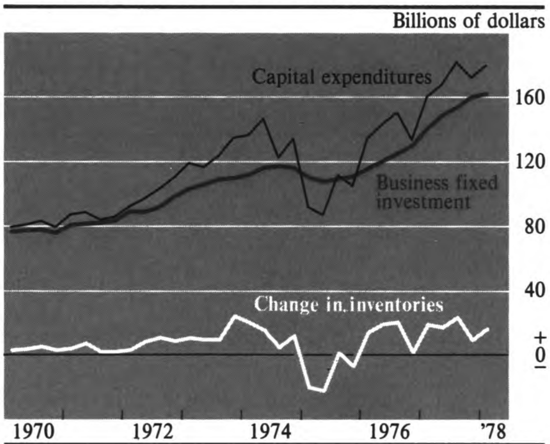
The weather- and strike-related disruption of economic activity during the first quarter of 1978 was accompanied by a drop in after-tax operating profits of nonfinancial corporations. The resulting decline in internal cash flows caused firms to seek an increased amount of external funds to finance planned investment outlays and other current expenditures. As in 1977, a large proportion of funds raised early in 1978 came from shorter-term sources, especially bank loans. Simultaneously, many firms reduced their acquisition of liquid assets. The early-1978 pressures on internal cash flows appear to have been largely temporary, and preliminary data for the second quarter indicate a rebound in economic activity that should bolster corporate earnings. Nevertheless, total external financing requirements are likely to remain heavy throughout 1978, with capital expenditures expected to continue rising faster than the flow of internal funds.

CAPITAL EXPENDITURES

As the expansion of economic activity moved into its third year, aggregate spending on business fixed investment increased from the sluggish pace that had marked the earlier stages of the recovery. At the same time, businesses continued to add to their inventories, although in a cautious manner, as they attempted to maintain balance with movements in sales.

Business fixed investment, the major component of capital expenditures by nonfinancial corporations, absorbed a record amount of corporate funds during 1977 when measured in current dollars, up 23 per cent from the preceding year. Outlays for plant and equipment in

Capital expenditures of nonfinancial corporations



Business fixed investment includes plant and equipment expenditures and investment in residential construction. Capital expenditures include business fixed investment, change in inventories, and purchases of mineral rights from the U.S. Government.

Flow of funds quarterly data, seasonally adjusted at annual rates. 1978 Q1 preliminary.

terms of constant dollars were well above their 1976 level and registered their strongest advance of the current expansion. However, cumulative gains in real business fixed investment continued to lag behind gains recorded during previous postwar recoveries, and at the end of 1977 the level of such investment was still 3 per cent below its earlier peak.

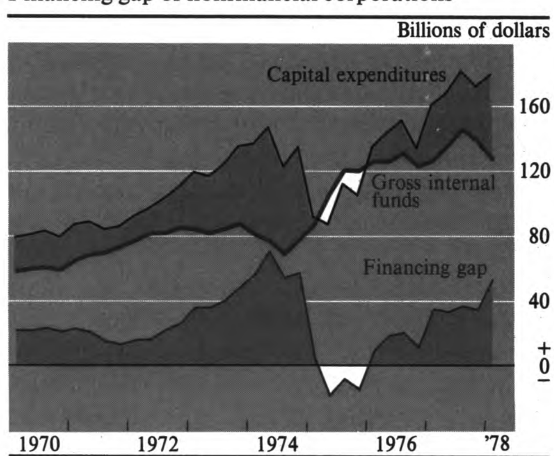
Much of the strength in fixed investment spending during 1977 was attributable to unusually heavy purchases of shorter-lived investment goods. The sharpest advance in current-dollar outlays occurred during the first half of 1977, and it was further bolstered by increased purchases of motor vehicles by businesses in the aftermath of the auto strike in late 1976. As was true during the previous 4 years, the growth of outlays was largest in the manufacturing sector, with investment by producers of durable goods particularly robust. Although spending for new equipment has been the primary source of strength for capital outlays throughout most of the current expansion, commercial and industrial construction picked up last year following 2 years of little change.

Total capital expenditures by nonfinancial corporations—the sum of inventory and fixed investment—increased 21 per cent in 1977. While this rate of growth was less than half that of the previous year, much of the large increase in 1976 had been due to the swing from substantial net liquidation of inventories in 1975 to moderate accumulation in 1976. Reflecting the more cautious attitudes developed earlier in the recovery, inventory investment in 1977 increased only slightly over the 1976 level.

The quarterly pattern of inventory investment was far from smooth in 1977. Following sizable increases during the first two quarters at rates well above the average for 1976, inventory accumulation by nonfinancial corporations as a group made a strong advance during the third quarter of 1977; it then slowed sharply in the fourth quarter as the pace of final sales picked up and production grew only moderately. Underlying this pattern was the rebuilding of inventories in the nondurable goods manufacturing sector during the first two quarters of 1977 and the fairly steady inventory accumulation by durable goods producers throughout the year. Inventory investment by the trade sector continued at generally high levels.

Inventory to sales ratios in most sectors remained below historical averages throughout 1977 as businesses attempted to avoid inventory imbalances. These ratios were especially low at year-end 1977, reflecting the increase in final sales during the fourth quarter of 1977 and the slowdown in inventory accumulation. In the first quarter of 1978, inventory investment re-

Financing gap of nonfinancial corporations



Financing gap is capital expenditures less gross internal funds.

Flow of funds quarterly data, seasonally adjusted at annual rates. 1978 Q1 preliminary.

1. Flow of funds for nonfinancial corporations

Billions of dollars

Category	1973	1974	1975	1976	1977	1978 Q1p
SOURCES OF FUNDS						
Internal funds	83.8	75.7	107.8	125.8	135.9	127.8
Retained earnings [1]	15.7	−4.3	11.5	19.8	20.5	4.9
Capital consumption allowances [2]	68.1	80.0	96.3	106.0	115.4	122.9
External financing	72.7	81.8	36.6	58.3	83.4	94.2
Other sources						
Accrued tax liabilities	2.3	1.0	−3.2	6.8	−3.6	0
Miscellaneous liabilities	1.9	3.7	1.4	2.2	1.5	.8
Total	**160.7**	**162.2**	**142.6**	**193.1**	**217.2**	**222.8**
USES OF FUNDS						
Capital expenditures	123.3	134.7	98.6	140.3	170.3	179.6
Business fixed investment [3]	106.8	115.2	109.3	122.6	150.6	162.0
Inventories	13.3	12.9	−12.1	13.8	17.2	16.4
Other [4]	3.2	6.5	1.3	4.0	2.5	1.2
Increases in liquid assets	6.7	2.1	17.8	19.6	7.7	5.7
Net trade credit	5.4	4.4	.7	6.7	7.6	7.3
Other uses [5]	7.3	3.9	9.3	10.2	10.9	11.9
Total	**142.7**	**145.1**	**126.4**	**176.8**	**196.5**	**204.5**
Discrepancy [6]	*18.0*	*17.1*	*16.2*	*16.3*	*20.7*	*18.3*

[1] Includes foreign branch profits and adjustments for inventory valuation and capital consumption allowance.

[2] Includes capital consumption adjustment.

[3] Includes plant and equipment expenditures, and investment in residential structures.

[4] Includes purchases of mineral rights from U.S. Government.

[5] Includes miscellaneous financial assets and increases in consumer credit.

[6] Total sources of funds less total uses of funds.

p Preliminary.

NOTE.—Data from Federal Reserve flow of funds accounts. Quarterly data are seasonally adjusted at annual rates.

bounded in many business sectors despite weather- and strike-related disruptions of economic activity and the attendant slowdown in final sales. Reflecting movements in both inventories and sales, the constant-dollar inventory to sales ratio for all businesses rose appreciably in the first quarter of 1978 from its low at year-end 1977.

Total capital expenditures in current dollars exceeded gross internal funds by $34 billion in 1977, a $20 billion widening of the financing gap compared with 1976. Even though the 1977 financing gap was much smaller than the recession-induced $59 billion shortfall of 1974, it contrasted sharply with the cash-flow surplus of the recovery period in early 1975, when corporations greatly reduced capital expenditures and used much of the increasing flow of internal funds to restructure their balance sheets—adding to holdings of liquid assets and repaying short-term debt.

Along with the widened financing gap, the continued expansion of economic activity placed other financial demands on business firms during 1977. Net trade credit extended by nonfinancial corporations to other sectors increased substantially. Also, in contrast with 1976, profit tax payments of these corporations considerably exceeded their accrued tax liabilities, thus absorbing additional funds.

CORPORATE PROFITS AND INTERNAL SOURCES OF FUNDS

The internally generated funds of nonfinancial corporations rose further during 1977, though at a much slower rate than during the first 2 years of the current economic recovery. More moderate growth in corporate profits, following a strong rebound in 1976 from the recession-induced slump in profits in 1975, was primarily responsible for the slower expansion in internal funds. After payment of taxes and dividends, undistributed profits of corporations in 1977 were only slightly above their 1976 level; thus most of the 8 per cent increase in total internal funds reflected steady growth in capital consumption allowances rather than an increase in retained earnings.

2. Sources of internal funds for nonfinancial corporate business
Billions of dollars

Item	1973	1974	1975	1966	1977	1978 Q1^p
Profits before tax[1]	95.7	107.5	104.8	134.1	146.8	142.7
Profit tax accruals	39.4	42.5	40.5	53.4	56.7	52.4
Profits after tax	56.3	65.0	64.3	80.7	90.1	90.3
Plus inventory valuation adjustment	−18.6	−40.4	−12.0	−14.1	−14.6	−24.6
Plus capital consumption adjustment	1.8	−3.0	−11.9	−14.6	−17.0	−20.1
Adjusted profits after tax	39.5	21.6	40.4	52.0	58.5	45.6
Less net dividends paid	23.8	25.9	28.8	32.2	38.0	40.7
Adjusted retained earnings	15.7	−4.3	11.6	19.8	20.5	4.9
Plus depreciation allowances[2]	68.1	80.0	96.3	106.0	115.4	122.9
Gross internal funds	83.8	75.7	107.8	125.8	135.9	127.8

1 Includes foreign branch profits.
2 Includes capital consumption adjustment.
p Preliminary.

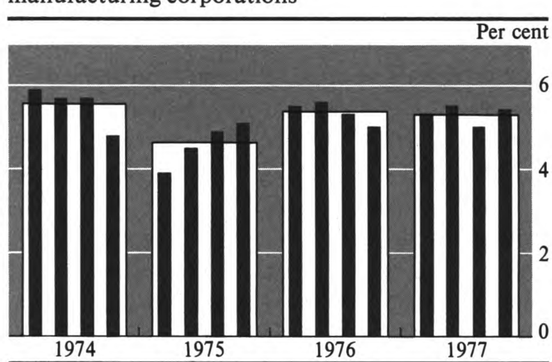
NOTE.—Data from Federal Reserve flow of funds accounts. Quarterly data are seasonally adjusted at annual rates.

The slower expansion of book profits in 1977 was attributable largely to pressure from rising unit labor costs. Profit margins—as measured by the ratio of after-tax book profits to sales—changed little in 1977, whereas earlier in the economic expansion they had increased sharply. For example, the over-all profit margin for manufacturing corporations—which, as a group, accounted for more than half of all nonfinancial corporate profits last year—showed no sustained increase between mid-1976 and the end of 1977. In contrast, profit margins for manufacturing firms had improved substantially during the first year and a half of the recovery.

Profit margins typically level off after the early stages of economic recovery, as productivity gains slow and unit labor costs begin to rise more rapidly. During 1977, hourly compensation in the nonfarm business sector continued to rise at an 8¾ per cent rate, while productivity gains slowed to little more than 2 per cent, roughly half the rate of the previous year. The slowing of growth in productivity resulted in an acceleration in the growth rate of unit labor costs from 4½ per cent in 1976 to almost 6½ per cent in 1977. With prices moving up somewhat less than unit costs, businesses relied on growth in sales to expand their profits. Accompanying a 10½ per cent increase in final sales, before-tax book profits on nonfinancial corporations rose 9½ per cent; after taxes, book profits were up slightly more than 11½ per cent.

The proportion of corporate after-tax book profits available in 1977 for purposes other than meeting the higher replacement costs of inventories and fixed assets—that is, after-tax profits with inventory valuation and capital consumption adjustments—remained near the 65 per cent level of the preceding 2 years. In particular, inventory profits, as measured by the inventory valuation adjustment, were relatively stable during 1975–77 at a level that was high by historical standards but sharply lower than that in 1974. Beyond the relatively conservative inventory policies of businesses and changes in their accounting techniques, this stability reflected the more moderate rate of inflation after 1974. For example, the wholesale price index for all commodities registered annual increases of 4 to 6 per cent in 1975–77 after having risen 21 per cent in 1974. However, during the first

After-tax profit margins of all manufacturing corporations



Profit margins are the ratio of after-tax profits to sales for all manufacturing corporations. Federal Trade Commission quarterly data seasonally adjusted by Bureau of Economic Analysis as published in *Business Conditions Digest*. Annual profit margins, as indicated by the black outline, are derived from annual FTC data.

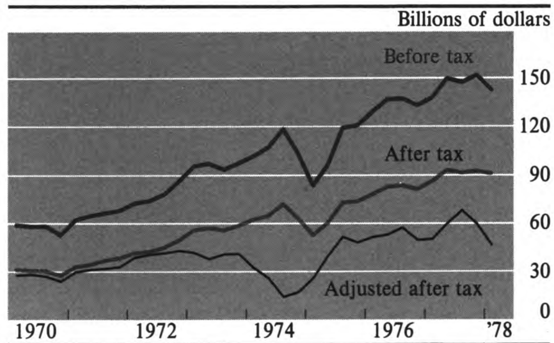
quarter of 1978, inventory profits increased sharply, owing in large part to a surge in food prices.

The capital consumption adjustment—an estimate of the change in depreciation allowances that would result if they were computed on a uniform basis and measured at current rather than historical costs—has risen steadily since 1972, reaching $17 billion in 1977. The gradual uptrend in this figure reflects the cumulative nature of the depreciation adjustment, which depends on past as well as current prices of long-lived capital goods and on expansion of the capital stock.

After-tax profits of all nonfinancial corporations rose $6.5 billion in 1977 after inventory valuation and capital consumption adjustments. An increase in net dividend payments of almost $6 billion absorbed most of this rise in profits. In light of the strong expansion in profits during the previous 2 years and the normal lag of dividends behind earnings, the rise in the share of corporate income paid out in dividends in 1977 is not surprising. In addition, dividend payments may have been influenced by the heightened emphasis on current return that was evidenced by the relative performance of equity prices in the stock markets during 1977.

Comparisons among industries reveal pronounced exceptions to the over-all behavior of profits and profit margins in 1977. The most notable example is the steel industry, where before-tax earnings declined precipitously in the face of competition from foreign imports. Low rates of capacity utilization and rising labor costs contributed to a sharp boost in the industry's unit production costs, which—because of foreign competition—could not be passed on in higher prices. Early in 1978 the U.S. Government instituted a reference-pricing system in an attempt to protect domestic production from the "dumping" of imported goods in U.S. markets—that is, selling at prices that do not fully reflect production costs. This action should allow domestic steel producers to expand sales and to pass on more of their cost increases through higher prices, thereby improving their earnings position for 1978. First-quarter earnings, however, were depressed by the long coal strike and bad weather.

Profits of nonfinancial corporations



Profits, before and after tax, include foreign branch profits. After-tax profits are before-tax profits less corporate tax accruals. Adjusted after-tax profits include inventory valuation and capital consumption adjustments. Flow of funds quarterly data, seasonally adjusted at annual rates. 1978 Q1 preliminary.

Profits data for other metal producers indicate varying performances in 1977, depending primarily on particular product demands. Copper and zinc producers, which have suffered for quite some time from large worldwide stockpiles of materials and from lagging demand, continued to experience weak earnings in 1977. But reasonably good gains for the year were reported by major aluminum producers.

Manufacturers of durable goods outside the primary metals industries generally experienced improved earnings in 1977. Spurred by strong sales of cars and trucks and continued wide profit margins, earnings of the cyclically sensitive automotive industry posted a second year of strong expansion. And improved profit margins contributed to substantial growth in profits among producers of electrical equipment, machinery, and fabricated metals. Manufacturers of nondurable goods, especially the paper, petroleum and coal, food, and chemicals producers, did not do so well; most of these industries had lower profit margins during 1977 than a year earlier and relied on expanding sales for moderate growth in earnings.

EXTERNAL FINANCING

With internal funds meeting a smaller proportion of rising total financing needs, nonfinancial corporations relied much more heavily on external sources of funds in 1977. Moreover,

3. External financing of nonfinancial corporations
Billions of dollars

Type	1973	1974	1975	1976	1977	1977				1978
						Q1	Q2	Q3	Q4	Q1[p]
Total	72.7	81.8	36.6	58.3	83.4	81.2	73.3	75.5	103.4	94.2
Equity	7.9	4.1	9.9	10.5	3.7	3.4	1.7	4.4	5.4	−1.7
Bonds[1]	11.0	21.3	29.8	25.3	24.5	18.8	15.3	30.4	33.5	14.6
Mortgages	18.2	13.7	9.6	12.8	21.0	16.0	21.8	20.3	26.1	20.2
Bank loans	29.3	29.9	−12.4	1.6	20.7	30.0	17.3	16.9	18.7	47.3
Commercial paper and acceptances	1.9	5.4	−2.7	2.7	2.7	3.4	5.8	−1.0	2.6	4.8
Other—Including finance company loans[2]	4.4	7.3	2.4	5.4	10.8	9.9	11.6	4.5	17.1	9.0

1 Includes tax-exempt industrial-pollution-control revenue bonds.
2 Also includes U.S. Government loans.
p Preliminary.

NOTE.—Data from Federal Reserve flow of funds accounts. Quarterly data are seasonally adjusted at annual rates.

following 2 years in which many firms had focused on rebuilding liquidity and lengthening the maturity structures of their financial liabilities, financing operations during 1977 were related more directly to investment and to the need for working capital. This was particularly evident in the strong growth of short- and intermediate-term financing. Of the $83 billion raised by nonfinancial corporations in financial markets during 1977, slightly more than 40 per cent, or $34 billion, was in the form of loans from banks or finance companies or of sales of commercial paper.

The expansion in business borrowings at banks that had begun late in 1976 strengthened in 1977 as capital expenditures, including inventory investment, picked up and began to rise more rapidly than internal funds of corporations. Initially, the increase in bank borrowing was greatest at banks outside the money market centers; but as the year progressed, loan growth accelerated at money center banks, which are major lenders of short-term funds to very large corporations. Total business borrowings at banks continued to expand rapidly through 1977 and were very heavy in the first quarter of 1978. Data from a sample of large banks indicate that most domestic commercial and industrial sectors were participating, with credit demands especially strong among the manufacturing, trade, construction, and service industries; growth in borrowings was somewhat weaker in the transportation, communications, and utilities groups. In addition, as data from the same sample of large banks indicate, a significant share of the loans extended to firms since late 1977 has been term loans—that is, loans with initial maturities longer than 1 year. Term loans at these banks had declined substantially in 1976, as loans were repaid from the proceeds of long-term securities issues.

A rapid expansion of finance company loans to businesses accompanied the growth in bank loans during 1977, extending the trend of the previous year. Since 1975, finance companies have accounted for an increasing share of total short- and intermediate-term borrowings of nonfinancial corporations, with strong growth in wholesale and retail automotive loans and in equipment loans. Such loans, which accounted for about 80 per cent of the total growth in business borrowing at finance companies in 1977, reflected primarily the unusually large purchases of cars and trucks by businesses and the build-up in inventories at automobile and truck dealers. In addition, many business purchases of durable equipment over the past 2 years have consisted of the shorter-lived, smaller items for which finance companies are important lenders.

Nonfinancial commercial paper, which normally is used by a relatively small number of highly rated firms for short-term financing needs, grew at a moderate pace in 1977. Utilities were the heaviest issuers, accounting for most of the net increase in outstanding paper for the year as a whole. Much of the issuance of commercial paper by utilities occurred late in the year, when cash flows apparently were inadequate to provide the temporary financing needed to build up coal inventories in anticipation of a strike.

4. Gross offerings of corporate bonds
Billions of dollars

Type of offering	1973	1974	1975	1976	1977	1976				1977				1978
						Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1p
Total	**21.2**	**32.1**	**42.8**	**42.4**	**42.2**	**10.3**	**11.0**	**9.5**	**11.6**	**10.0**	**10.6**	**9.7**	**11.9**	**8.2**
Publicly offered	*13.2*	*25.9*	*32.6*	*26.5*	*24.2*	*7.6*	*7.4*	*4.9*	*6.6*	*6.5*	*5.6*	*6.2*	*5.9*	*4.7*
Manufacturing and other industries [1]	2.4	10.1	18.3	11.7	8.5	4.0	2.7	2.0	3.0	2.4	1.4	2.7	1.5	1.5
Public utilities	7.9	11.4	10.4	8.2	8.2	1.9	2.3	1.8	2.3	2.2	2.3	1.7	1.9	1.5
Financial [2]	2.9	4.4	3.9	6.6	7.5	1.7	2.4	1.1	1.3	1.9	1.9	1.8	2.5	1.7
Privately placed	*8.0*	*6.2*	*10.2*	*15.9*	*18.0*	*2.7*	*3.6*	*4.6*	*5.0*	*3.5*	*5.0*	*3.5*	*6.0*	*3.5*
Manufacturing and other industries	4.6	4.1	5.6	9.3	12.2	1.5	2.3	2.5	3.0	2.3	3.0	2.6	4.3	2.3
Public utilities	1.9	1.3	3.3	4.4	3.4	.8	1.0	1.6	1.0	.7	1.4	.4	.9	.3
Financial	1.5	.8	1.3	2.2	2.4	.4	.3	.5	1.0	.5	.6	.5	.8	.9

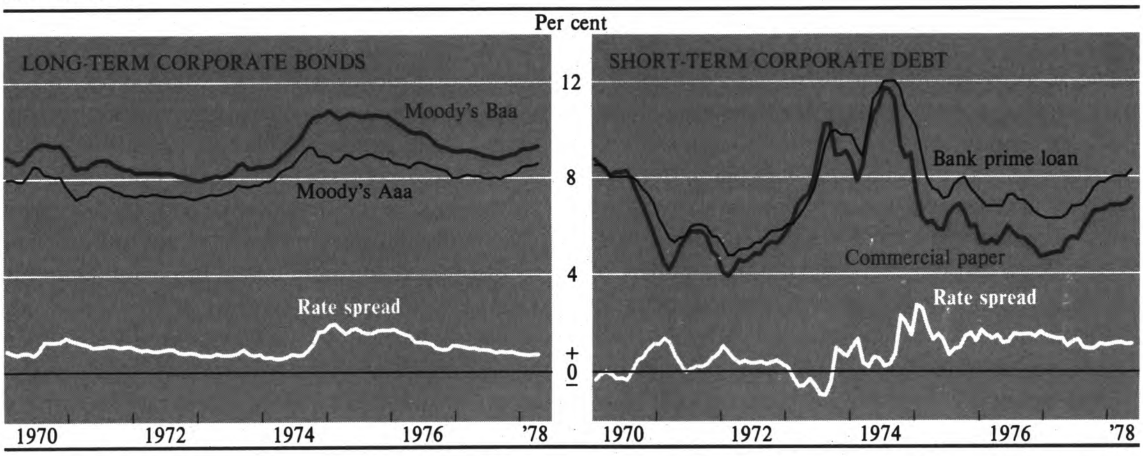
[1] Includes equipment trust certificates.
[2] Bond offerings include mortgage-backed bonds but do not include passthroughs.
p Preliminary.

NOTE.—Data from Securities and Exchange Commission. Quarterly figures are not seasonally adjusted and are at quarterly rates.

As the pace of short-term business borrowing accelerated in 1977, net bond and equity financing by U.S. corporations declined from the record volumes of 1975–76, and it has continued at a reduced pace in early 1978. The reduction in issuance of long-term debt has been primarily concentrated in public bond issues by industrial corporations with relatively high ratings. After a lengthy period of restructuring, many of these firms apparently had improved their balance sheets enough to curtail their reliance on long-term sources of funds. In contrast, many smaller, lower-rated corporations increased their issuance of long-term debt last year, as evidenced by the continued growth in privately placed bond issues.

Typically, 90 per cent or more of privately placed corporate bonds are issued by firms with lower-than-prime ratings, mostly manufacturing and other industrial concerns. The heavy volume of private placements in 1977 suggests that many such firms probably were slower in rebuilding liquidity than highly rated corporations and may have taken advantage of improved market conditions for further restructuring of balance sheets as well as for meeting investment needs. The increasing receptivity of market investors to lower-rated issues since 1975 is evi-

Interest rates



Long-term interest rates: Moody's Investors Service, monthly average bond yields for seasoned Baa and Aaa corporate issues. Rate spread is Moody's Baa issues minus Aaa issues.

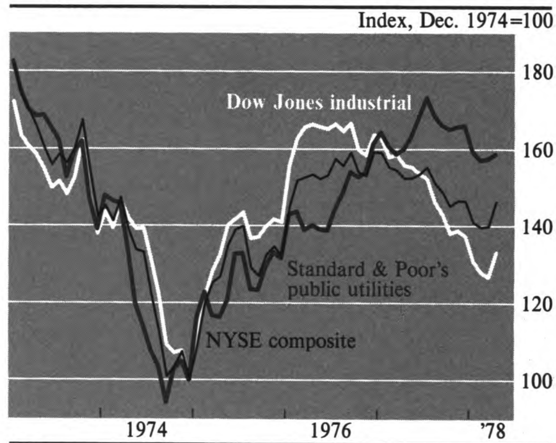
Short term: Monthly averages of business days. Dealer offering rate on 4–6 month, highest-quality commercial paper. Prime rate on business loans charged by majority of commercial banks. Spread is bank prime less commercial paper.

denced by a number of developments. Life insurance companies, the principal lenders in private bond placements, have markedly expanded their investments in lower-rated corporate issues. In both the private and the public bond markets, lower-rated borrowers benefited from the general decline in corporate security yields through most of 1977 and from the reduction in risk premiums on lower-rated obligations. The spread between seasoned publicly traded Baa and Aaa corporate bonds, for example, fell steadily during 1977—down to 80 basis points late in the year, which was more than 120 basis points below the unusually wide spread of early 1975.

Bond yields generally declined through the first three quarters of the year. But late in the year long-term rates moved up, responding in part to earlier increases in short-term rates and to market expectations that future credit demands might be greater than had been anticipated previously. Evidence of accelerating inflation helped to push yields on long-term securities even higher in the early months of 1978. This rise in bond rates may have temporarily discouraged some nonfinancial corporate borrowers from entering into long-term borrowing arrangements, further slowing the pace of new bond offerings, both public and private, in the first quarter and contributing to the greater corporate demand for bank loans.

The moderate pace of bond financing in 1977 was accompanied by a marked increase in mortgage borrowing by nonfarm nonfinancial corporations. Such borrowing is estimated to have accounted for more than one-fourth of the net funds raised in markets by these companies and apparently was related to stronger activity in commercial and industrial construction, as well as to the sale and refinancing of existing commercial structures at greatly increased market values. About half of these commercial mortgage funds, part of which were actually construction loans, were supplied by banks. Life insurance companies, as well as thrift institutions, acquired an increased amount of commercial mortgages last year. Moreover, continued strength in business mortgages was presaged by a record level of outstanding mortgage commitments at a sample of life insurance companies at year-end 1977.

Corporate stock price movements



The Dow Jones industrial average, NYSE composite index, and Standard & Poor's utilities index are monthly averages normalized to equal 100 in December 1974.

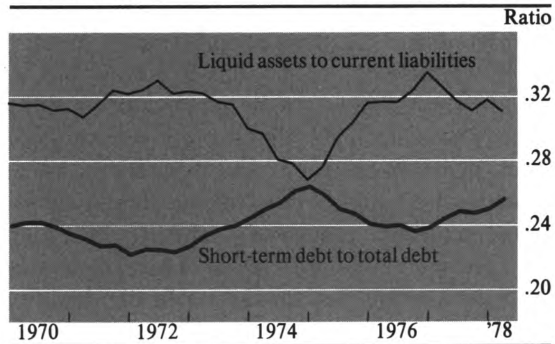
Equity financing in 1977 was carried out during a period of generally declining stock prices. The broadly based New York Stock Exchange composite index, for example, fell by more than 9 per cent in 1977. The shares of large, heavily capitalized industrial firms suffered even greater erosion of market value, as reflected by a 17 per cent decline in the Dow Jones industrial average during the same period.

The generally lower level of share prices discouraged stock issuance, and net equity issues by nonfinancial corporations in 1977 fell below the moderate levels of 1975–76. In 1977, as in other recent years, public utilities accounted for the larger part of gross offerings of common and preferred stocks. Share prices for the common stock of utilities outperformed those for major industrial stocks; but the continued large volume of issues of utility stocks was more likely attributable to constraints on debt–equity structures embedded in the terms of existing debt indentures of many utilities and to their need to maintain or improve the credit ratings of their bond issues.

The poor performance of the stock market also contributed to an increase in stock retirements during 1977. Many corporations, stimulated in part by low market prices for their stock relative to book value, repurchased outstanding equity during the past year. In some cases such repurchases were undertaken by highly liquid firms that feared a takeover by other corporations seeking to expand or to improve their cash positions.

Such fears seemed justified in light of the accelerated pace of mergers and acquisitions in 1976 and 1977. Many firms apparently found it more advantageous to expand through the purchase of existing assets than to undertake new investment. A combination of factors—low stock prices for seemingly sound firms, uncertain returns associated with new capital projects, and the availability of substantial investment funds from large corporations—contributed to the resurgence of merger activity. Since a large volume of such mergers and acquisitions was financed through cash payments and, to a lesser extent, through the exchange of debt for equity, the increase in this activity served to reduce substantially the net new equity issues of nonfinancial corporations last year. The continuing high level of merger activity and of stock retirements in 1978 is reflected in the net reduction of outstanding equity of nonfinancial corporations in the first quarter of 1978.

Liquidity measures for nonfinancial corporations



Liquid assets include currency, demand and time deposits, U.S. Government securities, State and local obligations, and open market paper. Short-term debt consists of short-term bank loans, commercial paper, bankers acceptances, finance company loans, U.S. Government loans, and construction loans. Total current liabilities include short-term debt plus trade debt and profit taxes payable.

Flow of funds quarterly data seasonally adjusted. 1978 Q1 preliminary.

CORPORATE LIQUIDITY

Nonfinancial corporations made relatively small additions to their holdings of liquid assets during 1977, in sharp contrast with their rapid accumulation of financial assets during the previous 2 years. The acquisition of large amounts of liquid assets was characteristic of corporate financial behavior during this post-recession period and figured importantly in the restructuring of balance sheets undertaken by many corporations. Much of the attention that corporations have paid to financial structure has been in reaction to the extremely tight liquidity positions and attendant financial strains experienced during the 1973–75 recession.

Between the end of 1974 and the end of 1976, the ratio of liquid assets to current liabilities for nonfinancial corporations—an aggregate measure of liquidity positions—rose fairly steadily to 33 per cent from an historical low of 27 per cent at the recession trough. However, during 1977 the rapid growth of current liabilities, coupled with only moderate increases in liquid asset holdings, caused this liquidity measure to decline appreciably. By year-end 1977 this ratio had fallen below 32 per cent and was only slightly higher than at the end of 1975.

Associated with the continued expansion of economic activity, substantial increases in the trade debt of nonfinancial corporations accounted for half of the near-record $48 billion increase in current liabilities during 1977; much of the remainder reflected greater short-term borrowings from banks and finance companies. The strong growth of these other current liabilities in 1977 was partially offset by a decline in accrued profit-tax liabilities from a relatively high level in 1976.

The large increase in the current liabilities of nonfinancial corporations was accompanied by a rise in the ratio of short-term to total credit market debt for these concerns in 1977. The increase in this ratio indicated some deterioration in the maturity structure of corporate credit market debt and represented a reversal of the movement toward longer maturity structures that had begun after corporate financial imbalances were revealed during the 1974 recession. While the shortening of debt structures reflected in part the greater willingness of many firms to assume additional short-term debt, the aggregate ratio of short-term to total credit market debt in 1977 remained below the peak of late 1974.

Underlying the deterioration in aggregate measures of corporate liquidity were varying degrees of change in the liquidity positions of certain industries. For example, according to data compiled by the Federal Trade Commission, the ratio of liquid assets to current liabilities for nondurable goods manufacturing firms as a whole declined significantly during 1977 from its relatively high level at year-end 1976, whereas the liquidity ratio for the durable goods manufacturing industry declined little on average from its 1976 level. These data also indicate a slight further decline in the liquidity position of the wholesale-trade sector during 1977. In contrast, the retail-trade sector in 1977 experienced little deterioration on average in its liquidity ratio from the high level of 1976.

As internal cash flows decreased in the early months of 1978, nonfinancial corporations substantially increased short- and intermediate-term borrowings and reduced their acquisitions of liquid assets. These actions led to additional deterioration in their liquidity ratios and, with the concurrent reduction in bond issuance, further shortened the maturity structure of their debt.

On balance, however, the aggregate liquidity position of nonfinancial corporations at the end of the first quarter of 1978 remained significantly above the recession-induced low of late 1974—at a level near that prevailing in the early 1970's. Moreover, corporate profits are expected to rebound from their first-quarter slump. The resulting improvement in cash flows during the remainder of the year should facilitate financing of anticipated capital expenditures without serious deterioration of corporate financial positions. □

Insured Commercial Bank Income in 1977

Net income of insured commercial banks increased during 1977 by $1 billion to $8.9 billion. This 13 per cent change in profits was slightly above the average rate of growth from 1969 through 1976. Profit rates, while marginally higher than in 1976, nevertheless remained below their pre-1975 levels whether measured as returns on assets or on equity.

In general, the sharp rise in short-term market yields during 1977 resulted in virtually equal increases in gross interest income and expenses. Thus, there was a negligible change in aggregate net interest margins—the difference between interest earned on portfolios and interest paid for funds. The most important source of profit strength relative to 1976 was a substantial improvement in the credit quality of loan portfolios as measured by loan-loss provisions.

Industry performance results, which are summarized in Table 1, reflect the weight of the largest banks. Income in 1977 at those institutions was held back by relatively weak loan demand from their large corporate customers. Intermediate-sized banks, those with assets between $100 million and $1 billion, experienced the strongest income gains during 1977. At those banks, widened net interest margins, supported by strong loan demand as well as a reduction in loan-loss provisions, brought profit rates up by 9 per cent from 1976.

1. Income and expenses of all insured commercial banks

As per cent of average assets[1]

Item	1974	1975	1976	1977
Gross interest earned[2]	6.19	5.45	6.38	6.46
Gross interest expense	3.55	2.85	3.47	3.54
Net interest margin	2.64	2.60	2.91	2.92
Noninterest income[2]	.70	.81	.72	.71
Loan loss provision	.23	.33	.32	.26
Other noninterest expense	2.17	2.23	2.44	2.45
Income before tax	.94	.85	.88	.92
Taxes[3]	.21	.17	.21	.23
Other [4]	−.01	.01	.03	.01
Net income	.72	.69	.70	.71
Cash dividends declared	.28	.29	.27	.26
Net retained earnings	.44	.40	.43	.45
MEMO ITEMS:				
Taxable equivalent net interest margin[5]	3.06	3.02	3.32	3.32
Average net assets, billions of dollars	985	1,059	1,131	1,257

1 Average of beginning and end-of-year fully consolidated assets net of loan-loss reserves.

2 Beginning in 1976, interest on balances with banks was reported separately; prior to that it was an undefined component of other noninterest income. In 1976, it amounted to .39 per cent of average assets.

3 Includes all taxes estimated to be due on income, on extraordinary gains, and on securities gains.

4 Includes securities and extraordinary gains or losses (−) gross of taxes.

5 For each bank with profits before tax of at least $25,000, income from State and local obligations was increased by the lesser of that interest income or profits before tax, but by no less than zero. For banks with profits before tax between zero and $25,000, one-third of the lesser of profits or State and local interest income was added.

NOTE.—Shaded area reflects domestic operations only. See footnote to Appendix Table 1 regarding important definitional changes that occurred in 1976.

NET INTEREST MARGINS

For the commercial banking industry as a whole, the aggregate net interest margin changed imperceptibly from 1976. Gross interest income increased both because of some portfolio shifting away from generally lower-yielding securities into loans and also because of a sharp rise in effective interest rates on loan portfolios. Gross interest expense increased by virtually the same amount, however, as the proportion of assets funded by interest-bearing liabilities was higher, on average over the year, than in the preceding year.

GROSS INTEREST INCOME

Higher rates of return on loans combined with a portfolio shift away from securities led to an improvement in gross interest income during

NOTE.—This article was prepared by Barbara N. Opper of the Board's Division of Research and Statistics. Peter Lloyd-Davies prepared the Technical Note, and Nancy Pittman developed the data base.

2. Rates of return on fully consolidated portfolios of all insured commercial banks[1]

Per cent

Item	1976	1977
Securities—Total	6.26	6.22
U.S. Treasury	6.98	6.86
U.S. Government agencies and corporations	7.41	7.30
State and local	5.15	5.08
Other	7.68	8.92
Loans—Gross	8.89	9.15
Net of loan-loss provisions	8.24	8.63
Total securities and gross loans	8.15	8.35
Taxable equivalent:[2]		
Total securities	8.43	8.43
State and local	10.11	10.18

[1] Calculated as described in the Technical Note.
[2] See footnote 5 to Table 1.

1977. Table 2 presents averages of effective rates of return on consolidated portfolios during 1976 and 1977.[1]

The over-all return on investment securities fell slightly, but on a taxable equivalent basis it was unchanged.[2] Rates of return on obligations of the U.S. Treasury and Government agencies averaged more than 10 basis points below their 1976 levels. The taxable equivalent average yield on State and local obligations increased but only because the improved profitability of banks during 1977 implied greater value to the tax preference feature of those securities. Without adjusting for taxable equivalence the average yield on State and local obligations fell 7 basis points. There was little difference in the term structure of securities held at the beginning and end of 1977, so returns were not likely to have been affected by maturity changes during the year.

Loan portfolio yields increased substantially during 1977. At small banks loan portfolio returns increased more than 30 basis points. These banks have loans that tend to have fixed rates and intermediate or longer maturities, and given strong loan growth, average returns on loans have tended to increase annually during the 1970's regardless of short-term swings in interest rates. Major money center banks experienced a smaller increase in loan yields during 1977—about half that of the small banks—despite a substantial increase in the prime rate over the course of the year.[3]

The net return on loan portfolios increased substantially, reflecting the improvement in loan credit quality from the weakness that had persisted since 1973. That rate of return, computed by netting loan-loss provisions from the gross interest earned on loans, rose nearly 40 basis points. The largest increase—almost 50 basis

[1] See the Technical Note (p. 447) for a description of the method of calculating annual effective rates. Discussion of specific income and expense items is confined to the years 1976 and 1977 because of problems of comparability with earlier years; the Note to the appendix tables (p. 446) describes the definitional changes that occurred in 1976.

[2] Footnote 5 to Table 1 describes the method used to derive taxable equivalent interest income.

[3] The money center group consists of 13 of the biggest banks, which tend to have a very large portion of assets in money market instruments and have access to worldwide money markets for issuing liabilities.

3. Average composition of portfolios of all insured commercial banks

As per cent of total assets gross of loan-loss reserves

Item	Domestic				Fully consolidated		
	1974	1975	1976	1977	1975	1976	1977
Interest-earning assets	80.6	80.0	79.9	79.5	77.5	77.3	77.0
Loans	55.5	53.8	52.0	52.1	54.4	53.1	53.4
Securities	21.0	22.1	23.9	23.2	19.5	20.8	20.0
U.S. Treasury	6.0	7.1	9.2	9.2	6.2	7.9	7.8
U.S. Government agencies	3.4	3.5	3.5	3.3	3.0	3.0	2.8
State and local	10.9	10.7	10.6	10.2	9.3	9.1	8.7
Other bonds and stock	.7	.7	.6	.5	1.0	.8	.8
Gross Federal funds sold	4.1	4.1	4.0	4.2	3.6	3.4	3.6
MEMO:							
Average gross assets, billions of dollars, end of period	866	921	958	1,056	1,060	1,116	1,244

NOTE.—Percentages are based on aggregate data and thus reflect the relatively heavier weighting of large banks. Data are based on averages of call dates. For 1976 and 1977, data for December of the preceding year and of March, June, September, and December of the current year were averaged. Before that, there were no March and September call dates.

points—occurred at banks with assets between $100 million and $1 billion.

The 1977 shift in the composition of portfolios at insured banks (Table 3) resulted in some reversal of the build-up in highly marketable assets that had occurred since 1974. The general strength in loan demand during 1977 contrasted with the weakness observed during 1976. The volume of marketable securities acquired for investment portfolios continued to expand, though not nearly so fast as loans. Consolidating both foreign and domestic operations, the proportion of assets in loans increased during 1977; by the end of the year (not shown in Table 3), that proportion had increased to approximately the levels of year-end 1975.

Gross Interest Expense

Banks utilized more interest-bearing liabilities on average during 1977 than 1976 and paid about the same rates of interest in both years. As a result, over-all gross interest expense increased; it grew by almost the same amount as had gross interest income.

Average effective rates paid for funds in 1976 and 1977 are shown in Table 4. In all but two cases, those average rates belie the sharp increase in market yields that occurred toward the end of 1977, an increase that brought those yields above Regulation Q ceilings on equivalent maturity deposits. Only "Other deposits"—generally small-denomination time and savings deposits—and gross Federal funds and repurchase agreements showed rate increases during 1977. The rise shown in Table 4 in the average interest paid on small time and savings deposits is at least partially a statistical artifact; the average rate in 1976 was understated by the effect of very rapid expansion in those accounts near the year-end.

The average composition during the year of financial claims at all insured commercial banks is seen in Table 5. During the year, interest-bearing liabilities funded a higher proportion of assets than during 1976. That difference alone (that is, from 62 to 63 per cent) accounted for about $12 billion in additional interest-bearing liabilities outstanding on average during 1977. Most of the increase occurred in a build-up of the share of domestic savings and small-denomination time deposits. "Managed liabilities," representing highly market-sensitive instruments and shown in the Memo part of Table 5, decreased as a per cent of assets on average during the year.

4. Rates paid for funds, fully consolidated, by all insured commercial banks[1]

Per cent

Type of fund	1976	1977
Time and savings accounts	5.74	5.72
Negotiable CD's	5.97	5.58
Deposits in foreign offices	5.97	5.94
Other deposits	5.58	5.67
Subordinated notes and debentures	7.43	7.38
Other liabilities for borrowed money	7.96	7.56
Gross Federal funds purchased and Rp's	5.57	6.10
Total	5.77	5.79
MEMO: Total not covered by Regulation Q	5.96	5.92

[1] Calculated as described in the Technical Note.

5. Average composition of financial claims of all insured commercial banks

As per cent of total assets gross of loan-loss reserves

Item	Domestic offices		Fully consolidated	
	1976	1977	1976	1977
Financial claims	89.1	89.4	90.1	90.4
Demand deposits	32.6	32.1	28.0	27.2
Interest-bearing claims	56.5	57.3	62.1	63.2
Time and savings accounts	49.2	49.0	55.5	55.6
Large time	14.8	13.3	13.8	11.4
In foreign offices	......	......	13.2	14.1
Other domestic	34.4	35.7	28.5	30.1
Subordinated notes and debentures	.5	.5	.4	.4
Other borrowings	.5	.6	.8	.9
Gross Federal funds purchased	6.3	7.2	5.4	6.2
MEMO:				
Managed liabilities	22.1	21.6	33.6	33.1
Average gross assets, billions of dollars	958	1,056	1,116	1,244

[1] Of $100,000 and over issued by domestic offices.

NOTE.—Percentages are based on aggregate data and thus reflect the relatively heavier weighting of large banks. Data are based on averages of call dates for December of the preceding year and March, June, September, and December of the current year.

NONINTEREST INCOME

The 8 per cent advance in noninterest income during 1977 was about equal to average asset growth, leaving the ratio of the two virtually

6. Noninterest income of insured commercial banks

As per cent of the average of beginning and end-of-year fully consolidated assets net of loan-loss reserves

Item	1976	1977
Fiduciary activities	.16	.16
Service charges on deposit accounts in domestic offices	.14	.14
Other service charges, commissions, and fees	.19	.19
Direct lease financing	.05	.06
Dividends on stock	.01	.01
Trading account income (net)	.06	.03
Equity in net income of unconsolidated subsidiaries	.01	.01
All other	.11	.11
Total	**.72**	**.71**

unchanged (Table 6). Net trading account income declined sharply during 1977, probably in association with difficulties encountered during a year of nearly steadily increasing short-term market yields.

LOAN-LOSS PROVISIONS

The quality of loan portfolio credit showed very strong improvement during 1977 (Table 7). For the industry, loan charge-offs net of recoveries dropped by $700 million from 1976. Most of that improvement occurred at banks with assets of $1 billion or more, which had previously experienced the largest increases in charge-offs.

Relative to average loan portfolios, net losses declined about one-fourth to 0.41 per cent. The largest banks experienced the greatest improvement in the rate of net loan losses. At the end of 1977, banks with assets of $1 billion or more had a loss rate only 13 basis points above that of the smallest banks; by contrast, in 1976 their loss rate was 24 basis points higher. (At the beginning of the 1970's their loss rates were about equal.)

This abatement in the rate of loan charge-offs was an important factor sustaining profitability in 1977. Loan-loss provisions are, of course, related to net charge-offs and have a direct influence on reported income. Provisions for loan losses declined in relation to average assets for all sizes of banks shown in Table 7. Importantly, the declines were largest for the banks with assets of $100 million or more; those banks had experienced the sharpest increase in loan losses in 1974 and 1975.

7. Loan portfolio losses and recoveries of insured commercial banks

Amounts in millions of dollars

Item	All banks	Banks with assets of— Less than $100 million	$100 million to $1 billion	$1 billion or more[1]
	1976			
Losses charged	4,158	788	821	2,548
Recoveries	684	199	159	326
Net losses	3,474	589	662	2,222
(as per cent average loans)	.57	.41	.54	.65
Loan-loss provision	3,650	663	702	2,286
	1977			
Losses charged	3,549	720	674	2,156
Recoveries	809	210	177	422
Net losses	2,740	510	497	1,734
(as per cent average loans)	.41	.33	.37	.46
Loan-loss provision	3,244	632	609	2,003

[1] The net losses as a per cent of average loans in both 1976 and 1977 were virtually the same at money center banks as at other banks with at least $1 billion in assets.

OTHER NONINTEREST EXPENSES

Growth in each of the major components of noninterest expenses other than loan-loss provisions kept pace with asset growth during 1977 (Table 8). Only in the residual category of undefined operating expenses was there any change at all compared with 1976, and that was a very small increase. Control of these operating expenses has been emphasized since 1974. To some extent, the reduction in loans charged off may have implied lower administrative expenses associated with monitoring problem loans.

8. Noninterest expenses of all insured commercial banks

As per cent of the average of beginning and end-of-year fully consolidated assets net of loan-loss reserves

Expense	1976	1977
Salaries and employee benefits	1.30	1.30
Occupancy expense:		
Gross	.29	.29
Rental income	.04	.04
Net	.24	.24
Furniture and equipment	.15	.15
Other	.75	.76
Total	**2.44**	**2.45**

NET RETURNS AND RETAINED EARNINGS

Aggregate returns on average assets increased 1 basis point from 1976 (Table 9). By contrast, net returns on average assets at the major money center banks were 4 basis points lower in 1977 than in 1976. Those banks experienced narrower net interest margins and lower noninterest income than in 1976, both of which probably are associated with the weaker loan demand that those banks faced during 1977.[4] On the other hand, at banks with assets of less than $1 billion, net returns on average assets increased 4 basis points during 1977. For the bulk of the industry's population, therefore, 1977 was a year of profit gains. Banks reporting positive profits before tax numbered 13,438 in 1977, up from 12,557 in 1976; those reporting losses fell to 959 in 1977 from 1,868 in 1976.

9. Profit rates of insured commercial banks

Per cent

Item	1973	1974	1975	1976	1977
Return on average assets—All [1]	.75	.72	.69	.70	.71
Less than $1 billion	.92	.91	.83	.86	.90
$1 billion or more	.61	.57	.57	.57	.56
Not money center	.62	.58	.59	.60	.62
Money center	.60	.56	.56	.54	.50
Return on average equity—All[2]	12.9	12.6	11.8	11.6	11.8
Less than $1 billion[3]	13.2	12.5	11.3	11.6	12.2
$1 billion or more[3]	12.5	12.8	12.5	11.6	11.3
Not money center	12.0	11.7	11.2	10.6	11.2
Money center	13.2	14.2	13.8	12.3	11.4

[1] Net income as a per cent of average of beginning- and end-period fully consolidated assets net of loan-loss reserves.

[2] Average of beginning- and end-period equity capital, defined narrowly to exclude loan-loss reserves and subordinated debt.

[3] Size categories are based upon fully consolidated assets.

Returns on average equity, an important influence on the cost of equity capital, rose slightly for the industry as a whole, although those returns remained well below levels in 1974 and earlier years. Large, not money center banks, as well as banks with assets of less than $1 billion, experienced substantial improvement in this measure, however, which has risen nearly to its 1974 level. At the major money center banks, on the other hand, returns on equity fell again for the third consecutive year.

Dividend payout ratios during 1977 fell at all the groups of banks shown in Table 10 except the major money center banks, which attempted to maintain dividends despite weaker earnings. The over-all result was an increase in net retained income of $765 billion, two-thirds of which was accounted for by banks with assets of less than $1 billion (Table 11). Reversing the unusual situation in 1976, retained earnings again accounted for about three-fourths of the increase in equity capital during 1977.

10. Cash dividends declared on preferred and common stock by insured commercial banks

Per cent of net income

Banks, by size[1]	1974	1975	1976	1977
With consolidated assets of—				
Less than $100 million	28	30	27	26
$100 million–$1 billion	46	46	45	37
$1 billion and over:				
Not money center	48	53	47	46
Money center	43	44	43	45
All banks	39	42	39	37

[1] Comparability across size categories may be influenced by holding company affiliation, which is far more prevalent among big banks.

11. Sources of increase in total equity capital at all insured commercial banks

Millions of dollars

Year	Net retained income[1]		Net increase in equity capital		Retained income as per cent of increase in equity capital	
	Total	Large banks[2]	Total	Large banks[2]	Total	Large banks[2]
1972	3,438	1,190	4,579	1,612	75	74
1973	4,131	1,491	5,455	1,849	76	81
1974	4,307	1,666	5,631	1,977	76	84
1975	4,224	1,690	5,526	2,396	76	71
1976	4,834	1,909	7,254	3,371	67	57
1977	5,599	2,157	7,094	2,939	79	73

[1] Net income less cash dividends declared on preferred and common stock.

[2] Banks with fully consolidated assets of $1 billion or more.

NOTE.—In 1976, equity capital was affected by one-time accounting changes in the treatment of loan-loss and valuation reserves. The data shown above for 1976 have been adjusted to correct for that definitional change.

[4] During 1977 fully consolidated loan portfolios grew 13 per cent at money center banks, 14 per cent at other banks with assets of at least $1 billion, 16 per cent at banks with assets between $100 million and $1 billion, and 19 per cent at banks with assets less than $100 million.

A.1 Report of income for all insured commercial banks

Amounts shown in millions of dollars

Item	1970	1971	1972	1973	1974	1975	1976	1977
Operating income—Total	**34,574**	**36,204**	**40,065**	**52,794**	**67,872**	**66,285**	**80,388**	**90,069**
Interest on:								
Loans	22,859	22,954	25,498	35,213	46,942	43,197	51,471	58,811
Balances with banks	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4,459	4,860
Federal funds sold and securities purchased under resale agreement	1,004	870	1,023	2,474	3,695	2,283	1,979	2,471
Securities (excluding trading accounts)—								
Total interest income	*6,523*	*7,660*	*8,329*	*9,138*	*10,344*	*12,201*	*14,333*	*15,140*
U.S. Treasury securities	3,069	3,384	3,376	3,436	3,414	4,415	5,952	6,369
U.S. Government agencies and corporations	686	914	1,144	1,469	2,014	2,343	2,410	2,466
States and political subdivisions	2,617	3,124	3,490	3,861	4,449	4,911	5,116	5,338
Other bonds, notes, and debentures	151	238	319	372	467	532	750	858
Dividends on stock	(1)	(1)	(1)	(1)	(1)	(1)	105	109
Trust department	1,132	1,258	1,366	1,460	1,506	1,600	1,795	1,980
Direct lease financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	534	699
Service charges on deposits	1,174	1,226	1,256	1,320	1,450	1,547	1,629	1,797
Other changes, fees, etc	839	981	1,079	1,247	1,405	1,647	2,175	2,404
Other operating income	1,043	1,256	1,512	1,942	2,530	3,811	2,011	1,903
On trading account (net)	348	344	257	341	430	508	717	420
Other	695	912	1,255	1,601	2,100	3,303	1,205	1,350
Equity in return of unconsolidated subsidiaries	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	89	133
Operating expenses—Total	**27,465**	**29,511**	**32,836**	**44,113**	**58,645**	**57,313**	**70,466**	**78,484**
Salaries, wages, and employee benefits	7,683	8,355	9,040	10,076	11,526	12,624	14,686	16,276
Interest on:								
Time and savings deposits	10,444	12,168	13,781	19,747	27,777	26,147	34,894	38,701
Interest on time CD's of $100,000 or more issued by domestic offices	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	7,083	6,732
Interest on deposits in foreign offices	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	8,745	10,216
Interest on other deposits	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	19,066	21,753
Federal funds purchased and securities sold under repurchase agreements	1,396	1,093	1,425	3,883	5,970	3,313	3,305	4,536
Other borrowed money	464	139	115	499	912	374	665	816
Capital notes and debentures	104	142	212	253	280	292	343	391
Occupancy expense	1,547	1,721	1,915	2,141	2,424	2,739	3,247	3,587
Less rental income	299	318	340	367	383	427	494	551
Net	1,249	1,403	1,575	1,774	2,041	2,312	2,752	3,036
Furniture and equipment	905	1,014	1,083	1,196	1,355	1,525	1,712	1,923
Provision for loan losses	695	860	964	1,253	2,271	3,578	3,650	3,244
Other operating expenses	4,525	4,337	4,640	5,432	6,514	7,149	8,456	9,561
Minority interest in consolidated subsidiaries	....	....	1	1	....	....	29	24
Other	4,525	4,337	4,639	5,431	6,514	7,149	8,427	9,537
Income before taxes and securities gains or losses	7,109	6,693	7,229	8,681	9,227	8,973	9,922	11,585
Applicable income taxes	2,173	1,688	1,708	2,120	2,084	1,790	2,287	2,829
Income before securities gains or losses	4,936	5,005	5,522	6,560	7,143	7,182	7,635	8,756
Net securities gains or losses (−) after taxes	−105	210	90	−27	−87	35	190	95
Extraordinary charges (−) or credits after taxes	−13	−1	18	22	12	32	24	47
Net income	4,818	5,213	5,630	6,555	7,068	7,249	7,849	8,898
Cash dividends declared	2,036	2,227	2,191	2,423	2,760	3,025	3,029	3,299
MEMO:								
Number of banks	13,502	13,602	13,721	13,964	14,216	14,372	14,397	14,397

1 Included in income from other bonds, notes, and debentures.
n.a. not available.

NOTES ON THE COMPARABILITY OF COMMERCIAL BANK INCOME DATA BEFORE 1976

Certain important definitions in the Report of Income and Dividends were changed in 1976, impairing comparability with prior years. The most important is the degree of consolidation. Although net income after taxes in all of the year shown reflects fully consolidated operations, in 1975 and earlier years net income from foreign branches and subsidiaries was added as a single entry as part of "all other income." Beginning with 1976, the statement is fully consolidated so that all of the components—such as interest revenue, interest expense, and so on—include the gross revenues and expenses of foreign branches and subsidiaries. This change is pertinent only to the 145 commercial banks that operated foreign branches or subsidiaries during 1976, none of which had consolidated assets below $100 million.

Another change affects "other" income. In 1976, "interest on balances with banks" was set out separately for the first time. This item reflects primarily Eurodollar redeposits and is believed to be considerably larger in 1976 than in earlier years. Most of "interest on balances with banks" is accounted for by the largest banks and by those that operate abroad via subsidiaries or branches.

Several other noteworthy changes were made in the Report of Income and Dividends. Income on securities other than those issued by governments is broken down in 1976 between interest income on obligations issued by nongovernmental units and dividend income earned on Federal Reserve and other stock. More detail was reported on interest paid on deposits in 1976; interest paid on large time certificates of deposit issued by domestic offices, interest on foreign deposits, and interest paid on other domestic time and savings deposits are now set out separately. Additionally, income from direct lease financing is now shown.

A.2 Report of income for member commercial banks

Amounts shown in millions of dollars

Item	1970	1971	1972	1973	1974	1975	1976	1977
Operating income—Total	**27,902**	**28,665**	**31,344**	**41,616**	**53,837**	**51,368**	**63,639**	**70,514**
Interest on:								
Loans	18,698	18,315	20,053	28,266	38,063	33,749	40,901	46,060
Balances with banks	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4,263	4,671
Federal funds sold and securities purchased under resale agreement	781	676	794	1,847	2,724	1,716	1,511	1,918
Securities (excluding trading accounts)—								
Total interest income	*4,832*	*5,661*	*6,087*	*6,532*	*7,237*	*8,559*	*10,111*	*10,584*
U.S. Treasury securities	2,209	2,434	2,412	2,393	2,343	3,166	4,248	4,478
U.S. Government agencies and corporations	415	578	731	943	1,268	1,463	1,475	1,509
States and political subdivisions	2,090	2,467	2,710	2,928	3,300	3,576	3,686	3,794
Other bonds, notes, and debentures	118	182	234	268	326	354	612	712
Dividends on stock	(1)	(1)	(1)	(1)	(1)	(1)	90	91
Trust department	1,073	1,180	1,269	1,344	1,379	1,457	1,625	1,776
Direct lease financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	508	664
Service charges on deposits	867	895	905	940	1,023	1,086	1,122	1,206
Other changes, fees, etc	682	796	864	998	1,152	1,359	1,808	1,967
Other operating income	970	1,130	1,372	1,789	2,261	3,442	1,789	1,662
On trading account (net)	346	340	254	338	425	497	696	407
Other	624	800	1,118	1,451	1,836	2,945	1,009	1,124
Equity in return of unconsolidated subsidiaries	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	86	131
Operating expenses—Total	**22,184**	**23,342**	**25,648**	**35,037**	**46,815**	**44,410**	**55,924**	**61,706**
Salaries, wages, and employee benefits	6,154	6,638	7,096	7,808	8,834	9,624	11,301	12,395
Interest on:								
Time and savings deposits	8,189	9,426	10,518	15,382	21,812	19,800	27,745	30,363
Interest on time CD's of $100,000 or more issued by domestic offices	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	5,895	5,461
Interest on deposits in foreign offices	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	8,672	10,124
Interest on other deposits	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	13,178	14,778
Federal funds purchased and securities sold under repurchase agreements	1,365	1,073	1,387	3,765	5,714	3,151	3,150	4,322
Other borrowed money	444	127	103	473	871	336	638	790
Capital notes and debentures	90	123	184	204	217	228	273	303
Occupancy expense	1,275	1,408	1,556	1,724	1,929	2,155	2,564	2,804
Less rental income	263	278	296	316	325	363	418	459
Net	1,012	1,130	1,260	1,408	1,603	1,792	2,146	2,345
Furniture and equipment	722	797	848	924	1,037	1,154	1,305	1,456
Provision for loan losses	534	682	768	994	1,858	3,050	3,042	2,633
Other operating expenses	3,674	3,346	3,484	4,079	4,870	5,275	6,323	7,100
Minority interest in consolidated subsidiaries	......	......	......	......	......	......	28	22
Other	......	......	......	......	......	......	6,295	7,078
Income before taxes and securities gains or losses	5,718	5,322	5,696	6,679	7,022	6,958	7,715	8,807
Applicable income taxes	1,774	1,348	1,356	1,653	1,591	1,453	1,929	2,311
Income before securities gains or losses	3,942	3,974	4,340	5,025	5,431	5,505	5,786	6,496
Net securities gains or losses (−) after taxes	−107	144	47	−30	−69	17	111	40
Extraordinary charges (−) or credits after taxes	−15	−3	14	15	3	23	17	38
Net income	3,821	4,116	4,401	5,011	5,365	5,546	5,914	6,576
Cash dividends declared	1,753	1,907	1,840	2,019	2,271	2,476	2,451	2,640
MEMO:								
Number of banks	5,767	5,727	5,704	5,735	5,780	5,787	5,758	5,668

1 Included in income from other bonds, notes, and debentures.
n.a. not available.

TECHNICAL NOTE

In order to calculate the rates of return presented in this article, it was assumed that the value of the portfolios under consideration always grew at a constant percentage rate throughout the year. Mathematically, if we let $A(t)$ represent the value of the assets at time t, where t is the fraction of the year that has elapsed, this assumption implies that:

$$A(t)=A(0)\left[\frac{A(1)}{A(0)}\right]^{t}$$

If interest is compounded continuously at rate r, total interest is given by:

$$I=\int_0^1 rA(t)dt$$

These two equations may then be solved for r in terms of total interest and year-beginning and year-end asset values.

Finally, the rate may be converted into a simple interest rate (that is, by using annual rather than continuous compounding). The resulting formula, which is used in the article, may be written:

$$i=\left[\frac{A(1)}{A(0)}\right]^{\frac{I}{A(1)-A(0)}}-1$$

Treasury and Federal Reserve Foreign Exchange Operations: Interim Report

This interim report, covering the period February through April 1978, is the eleventh of a series providing information on Treasury and System foreign exchange operations to supplement the regular series of semiannual reports that are usually issued each March and September. It was prepared by Alan R. Holmes, Manager, System Open Market Account, and Executive Vice President in charge of the Foreign Function of the Federal Reserve Bank of New York, and Scott E. Pardee, Deputy Manager for Foreign Operations of the System Open Market Account and Vice President in the Foreign Function of the Federal Reserve Bank of New York.

In late 1977 and early 1978, the U.S. dollar came under generalized selling pressure in increasingly disorderly exchange market conditions. Among the steps taken by the U.S. authorities to counter the disorder, the foreign exchange trading desk of the Federal Reserve System had shifted in early January to a more open and forceful intervention approach utilizing the resources of both the Federal Reserve and the U.S. Treasury. These operations, in coordination with the intervention by the trading desks of foreign central banks, helped to restore a sense of two-way risk to the market, and dollar rates settled somewhat above their earlier lows. On January 31, swap drawings in German marks on the German Federal Bank had reached \$1,251.2 million equivalent by the Federal Reserve and \$407.4 million equivalent by the U.S. Treasury. The Federal Reserve had also drawn \$18.9 million equivalent of Swiss francs under the swap arrangement with the Swiss National Bank in order to finance intervention in that currency.

Despite these actions, market psychology remained extremely bearish toward the dollar. Abroad, economic growth continued to fall short of official expectations, holding out little promise of an early reduction in the U.S. trade and current-account deficits through a demand-induced expansion in our exports. In the United States, the administration's energy bill, designed to curb the rise of oil imports over time, remained bottled up in the Congress. Moreover, both a prolonged coal strike and the fierce winter weather had raised uncertainties about the near-term outlook for the domestic economy and the trade balance. And of growing concern to the market, the pace of inflation was quickening in the United States even as price increases in other major countries continued to moderate.

These concerns underlay the heavy selling pressure on the dollar that re-emerged toward

1. Federal Reserve reciprocal currency arrangements

In millions of dollars

Institution	Amount of facility, Apr. 30, 1978
Austrian National Bank	250
National Bank of Belgium	1,000
Bank of Canada	2,000
National Bank of Denmark	250
Bank of England	3,000
Bank of France	2,000
German Federal Bank	4,000*
Bank of Italy	3,000
Bank of Japan	2,000
Bank of Mexico	360
Netherlands Bank	500
Bank of Norway	250
Bank of Sweden	300
Swiss National Bank	1,400
Bank for International Settlements:	
Swiss francs/dollars	600
Other authorized European currencies/dollars	1,250
Total	22,160

* Increased by \$2 billion effective March 13, 1978.

2. Federal Reserve System transactions under reciprocal currency arrangements

In millions of dollars equivalent; drawings, or repayments (−)

Swap commitments	German Federal Bank	Swiss National Bank	Total
Jan. 31, 1978	1,251.2	18.9	1,270.1
Feb. 1–Apr. 30, 1978	592.6 −136.1	50.1	642.8 −136.1
Apr. 30, 1978	1,707.8	69.0	1,776.8

NOTE.—Figures may not add to totals because of rounding. Data are on a transaction-date basis.

mid-February. As the markets again became unsettled, U.S. authorities together with those of other major countries continued to intervene forcefully. The Federal Reserve Bank of New York operated on 10 trading days between February 10 and 28, selling a total of $714.5 million equivalent of marks. These sales were split evenly between the Federal Reserve and the Treasury and were financed by drawing on their respective swap lines with the German Federal Bank. The Federal Reserve also sold a further $50.1 million of Swiss francs, financed by drawings on its swap line with the Swiss National Bank.

By late February the dollar had declined generally, falling as much as 5 per cent against the German mark and 9 per cent against the Swiss franc. The Swiss authorities then imposed harsh new exchange controls, which went so far as to induce actual liquidations of nonresident investments in their country. With the exchange rate for the German mark approaching $0.50 (2.00 marks to the dollar), some traders feared that a clear breach of that level would lead to the broader use of exchange controls or of protectionist measures to contain the flow out of dollars. To the extent that such measures might trigger a snapback in dollar rates, some dealers were hesitant to take on new short positions at those levels, and a few moved to cover short positions taken earlier. Consequently, although the mark rate rose briefly above $0.50 in early March, it soon settled back without intervention by the Federal Reserve.

During March some of the market's more basic concerns began to ease. Once the coal strike was settled and the weather improved, the U.S. economy showed signs of renewed vigor. Following his confirmation as Chairman of the Board of Governors, G. William Miller argued that in view of the economy's underlying strength the focus of economic policy should be shifted toward curbing inflation. Moreover, both President Carter and Chancellor Schmidt indicated that new consultations on economic and financial policy were under way between the two governments. With this sense of movement on the policy front, some bidding for dollars emerged.

On March 13, following their discussions, the U.S. and German authorities issued a joint statement. Among the elements of agreement, both sides reaffirmed that continuing forceful action would be taken to counter disorderly conditions in the exchange markets and that close cooperation to that purpose would be maintained. The swap line between the Federal Reserve and the German Federal Bank was doubled to $4 billion. Moreover, the U.S. Treasury announced that it was prepared to sell $730 million equivalent of Special Drawing Rights (SDR's) to Germany and if necessary to draw on its reserve position at the International Monetary Fund to acquire currencies that might be needed for intervention. Some dealers had anticipated more far-reaching provisions, however, and immediately following release of the statement the dollar came under a heavy burst of selling pressure. On that day and the next, the Federal Reserve Bank of New York, in coordination with the German Federal Bank, again intervened forcibly, selling a further $372 million equivalent of marks financed through equal swap drawings by the System and the Treasury. Once the initial reaction passed, however, the market came into better balance.

3. Federal Reserve System repayments under special swap arrangement with the Swiss National Bank

In millions of dollars equivalent; issues, or redemptions (−)

Commitments, Jan. 31, 1978	470.1
Redemptions, Feb. 1–Apr. 30, 1978	−88.2
Commitments, Apr. 30, 1978	381.9

NOTE.—Data are on a transaction-date basis.

Toward the end of the month the dollar briefly came under pressure following announcement of a record $4.5 billion U.S. trade deficit for February and in the backwash of heavy flows into the Japanese yen. The New York Federal Reserve Bank intervened on 2 days, selling a total of $120.2 million of marks. Of that total $98.7 million equivalent was financed by equal drawings by the System and the Treasury on swap lines with the German Federal Bank, and the rest came from balances. The swap drawings raised the combined mark indebtedness of the U.S. authorities to a peak of $2,844 million equivalent, of which $1,844 million equivalent was drawn by the Federal Reserve and $1,000 million equivalent was by the Treasury.

In April further policy developments in the United States helped to generate a better tone for the dollar. President Carter announced a series of proposals against inflation and pressed the Congress to move ahead on energy legislation. For its part, the Congress scrapped some legislative items that were considered particularly inflationary and intensified its efforts toward a compromise on the energy bill. Also, as data on the monetary aggregates came in very strong, the Federal Reserve shifted to a less accommodative stance in the domestic money market, leading to a firming of interest rates. Both the exchange market and the U.S. stock market reacted favorably to these changes. The announcement by the Treasury of its intention to sell gold in a series of monthly public auctions beginning in May was also well received. In all, by the end of April the dollar had moved well away from its lows against most major currencies, rising by 4 per cent against the German mark.

With the markets generally more orderly and the dollar now more resilient to selling pressures, central bank intervention tapered off. The Federal Reserve Bank of New York intervened on only one more occasion in April, selling $3.9 million equivalent of marks out of balances on April 27. Otherwise, the Federal Reserve and the Treasury purchased mark balances from correspondents and in the market to begin to liquidate swap debt. By April 30 the Federal Reserve had repaid $136.1 million of drawings, reducing the amount outstanding to $1,707.8 million equivalent, and the Treasury had repaid $88.9 million equivalent, cutting its debt to $911.1 million of marks.

In addition, the Federal Reserve and the U.S. Treasury continued with the program agreed to in October 1976 for an orderly repayment of pre-August 1971 franc-denominated liabilities still outstanding with the Swiss National Bank. The Federal Reserve liquidated $88.2 million equivalent of special swap debt with the Swiss central bank, leaving $381.9 million equivalent of indebtedness still outstanding as of April 30. These repayments were financed with francs purchased directly from the Swiss National Bank, mainly against dollars, but also against marks and French francs. The U.S. Treasury's Exchange Stabilization Fund used Swiss francs purchased directly from the Swiss central bank to repay $123.4 million equivalent of franc-denominated securities, leaving $994.6 million equivalent of these obligations still outstanding as of April 30.

4. Drawings and repayments by foreign central banks and the BIS under reciprocal currency arrangements

In millions of dollars; drawings, or repayments (−)

Banks drawing on System	Outstanding Jan. 31, 1978	Feb. 1 through Apr. 30, 1978	Outstanding Apr. 30, 1978
BIS (against German marks)[1]	147.0	148.0 −295.0	....
Total	147.0	148.0 −295.0	....

[1] BIS drawings and repayments of dollars against European currencies other than Swiss francs to meet temporary cash requirements.

NOTE.—Data are on a value-date basis.

5. U.S. Treasury securities, foreign currency series, issued to the Swiss National Bank

In millions of dollars equivalent; issues, or redemptions (−)

Commitments, Jan. 31, 1978	1,118.0
Repayments, Feb. 1–Apr. 30, 1978	−123.4
Commitments, Apr. 30, 1978	994.6

NOTE.—Data are on a transaction-date basis.

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From time to time in public discussions and academic literature, reference has been made to foreign exchange profits and losses of the Federal Reserve and the U.S. Treasury. The Federal Reserve reports its realized net foreign exchange profits each year as part of its annual statement of earnings and expenses. The Exchange Stabilization Fund, which handles the foreign exchange operations of the U.S. Treasury, reports its net earnings on a quarterly basis in the *U.S. Treasury Bulletin.* The data shown in Table 6 recapitulate figures on realized gains and losses on an annual basis from 1961, when the U.S. authorities resumed foreign exchange operations. The figures do not include interest earnings on foreign currencies.

For the period 1961–70 a single figure is given for each institution, reflecting profits or losses arising from operations undertaken at the time. For 1971 to date the figures on current operations are shown separately from those on liquidations of foreign currency debts outstanding as of August 15, 1971, when the United States suspended convertibility of the U.S. dollar into gold. Although current exchange market operations in recent years have continued to yield net profits, intervention by the U.S. authorities has been conducted with the objective of countering disorderly conditions in the exchange market, not of aiming for profits. Indeed the experience has been that in the first instance, when the dollar is declining in a one-way market, swap debt mounts, and the U.S. authorities face possible losses on outstanding swap contracts. But once the market settles down and positions in the market are unwound, the dollar rates rise, providing the opportunity for the U.S. authorities to cover their debt at a reduced loss or even a profit. As a matter of policy, however, U.S. authorities have chosen to repay debt as quickly as market conditions permit so as to maintain the short-term nature of the swap facilities, rather than to wait for profits. The swap repayments in late April were at a loss, which is reflected in the figures for January through April 1978.

With respect to the net losses on foreign currency debt outstanding as of August 15, 1971, it must be remembered that the debt was incurred under a regime in which officially held dollars were convertible into gold held by the U.S. Treasury. These financing techniques were

6. **Net profits, and losses (—) on U.S. Treasury and Federal Reserve foreign exchange operations**

Millions of dollars

Year	Net profits, and losses (−)	
	Federal Reserve	Exchange Stabilization Fund
1961	....	.2
1962	.3	1.5
1963	.3	.9
1964	.1	− .1
1965	1.0	3.5
1966	1.4	3.2
1967	1.3	1.5
1968	8.1	2.2
1969	6.4	− 1.0
1970	3.0	−20.7
Total	21.9	− 8.8

Year	Net profits, and losses (−) related to current operations		Net profits, and losses (−) on liquidations of foreign currency debts outstanding as of Aug. 15, 1971	
	Federal Reserve	Exchange Stabilization Fund	Federal Reserve	Exchange Stabilization Fund
1971	3.7	3.7	− 11.9	14.1
1972	1.4	....	− 54.5	−160.3*
1973	1.3	....	− 47.5	−231.5*
1974	4.1	....	− 37.7	− 11.6*
1975	8.0	....	−250.2†	− .1*
1976	6.2	....	− 34.0	− 13.8
1977	4.6	....	−148.2	−113.0
Total	29.3	3.7	−583.9	−516.2
Jan.–Apr. 1978	− 8.1	− 2.8	− 77.5	−107.5

* Indicated net losses reflect revaluations of foreign currency liabilities to take account of the two dollar devaluations, except for $84.5 million in 1972 and $61.6 million in 1973 which were realized on repayments of debts.

† Of which $250.0 million reflects revaluations of foreign currency liabilities to take account of the two devaluations of the dollar.

NOTE.—Totals may not add because of rounding. The net profits and losses for the Federal Reserve are on a calendar-year basis. These figures may differ slightly from data reported in the Federal Reserve Board *Annual Reports* in which net profits and losses realized in the last days of some years were reflected in the income statement for the following year.

among the many adopted by major countries to reduce the use of gold while providing the holder of the debt with protection against exchange risk. After the suspension of dollar convertibility in 1971, the dollar was formally devalued twice, in 1972 and 1973, and was floated in 1973.

As recounted in this series of reports on Treasury and Federal Reserve operations, the debt has been repaid by a variety of means, but in fulfilling the contractual responsibility on exchange risk, the U.S. authorities have absorbed the losses set forth in Table 6. To the extent that the U.S. gold stock was in fact conserved by the original operations, the increase in the value of that gold at current market prices would be well in excess of the losses actually taken. □

Statements to Congress

Statement by Philip E. Coldwell, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Historic Preservation and Coinage of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, May 17, 1978.

I am pleased to present the views of the Board of Governors of the Federal Reserve System on H.R. 12444, a bill to change the size, weight, and design of the $1 coin, as well as other purposes. The Federal Reserve believes that a new $1 coin should be issued if it will result in a reduced demand for the $1 note. As I will discuss in greater detail, a circulating $1 coin would result in significant cost savings to the Federal Reserve, potentially exceeding $30 million each year. And, because Federal Reserve earnings in excess of costs are almost all returned to the Treasury, these Federal Reserve savings would be passed on to the Government. However, I also wish to stress the importance of taking whatever steps are necessary to ensure that the proposed new coin circulates freely, and reduces the demand for $1 notes.

Since 1920 the Federal Reserve has borne a major responsibility for the exchange of currency and coin. In accordance with the Treasury Operating Circular 55, the Federal Reserve Banks supply commercial banks with currency and coin upon request and also absorb excess currency and coin from commercial banks.

Currency and coin in circulation flows from commercial banks to Federal Reserve Banks, where it is verified and sorted. Reusable currency and coin is returned to the ordering banks, while mutilated or wornout currency is destroyed. Demand in excess of the fit money returned is met by shipment of new currency and new coin obtained from the Bureau of Engraving and Printing and the Bureau of the Mint. While the costs of minting and shipping new coin to the Reserve Banks are paid by the Bureau of the Mint, the costs of printing and shipping new currency are paid by the Federal Reserve System.

The Federal Reserve spent $48 million for the printing of new currency in fiscal year 1977. This cost represents roughly 7 per cent of the total operating costs of the Federal Reserve System. Of that $48 million, $28 million was spent to print nearly 2 billion $1 notes. Thus, if all these $1 notes were replaced by coins, the Federal Reserve would realize savings of $28 million in printing costs.

Of course, one must consider the cost of producing the coins in determining the true savings to the Government. The costs of producing the new coin will be slightly higher than the costs of printing a note—roughly 3 cents for the coin and 1.8 cents for the note. Even so, because the new coin is expected to last so much longer than the $1 note, we would still anticipate significant savings to the Government.

Most new $1 notes are used to replace worn-out notes. On the average, a new $1 note only lasts for 18 months before it is worn out and destroyed. On the other hand, the new $1 coin is expected to last for 15 years or more, a greater life expectancy by a factor of ten. Thus, while it costs $28 million annually to maintain a circulation pool of 2.4 billion $1 notes, replacing each note every 18 months, it would only cost $5 million annually to maintain the same size pool of dollar coins—a savings to the Government of $23 million each year. If coins only replaced half the $1 notes, the savings in production costs would still amount to $11 million.

In addition to the savings in printing costs, the Federal Reserve would also realize savings in lower handling costs for the coin, compared with the costs of handling notes. Currency is difficult to sort and verify, and the process for destroying unfit currency is particularly cumbersome and costly. Unfit notes are cut longitudinally, then the upper and lower halves are destroyed under separate controls. Our staff estimates the cost for processing 1,000 new coins at $.51 compared with $2.19 for processing 1,000 notes, including destruction costs. It is estimated that each dollar note is processed by the Federal Reserve an average of 1.13 times per year. Thus, if dollar coins replaced half the dollar notes, and if each coin were processed one time per year, the Federal Reserve would save an additional $2 million, annually, in currency processing costs. Like the savings in production costs, those savings would grow as the volume of currency and coin increases.

The introduction of the proposed new coin might also impact the Federal Reserve in ways that we cannot quantify at this time. For example, the impact on shipping costs is unclear. Coin weighs more than currency but should not circulate through the Reserve Banks as often, due to its longer life. And, the as yet unknown circulation patterns for the new coin could affect Reserve Bank requirements for vault space, with a corresponding impact on our building programs. While we have no precise estimates, we doubt that these effects would materially increase or decrease the estimated potential savings from a new, circulating coin.

However, all these projected savings are contingent upon the new dollar coin circulating and replacing dollar notes. If the proposed new coin is produced but fails to circulate, or circulates without reducing the pool of dollar notes, additional costs rather than savings will be incurred by the Federal Reserve with a consequent reduction in payments to the Treasury. And our recent experience with the reintroduction of the $2 note indicates that circulation of the proposed new coin is not automatically ensured.

Several steps could be taken to aid the circulation of the new coin and thus replace dollar notes. These include a marketing program, a coordinated retail industry utilization effort, and a financial institutions program to encourage use of the new coin. We hope that the public will accept and utilize the dollar coin and that the financial institutions and coin vending industry will effectively encourage this usage. If the voluntary programs do not achieve acceptable circulation increases within a year of introduction, then the program must be reconsidered.

Our experience with the $2 bill would indicate that the retailing community will be the key to whether the new coin can circulate freely, without controlling production of $1 notes. If retailers use the coin in making change, the coin will circulate. Moreover, our $2 bill experience suggests that retailers can be persuaded to use the new coin, particularly if the coin is advantageous to their operations and if that advantage is properly communicated.

Compared with the $1 note, the new coin would appear to offer several advantages to retailers. Coins do not stick together nor do they fold. Consequently, the new $1 coin should facilitate change-making. Perhaps more important, the new coin should be employable in the cashier machines that automatically dispense the coin portion of a customer's change. These machines are now effectively limited to dispensing amounts of less than $1. With a usable $1 coin, this limit would be raised, and the effectiveness of the machines should be increased significantly.

We believe it is vitally important that these potential advantages be investigated and fully communicated to the retailing community if the proposed new coin is to succeed. If the proposed legislation is enacted, we would strongly urge the Treasury Department to undertake such a program and will offer the cooperation and assistance of the Federal Reserve System in carrying out the effort. □

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, May 22, 1978.

I am pleased to present before this distinguished committee my personal views on the subject of tax-based incomes policies (TIP). Among the several versions of TIP that have been under discussion, my testimony will focus on the approach colloquially referred to as the "stick approach," on which Professor Sidney Weintraub of the University of Pennsylvania and I have collaborated since 1971. The stick version of TIP seeks to restrain inflation by imposing a tax on employers granting excessive wage increases. There is no interference with the forces of the market: employers who, for some reason, wish to raise wages substantially, can do so; TIP, therefore, in no way involves wage and price controls.

Various other forms of TIP have been proposed, especially the "carrot" approach, which rewards employers and employees for maintaining moderation in wage increases. A few comments on the differences between the two approaches will be made later in this testimony. I would like to stress, however, that what counts at this time is the general principle rather than the specifics. What needs to be examined now is whether any form of TIP can contribute to restraining inflation, rather than whether one or the other version may be preferable.

If other well-functioning weapons against inflation were readily available, there would be no need to discuss TIP. It is because the orthodox methods work slowly that I am led to believe that a device such as TIP, despite its obvious inconveniences, deserves consideration at this time.

Fiscal and monetary policy, the orthodox weapons against inflation, so far have not been successful in winding it down. This does not mean that they would be without effect in the long run. Nor do I believe that the cost of applying them, measured against realistic alternatives, would be so high as is sometimes believed. The alternative to successfully combating inflation is not a constant rate of inflation. We do not have the choice between doing something about inflation and leaving it alone. Left alone, it will accelerate. This tendency results from the fact that inflation increases the degree of uncertainty with which all participants in the market must cope. Thus business, labor, borrowers, and lenders will all tend to inject mounting insurance premiums into their wage, price, and interest rate behavior to guard against the contingency of higher inflation. Inflation itself tends to generate accelerating inflation unless effectively restrained. Accelerating inflation, however, means sure recession sooner or later. The cost of letting inflation run, therefore, is higher than even a costly form of restraining it.

TIP, moreover, should not be viewed as an outright alternative to monetary and fiscal restraint. In 1971 wage and price controls were viewed as such an alternative, and fiscal and monetary policy accordingly turned expansive. I do not believe that TIP could offset the consequences of excessively expansive monetary and fiscal policies. Some restraint by use of these traditional tools will continue to be needed.

Nevertheless, an appropriate combination of TIP and the standard tools of fiscal and monetary policy offers great promise for the longer run, once the present inflation has been wound down. TIP, continuously employed, would exert continuous restraint on wages and prices. This means that fiscal and monetary policies could be somewhat more expansionary once reasonable price stability had been restored. TIP would tend to reduce the "noninflationary rate of employment." Whatever the level of unemployment consistent with reasonable price stability (or a constant rate of inflation), the restraints imposed by TIP would tend to make it somewhat lower. Fuller utilization of resources and larger output would thus become possible. The payoff to a successful effort to wind down inflation would thus become very large over time.

DISTINCTIVE FEATURES OF CARROT AND STICK APPROACH

Both approaches rest on the well-documented fact that prices follow wages. Numerous researchers have arrived at that conclusion. At the same time, of course, prices influence wages, although the relationship is less close. There are other cost factors that often are claimed to be responsible for inflation—high profits, high interest rates, monopolistic practices, high prices of food, of oil, and the depreciation of the dollar. While at times each of these does exert an effect, the main factor governing prices nevertheless is wages. With about 75 per cent of national income representing compensation of labor, it could not be otherwise. All other elements, although at times possibly significant, are bound to be small by comparison. Therefore, restraint of wages means restraint of prices. Labor does not lose from wage restraint. Whatever it gives up in the form of higher wage increases, it can expect to get back in the form of lower price increases.

Such unchanging real wage gains as wages and prices decelerate is all that the stick approach offers. The carrot approach offers that, plus the benefits from a tax bonus. The stick approach operates by shifting the balance of bargaining power between management and labor. The carrot approach breaks into the wage–price cycle by providing a tax bonus for wage earners—and possibly price setters—conditional on wage and price restraint.

There are further differences inherent in the two approaches. One difference is implicit in the fact that adherence to a carrot scheme can be made voluntary but also would probably have to be made universally accessible. The stick approach would have to be mandatory but could be limited to a group of the largest firms. Another difference would result if the carrot approach were so formulated as to require meeting a wage guideline accurately on penalty of losing the carrot. The stick approach proposes the penalty to be scaled to the degree of overshooting of the guideline. Finally there is the fact that thanks to its voluntary character and availability of a reward, the carrot approach should be more readily acceptable, while the stick approach avoids a revenue loss and may even yield additional revenues.

FORM OF TAX UNDER STICK APPROACH [1]

A penalty in the form of an increase in the corporate income tax rate, equal to some multiple of the excess of a wage increase over a guideline, is one of several options. It would have the advantage of relative difficulty of shifting the burden to consumers. It would have the disadvantage, on the other hand, of uneven impact as between capital intensive and labor intensive firms. Also, it would not be applicable to firms with losses, although such firms are perhaps less likely to grant excessive wage increases. The difficulty of applying an incomes tax penalty to unincorporated businesses, nonprofit institutions, and governments, would not weigh heavily if TIP is applied only to a limited group of large corporations.

Disallowance of an excess wage increase for corporate tax purposes would be a second option. It has the advantage of simplicity and of having been on the statute books on prior occasions. Its main disadvantage is greater shiftability.

A payroll tax offers a third option. Against the advantage of simplicity of administration stands the fact that it appears to penalize labor when the purpose of the tax is to exert pressure on management.

THE GUIDELINE

The setting of a guideline for nonexcessive wage increases is not so critical a decision within the TIP framework as is sometimes argued. The consequences of a relatively high guideline can be compensated for by more severe penalties for overshooting. The likelihood that a relatively low guideline will be frequently overshot can be compensated for by a more moderate penalty. The concern that a guideline will become the minimum rather than the maximum should be largely allayed by the favorable effects of a guideline on wage setting in smaller firms, unincorporated businesses, and other employers that probably would not be covered. The guideline should embody the well-known principle that nationwide rather than industry- or firm-wide productivity gains are the proper standard for wage increases. The guideline would be the sum of this long-term nationwide productivity trend and an amount, such as perhaps one-half of the going rate of inflation, that would allow for the fact that inflation must be wound down gradually rather than overnight. At the present time, this sum might be 5.5 per cent, reflecting 2 per cent for productivity and 3.5 per cent for

[1] These and many other technical aspects are examined by Richard E. Slitor in a report, "Tax-Based Incomes Policy: Technical and Administrative Aspects," prepared for the Board of Governors of the Federal Reserve System and available on request to Governor Wallich.

inflation. The guideline would have to be reset periodically, perhaps annually, at lower levels ideally, until wage increases equal productivity gains.

If prices follow wages, as can be expected, labor would not suffer from accepting a moderate guideline even if, at the original rate of inflation, this guideline seemed to leave no room for real wage increases. As inflation decelerates, real wage gains will be restored to their normal level, that is, on average equal to average productivity gains.

COSTING THE WAGE INCREASE

To establish the tax consequences of overshooting the wage guideline, exact costing of a bargaining agreement, including all types of fringes, is necessary. This requires measuring the total increase in compensation, including pensions, medical benefits, cost-of-living adjustments, improvements in working conditions, and others. It also becomes necessary to determine the increase per employee, or per hour worked, or per hour worked in each differently paid employee category. In all probability, the best approach would be an index of increases covering all employee categories, weighted by hours worked.

For both types of calculation—total increase in compensation, and the per cent increase for a given firm—there are well established precedents. The Internal Revenue Service (IRS) continually has to deal with the question of what constitutes compensation and what does not. From the experience of the Council on Wage and Price Stability and before it that of the Pay Board, which administered wage controls during Phase Two, the problems involved in costing out a percentage increase are familiar. They are not simple, but they would yield to careful writing of regulations. The task would be made easier if the number of firms to be covered is limited. It would be eased also by the fact that small differences between taxpayers and the IRS would have only small consequences in terms of the penalty to be assessed under a graduated penalty scheme.

If a surcharge on the corporate income tax is employed as the tax "stick," the unit for which the wage increase must be computed clearly must be the parent corporation, rather than particular subsidiaries or plants. This means that a number of bargaining units may be involved, with different wage settlements. The fact that in such a situation management would be impelled by TIP to resist all wage increase demands, both high and low, is not a disadvantage, however. Wage restraint, to the extent possible, should be applied with equal strength at all margins.

COVERAGE

Conceptually, TIP can be applied to all employers, including unincorporated businesses, nonprofit institutions, and governments. Penalties other than the corporate income tax would, of course, have to be employed for some of these. In practice, limiting applicability to the largest 1,000 or 2,000 firms seems preferable from an administrative point of view. The largest 1,000 firms alone cover about 26 per cent of all nongovernmental payroll employees. They also are the pattern setters for wages so long as the economy is not overheating. The existence of a guideline should help uncovered employers restrain the demands confronting them.

Narrow coverage would reduce a number of troublesome administrative problems. Among these are problems of new firms, and of merging or splitting firms.

One possible defect is inherent in narrower coverage. The closeness of the relation of prices and wages may diminish if coverage is incomplete. A loosening of this linkage could, of course, occur in special circumstances. A manner of dealing with it is outlined in the next section.

RESTRAINING AN INCREASE IN PROFITS

In terms of nationwide averages, prices move with wages. Under some circumstances, the link may loosen. Some of these instances are not capable of being remedied. For instance, a decline in productivity, a rise in oil prices, and the consequences of a drop in the dollar, are "real" phenomena that affect the availability of goods. They are bound to affect real wages. This is not the case, however, of a loosening of the linkage of wages and prices that is reflected in a change in profit margins. In the unlikely event that deceleration of wages should fail to be followed by deceleration of prices without any of the factors noted above being present, profit margins would widen. The share of profits in GNP, in that event, would rise as a consequence of wage restraint.

This contingency could be guarded against by changing the corporate profits tax rate in such a way as to restore the after-tax share of profits to its previous level. In order to eliminate the influence of purely cyclical factors, some benchmark for the profit share based on historical relationships might be established. A tax designed to hold profits down to this share could be regarded as an "excess profits tax" on the profits of the entire corporate sector. It would fall on corporations with high and low earnings. It would probably have a very moderate impact, thereby avoiding the familiar drawbacks of an excess profits tax geared to the profits of particular enterprises. Given the close historical link between wages and prices, this "corporate sector excess profits tax" probably would rarely, if ever, be triggered. But its existence would serve as a protection against an adverse shift in the distribution of income.

REVENUES

Neither the penalty tax on excess wage increases nor the "corporate sector excess profits tax" are intended to raise revenue although they may do so. Any revenue that does accrue could be employed to reduce income taxes. The amounts raised by the penalty tax depend, of course, on the level at which the guideline would be set and on the penalty rate on overshooting these guidelines. The objectives in setting rates should not be the raising of revenues but, rather, the optimal functioning of TIP. □

Statement by G. William Miller, Chairman, Board of Governors of the Federal Reserve System, and Philip E. Coldwell, Member, Board of Governors, before the Committee on Banking, Housing and Urban Affairs, U.S. Senate, May 25, 1978.

Governor Coldwell and I appreciate the opportunity to appear before this committee today to testify on the condition of the U.S. banking system. Before commencing our testimony, I want to emphasize the support of the Board of Governors of the Federal Reserve System for these annual hearings. The Board believes that the impact of our banking system on our economy is too important to go without periodic review and hopes that hearings of this kind will add to the public's understanding of the banking system and will enable all of us to view specific problems in a better perspective.

The Board's testimony today will be in two parts. In the first part I will discuss several fundamental changes taking place in the banking environment and will present, in general terms, the Board's current assessment of the condition of the banking system. In the second part of our testimony Governor Coldwell will review in greater detail recent trends in the principal indexes of bank soundness.

Perhaps the factor that has resulted in the most far-reaching changes to the banking environment has been the rapid development of a more interdependent worldwide economic system. This modern-day phenomenon was brought about by improvements in communications and transportation and by the uneven distribution of resources among countries. Responding to the opportunities afforded by the global economy, American banks have substantially expanded their service offerings and have increased greatly the number of locations at which these services are provided.

Accelerating demands for new banking services can have both positive and negative implications for bank soundness. On the plus side, they can open up important new profit opportunities. For example, some American banks that blazed the trail in international banking have found this area to be particularly profitable and now derive a substantial amount of their current earnings from this source. Moreover, developing new products and serving additional geographic areas enable banks to diversify their operations, thereby reducing risk.

On the other hand, serving new product and geographic markets can present problems. Such expansion requires bankers to acquire new skills and to assimilate a great deal more information. It also requires bankers to cope with new types of risks. For example, the expansion of U.S. banks abroad has required management to deal with such forms of risks as country risk and foreign exchange risk.

A second major change in the banking environment in recent years is that banking has become considerably more competitive. This trend is evident almost everywhere we look. We see the large money-center banks opening loan production offices throughout the Nation and competing against the large regional banks for business loans. We see banking organizations, through the holding company structure, expanding throughout much of the Nation to serve local mortgage and consumer lending markets. We also see large U.S. banks competing more and more with large foreign banks in the major financial centers abroad. And, finally, we have seen foreign banks enter the United States, sometimes on a more favorable basis, and win a significant portion of the business loan market.

In addition to this increasing competition within commercial banking, we are witnessing a gradual homogenizing of the entire financial sector. Little by little, savings and loan associations, mutual savings banks, and credit unions are becoming more like banks as limiting legislation is removed and new ways to avoid restrictive barriers are found. To a lesser extent, banks are also experiencing increased competition from other types of financial institutions and even from some firms outside the financial sector.

This constantly increasing competitive environment is certainly desirable for bank customers. But for banks, increased competition may exert downward pressure on profit margins. With profit margins falling, banks in recent years have had the option of accepting these lower margins or taking greater risks in order to maintain them. Banks have responded by doing both.

Finally, during the 1970's, banks also have had to operate in a much less hospitable economic environment than during the two previous decades. This was most dramatically demonstrated by the deep recession in 1974–75 when banks experienced large loan losses and had to contend with the only significant erosion of public confidence in banks in several decades. However, the banking system did weather the problems of the mid-1970's, and since then bank managements have become more conservative in their philosophy and operations. Yet, given the key role that banks must play in financing our economy, there are obvious limitations in the adjustments that managements can make. Consequently, if the domestic and international economy in the future should continue to exhibit the degree of instability of the 1970's, we must expect that some banks will experience occasional problems.

Having discussed some of the recent fundamental changes in the environment in which banks operate, I would like to turn to the Board's over-all assessment of the current condition of the banking system. During last year's testimony, Chairman Burns stated that the condition of the banking system had improved during 1976. I am happy to report that—by most traditional measures—this improvement continued during 1977 and into early 1978. Moreover, in the Board's judgment, the banking system today is in good condition.

Probably the most important factor accounting for the improvement in banking in the last year or so has been the continued expansion of the economy. Last year, real gross national product rose almost 5 per cent, after rising 6 per cent the previous year. This steady expansion in the economy clearly played a role in the decline in bank failures in 1977 to only six.

But the improvement in the condition of the banking system has been due to more than a healthier economy. In the past several years bankers have demonstrated a more conservative approach to lending, capital, and liquidity than they had exhibited during the early 1970's. Moreover, bankers have been diligent in trying to work out the large amount of loans that became troublesome during the recent recession. Finally, I believe that bank supervisors can claim some credit for the improvements in banking. During the last few years they have used a variety of measures to persuade individual banks to strengthen their financial condition and to avoid unwarranted expansion.

So far I have painted a rather positive picture of recent trends in the condition of the banking system. However, I want to emphasize that problems and challenges still remain. The number of problem banks is still large by historical standards and the volume of troubled loans in bank portfolios is still uncomfortably high. These and other problems will continue to require the close attention of both bankers and bank supervisors.

Another important challenge is posed by the continuing erosion of membership in the Federal Reserve System. Over the past 5 years, 254 banks have left the System, and the proportion of total bank deposits held by member banks has dropped from 77 per cent to 72 per cent.

The increased willingness of banks to drop their membership in the Federal Reserve System has a simple cause. It is just too costly to be a member. Member banks are required to hold a significantly larger proportion of their assets as nonearning cash reserves than are other banks and savings institutions. And in this period of inflation and increased competition between banks and other institutions in providing payments services, the burden of membership is particularly severe.

Fair competition among member banks and other depositary and credit institutions requires that this membership burden be eliminated. If it is not, we can expect a continued, probably an accelerated, erosion of membership in the Federal Reserve. This threatens to weaken our financial system, as more and more of the Nation's payments and credit transactions are handled outside the safe channels of the Federal Reserve, as fewer and fewer banks have immediate access to Federal Reserve Bank credit facilities, as a national presence in bank supervisory and regulatory functions becomes increasingly diluted, and as implementation of monetary policy becomes more difficult.

I have now completed my general remarks. Governor Coldwell will now present the balance of the Board's testimony.

Mr. Chairman, I would first like to review recent trends in the principal indexes of bank soundness. These indexes include bank asset quality, liquidity, capital, and earnings. In our judgment, an understanding of trends in these indexes is crucial in evaluating the current condition of the banking system and formulating bank supervisory policy.

The quality of bank assets is reflected by the volume of assets classified by bank examiners and by the volume of nonearning assets being carried by banks. During 1977 the amount of classified assets of insured banks declined by about 10 per cent, after more than tripling between 1973 and 1975. Moreover, the amount of assets classified by examiners as doubtful and loss—the two most serious classifications—declined by about 20 per cent. Banks with assets exceeding $5 billion experienced a slightly greater relative decline in classified assets than did the rest of the banking system. However, these large banks still have a much higher level of classified assets relative to their capital than do other banks.

Other measures of bank asset quality also have shown marked improvement. Available data indicate that nonperforming assets (which include nonaccruing loans, renegotiated loans, and real estate acquired in foreclosure) fell roughly 15 per cent last year—despite a 13 per cent rise in total bank assets.

The major asset problem still facing banks is troubled real estate loans. Many of these loans were made during the real estate boom of the early 1970's to finance projects that became at least temporarily difficult to market. Many banks have been forced to carry large amounts of these loans on a nonearning basis, thereby depressing their earnings. During 1977 and early 1978 the demand for these real estate projects continued to pick up, and as projects were sold off, the quality of bank real estate portfolios improved. This progress, however, has been slow, and still more time and improvement in certain segments of the real estate sector will be required before these loans are worked down to a more reasonable level.

At present, the banking system appears to be in a satisfactory liquidity position, partly due to a sizable build-up in U.S. Government securities during 1975 and 1976. Last year, however, bank liquidity decreased. First, banks significantly increased their reliance on relatively volatile liabilities such as large time deposits and Federal funds. In addition, banks slightly reduced their holdings of securities with maturities of less than 1 year.

From the end of World War II through 1974, bank capital ratios declined almost steadily. Moreover, this decline picked up momentum during the early 1970's when rapid asset growth, particularly abroad, far outdistanced the growth of capital. It was during this period that the capital ratios of some of the Nation's major banks declined to what we regard as undesirably low levels.

Since 1974, however, bank capital ratios generally have improved—rising sharply in 1975, climbing somewhat more in 1976, before declining moderately last year. A primary factor in last year's decline was the rapid, 13 per cent growth in bank assets.

In recent years banks have relied principally on retained earnings to build up their capital. In the aggregate, banks typically retain about 60 per cent of their net income. Recently, most external financing of banks has been supplied by bank holding companies, which now own almost all of the Nation's largest banks. These holding companies in turn have resorted largely to long-term debt issues to obtain funds.

One reason for their heavy reliance on long-term debt, at least since 1974, is that the market value of bank holding company stock has been depressed. Even today, the stocks of many of the Nation's largest holding companies are selling at only six to eight times earnings, and many also sell well below book value. These unfavorable market conditions have made it very costly for these organizations to add to their equity capital through the sale of common stock. As an alternative, several large holding companies have recently resorted to issuing preferred stock.

Another key factor in determining the condition of the banking system is bank earnings. Last year, earnings were impressive, with net income of insured banks up 13 per cent over the 1976 level. Several factors were primarily responsible for this performance. The first was the rapid growth in earning assets, with loans alone up more than 15 per cent. Second, provisions for loan losses declined about 11 per cent, reflecting an even sharper drop in actual net loan charge-offs. Third, the amount of loans on which interest was not accruing was reduced significantly.

It should be pointed out to the committee that the favorable earnings presented by the banking data are based on generally accepted accounting principles that do not take adequate account of inflation. As you know, inflation erodes nominal monetary values, including bank capital, assets, and liabilities.

The one major factor that hindered earnings last year was narrower spreads between yields on earning assets and the cost of funds. For example, the spread between the prime rate, which banks charge their best domestic customers, and the rate that banks pay on their large certificates of deposit averaged 1.3 percentage points during 1977, compared with 1.7 percentage points during the previous year. Banks also experienced some reduction in spreads on their foreign business during 1977. These reductions in spreads, both here and abroad, are evidence of increasing competition among financial institutions.

During the first quarter of this year, banks continued their strong earnings performance in nominal terms. While complete data are not yet available, net income appears to have increased by about 20 per cent over the first quarter of 1977. Declining loan-loss provisions and a reduction in nonperforming assets again accounted for part of the improvement. But foreign exchange operations also contributed strongly to increased profits for some large banks.

Having briefly reviewed the principal indexes of bank soundness, I would now like to turn to several potential problem areas that have recently received considerable public attention. The first area is the agricultural sector, where net income from farm operations last year was about one-third below the prosperous years of 1973–74. This decline has been due both to escalating costs of production and to declines in commodity prices. In contrast to declining income, farm debt has risen by about 60 per cent since 1974.

These unfavorable financial trends have made it difficult for some farmers to service their debt.

As a result, some farm banks have experienced slower loan repayments and increased requests for loan extensions. So far, however, farm banks have not experienced a serious deterioration in the quality of their loan portfolios. Moreover, while the loan-to-asset ratios of many of these banks are significantly higher than normal, these banks generally have not encountered serious liquidity problems. In sum, most farm banks are now in satisfactory condition and should continue to prosper, assuming that the recent squeeze on farm profits does not continue for an extended time.

Another area of concern is the financial condition of New York City. As we all remember, the near-default of New York City in 1975, following the severe recession and the failure of several large banks, sent shock waves throughout the financial community. Since 1975 New York has made considerable progress toward putting its financial house in order. However, it has not been able to regain access to capital markets, and since 1975 it has had to rely on the Federal Government for financial support in the form of seasonal loans. Continuation of some form of Federal aid beyond this June is now being considered by the Congress.

In order to determine the exposure of U.S. banks to a possible default by New York City on its obligations, in early 1978 the three Federal bank supervisory agencies completed a survey of the ownership of New York securities by commercial banks. The obligations covered included those issued by New York City, by New York State, by New York State agencies, and by the Municipal Assistance Corporation.

Briefly, the early 1978 survey indicated that 306 banks held New York securities in excess of 20 per cent of equity capital. New York City obligations held by these 306 banks totaled $554 million while Municipal Assistance Corporation obligations amounted to $1.7 billion. In sum, while the number of banks with large holdings of New York City-related securities has declined substantially since an earlier survey in late 1975, it still remains sizable.

In analyzing the potential impact of a default on banks that hold New York City securities, it is important to recognize that a default on an obligation by a State, municipality, or related agency need not lead to a loss of all, or even a sizable part, of the bonds' principal value. Unlike a business firm, which may not survive a default, a governmental entity will continue to exist, it will still have tax revenue, and the default will have to be cured in some manner so that the unit can regain its financial standing.

I would now like to turn away from these domestic problem areas and move to the international activities of our banks. As you will remember, a considerable amount of attention was given to this sector of operations in last year's testimony. That review focused on the elements that contributed to the substantial expansion of the role of U.S. banks in international lending both from offices here and through offices abroad. In the context of that review, some concern was expressed about the rapidity with which international loan portfolios were being expanded and the enlarged risk exposure of our banks.

International lending by U.S. banks again increased substantially in 1977. However, data indicate a slowing in the growth rate of that lending compared with the previous year's. Total foreign assets at domestic offices and foreign branches of U.S. banks increased about 14 per cent in 1977, about half the average growth rate for the three preceding years. The slower rate of growth was most marked in lending in major financial centers and to non-oil developing countries. A number of countries to which U.S. banks have traditionally been large lenders reduced their demands for international credits as the result of measures taken in those countries to restore a greater measure of internal financial stability and a better balance in their external payments.

U.S. banks also appear to have been more cautious in their international lending during 1977 than in prior years. This is a welcome and salutary development. As was emphasized a year ago, U.S. banks have a major continuing role in international lending and financing. Also, as long as the present substantial imbalances in world payments persist, there will be a sizable financing role for the multinational banking system in which U.S. banks play such an important part. In this environment, it remains essential that U.S. banks in their international credit activities exercise high standards of banking prudence. To do so entails maintaining suitable diversification of their international loan portfolios. It also calls for the banks to obtain full information about the capabilities of individual foreign borrowers and of foreign country borrowers to service external indebtedness.

In the last year U.S. bank supervisory authorities have made considerable progress in adding to the information available on the external lending of U.S. banks. A new comprehensive report—jointly developed by the Federal Reserve, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation—now periodically obtains information from the major banks about the distribution by country of their international loan portfolios with breakdowns by broad category of customer and by maturities. This information is structured to provide a better assessment of the country risks in the banks' international loan portfolios. As such, it allows the banking agencies to be more watchful about these risks in individual banks.

Aggregate data from the first country exposure survey, which was conducted in June 1977, was released early this year. This survey included all U.S. banks with total assets exceeding $1 billion. These banks reported having, in the aggregate, $164 billion in claims on foreigners that were denominated in currency other than that of the foreign country. They also had an additional $45 billion in local currency claims that were largely funded by local deposits. Seventy per cent of these $209 billion of claims were on, or were guaranteed by, residents of developed countries, usually Group of Ten countries.

The survey also showed that banks had $46 billion of credit outstanding to non-oil producing less developed countries (LDC's) and Eastern European countries. This amounted to about 6.5 per cent of the total assets of these banks.

In December of last year the second survey of the foreign lending of U.S. banks was conducted, and the results should be available shortly. This survey will furnish valuable information to the banks in their own efforts to assess, control, and monitor their international lending. In addition to the survey results, cooperative efforts among central banks and international institutions are continuing to add to the information available to commercial banks about external borrowings and external indebtedness of the main borrowing countries.

While country risk is a proper subject for concern, perspective must be maintained on the country exposures of U.S. banks. Actual defaults by countries on their external debts, public or private, have been rare in recent experience. The risks to the banks, therefore, are less in terms of ultimate collectibility of credits than in terms of liquidity and income resulting from possible failure of countries to service properly their external borrowings.

While the recent, slower pace of international lending by U.S. banks and the apparent heightened sense of caution in that lending are healthy developments, there are still several areas of concern. First, a few countries to which U.S. banks have made loans are having serious economic and financial problems and are having difficulty in servicing their external debts promptly. Second, some U.S. banks have a rather sizable exposure in individual countries relative to their capital and reserves. Finally, interest rate spreads on some recent international loans have narrowed and maturities have lengthened to an extent that the return to banks may not be commensurate with the risks involved. This development is somewhat worrisome because international earnings now comprise a substantial portion of the total earnings of our largest banks and because earnings remain the principal source for strengthening their capital positions.

Before concluding this testimony, I would like to inform the committee as to what the Federal Reserve has done in the last year to improve our policies and procedures for supervising State member banks and bank holding companies. Some of these changes have resulted from problems that had surfaced in recent years. In November 1977 the Board approved an expanded program for the inspection of large bank holding companies. The two essential elements of the program are an increased frequency of inspections and the standardization of the inspection report.

All bank holding companies with consolidated assets in excess of $300 million will now be inspected annually—unless nonbanking activity and parent company debt are considered minimal, in which case inspections will continue to be conducted once every 3 years. The impact of the increased frequency of inspections will be approximately to double the number of large holding companies inspected on an annual basis and to increase the percentage of total holding company assets inspected annually from about 45 per cent in 1976 to 85 per cent when the program is fully operational.

The standardization of the report form is expected to provide a variety of benefits, including the framework for a comprehensive review of nonbank assets and holding company debt levels, greater consistency, an increase in the on-site efficiency of the inspection process, the capacity for centralized training of inspection personnel, and the ability to allocate personnel more efficiently among the Reserve Districts.

During the past year the Board, in conjunction with the Reserve Banks, has implemented a bank surveillance system that aids in the identification of actual and potential financial problems of banks. In addition, several new bank holding company surveillance capabilities were developed to enhance existing screening techniques, data collection systems, and analytical reports. Recently, resources have been devoted to improving supervisory reports used in the surveillance process, to streamlining the reports so as to reduce the reporting burden on respondents, and to expediting the use of the data.

I want to emphasize that 1977 saw further accomplishments in interagency cooperation and standardization of procedures. Central to the success of this effort was the formation of the Interagency Supervisory Committee in March 1977. This committee, which is an adjunct of the Interagency Coordinating Committee, consists of the senior supervisory officials of the Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, Federal Home Loan Bank Board, National Credit Union Administration, and Board of Governors of the Federal Reserve System. The purpose of the committee, which meets monthly, is to review supervisory issues and practices and to develop wherever possible uniform policies and procedures.

During its first year of operation, the committee inaugurated the uniform credit program in which a team of examiners from the three agencies annually reviews loans in excess of $20 million that are shared by two or more banks. Such review eliminates the need for a separate analysis of the loan at each participating bank and leads to consistent treatment by examiners. Second, agreement among the agencies has been reached on the definition of a concentration of credit. This agreement will insure a consistent treatment of credit concentration by the three agencies in future years. Third, staff of the three agencies have agreed on the principles of a uniform system for rating all banks, and each agency is currently testing the system.

In closing, Mr. Chairman, I would like to restate the central thesis of our testimony—that while continued vigilance is still necessary, the condition of the banking system is now good and, by most measures, is better than it was at the time of last year's hearings. □

Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON APRIL 18, 1978

Domestic Policy Directive

The information reviewed at this meeting suggested that growth in real output of goods and services had been small in the first quarter of 1978, owing in part to the unusually severe weather and the lengthy strike in coal mining, but that economic activity was rebounding in the latter part of the period. Staff projections suggested that the first-quarter shortfall in growth from the rate expected earlier would be about made up in the current quarter and that over the year ahead output would grow at a moderate pace.

The rise in average prices—as measured by the fixed-weighted price index for gross domestic business product—appeared to have stepped up considerably in the first quarter from the annual rate of 5.4 per cent estimated for the fourth quarter of 1977, reflecting for the most part reduced supplies of meats and increases in payroll taxes and in minimum wages at the beginning of the year. The staff's latest projections of the rise in prices, which were somewhat higher than those made 4 weeks earlier, suggested that the rate over the year ahead would remain well above that in the fourth quarter of 1977. It was also anticipated that the unemployment rate would move downward gradually over the period.

In the first quarter, according to the latest staff estimates, growth in real GNP had slowed much more than had been anticipated a month earlier—mainly because an expected improvement in net exports of goods and services apparently had failed to develop but also because adverse weather had impeded residential, business, and public construction more than had been thought previously. It was still estimated that consumer expenditures for goods in real terms, after having grown rapidly in the fourth quarter of 1977, had declined in the first quarter of 1978. Altogether, final sales in real terms had slowed much more than growth in output, and the rate of business inventory accumulation had picked up from the sharply reduced pace in the preceding quarter.

The staff projections suggested that consumer spending for goods in real terms and both private and public construction would rebound in the second quarter, that the rate of inventory accumulation would increase somewhat further, and that net exports of goods and services would improve moderately. It was anticipated that in the remaining two quarters of the year real consumption expenditures and real business fixed investment would expand moderately but that the foreign trade position would change little and that residential construction would begin to edge down in response to the less favorable mortgage market conditions that had been developing recently.

In March the index of industrial production increased 1.4 per cent, following a rise of 0.3 per cent in February and a decline of 0.8 per cent in January. Thus, the index for March was about 1 per cent above that for December, although the average for the first quarter of 1978 was about the same as that for the fourth quarter of 1977.

Nonfarm payroll employment rose sharply further in March, and gains were widespread among industry groups. In manufacturing, the increase was sizable for the fourth successive month, and the average workweek recovered to the November–December level. The unemployment rate edged up 0.1 of a percentage point to 6.2 per cent, as the civilian labor force expanded substantially after having been unchanged in February.

Total retail sales in February, according to revised estimates, had recovered much more of the January drop than had been reported earlier, and they expanded substantially further in March. Nevertheless, total sales were about the same in the first quarter as in the fourth quarter of 1977. Unit sales of new automobiles, domestic and foreign combined, rose sharply in March, carrying the first-quarter total up to the level of each of the two preceding quarters.

The index of average hourly earnings for private nonfarm production workers rose at an annual rate of about 9 per cent from December to March, compared with a rate of about 8 per cent over the preceding 3 months. The acceleration in the first quarter resulted in large part from the increase in minimum wages at the beginning of the year.

The wholesale price index for all commodities rose 1 per cent in March, the same as in February, reflecting further large increases in prices of farm products and foods. In February the consumer price index for all urban consumers had continued to advance at a faster pace than in the second half of 1977, owing to large increases in retail prices of foods and in rates for natural gas and electricity.

The U.S. foreign trade deficit increased significantly in February, as the value of imports rose sharply while the value of exports changed little. After the trade statistics had been announced on March 31, the trade-weighted value of the dollar declined nearly 1 per cent. In the week preceding this meeting, however, the dollar recovered to about the same level as that 4 weeks earlier.

The rate of expansion in total credit at U.S. commercial banks during March was close to that in February. Growth in loans, particularly business loans and real estate loans, accelerated. At the same time banks reduced their holdings of Treasury securities—resuming the pattern of net liquidation of investments that had been interrupted by substantial acquisitions of Treasury securities in February. Over the first quarter, total bank credit grew at an annual rate of about 10½ per cent, compared with 8½ per cent in the second half of 1977. Business loans (net of bankers acceptances) increased in March at an annual rate of 23 per cent, approaching the rapid pace recorded in the first half of 1974.

Outstanding commercial paper of nonfinancial businesses rose sharply in March, almost offsetting the sizable decreases in the preceding 2 months. Public utilities accounted in large part for both the rise in March and the earlier declines.

The narrowly defined money supply (*M*-1), which had declined in February, rose moderately in March, and in the first quarter—on a quarterly-average basis—it expanded at an annual rate of 5 per cent. From the first quarter of 1977 to the first quarter of 1978, *M*-1 grew about 7¼ per cent.

Inflows to banks of time and savings deposits other than negotiable CD's and inflows of deposits to nonbank thrift institutions remained slow in March, and growth rates for *M*-2 and *M*-3 were near the reduced rates in February. From the first quarter of 1977 to the first quarter of 1978, M-2 and M-3 grew about 8½ and 10½ per cent, respectively.

At its March meeting the Committee had decided that during the March–April period growth in M-1 and M-2 within ranges of 4 to 8 and 5½ to 9 per cent, respectively, would be appropriate. It had judged that these growth rates were likely to be associated with a weekly-average Federal funds rate of about 6¾ per cent. The Committee had agreed that if growth rates in the aggregates over the 2-month period appeared to be deviating significantly from the midpoints of the indicated ranges, the operational objective for the weekly-average Federal funds rate should be modified in an orderly fashion within a range of 6½ to 7 per cent. The members also agreed, however, that a reduction in the rate below 6¾ per cent would not be sought until the Committee had had an opportunity for further consultation.

Projections made on the basis of data that had become available in the days immediately following the March meeting suggested that over the March–April period both M-1 and M-2 would grow at rates that were high within their specified ranges. The figures were regarded as especially tentative, however, since the strength was concentrated in the part of the period for which growth rates were projected. Consequently, the Manager of the System Open Market Account continued to seek a Federal funds rate of about 6¾ per cent. Data becoming available later in the inter-meeting period suggested more moderate rates of growth in the monetary aggregates, and the weekly-average funds rate remained close to 6¾ per cent throughout the period.

Market interest rates in general were subjected to upward pressure during much of the inter-meeting period, apparently because of investor concerns about the deterioration in the balance of U.S. foreign trade, the acceleration of the rise in prices, and the possibility of a surge in monetary growth in April. Most interest rates—especially longer-term rates—increased somewhat on balance over the period. Recently, however, Treasury bill rates had declined, and on the day before this meeting the 3-month bill rate was somewhat below its level just before the March meeting.

Treasury borrowing remained relatively strong during the inter-meeting period. In addition to issuing $6.0 billion of short-term, cash-management bills, the Treasury raised $300 million of new money in its regular weekly bill auctions and more than $3 billion through sales of 2- and 5-year notes. The Treasury also announced that on April 19, the day after this meeting, it would auction about $2.2 billion of 2-year notes to refund the same amount of publicly held notes maturing on April 30. The Treasury was expected to announce the terms of its mid-May refunding on April 26.

Mortgage lending in March apparently picked up somewhat from the reduced pace of January and February, but in the first quarter as a whole the volume was below the peak reached in the fourth quarter of 1977. In February, the latest month for which data were available, mortgage commitment activity at nonbank thrift institutions weakened further as these institutions continued to experience reduced inflows of deposits. Average interest rates on new commitments for conventional home loans at savings and loan associations edged up further during the inter-meeting period to a level about 35 basis points above that in late December. Yields in the secondary markets for mortgages also continued upward, rising to a level 40 to 50 basis points higher than in late December.

In the Committee's discussion of the economic situation, most members indicated little or no disagreement with the staff projection of moderate growth in real GNP over the year ahead, following the current rebound from the slow pace estimated for the first quarter. However, several members expressed the view that growth would be stronger in the current quarter than had been projected. Of these members, two believed that growth would then slow significantly in the second half of 1978.

Concerning the current rebound in growth, one member thought that it could be considerably greater than had been projected, owing to the dynamics of the process of income creation, and that such additional strength at the current stage of the business expansion could have adverse consequences. In any case, he saw grounds for concern in the way the economic situation might be developing.

One of the members who thought that the near-term strength in activity would give way to very slow growth in the second half of the year believed that residential construction, and perhaps also consumer spending, would be weaker in that period than had been projected. At the same time, he expected the country's foreign trade position to be stronger than had been projected. The second member who anticipated a marked slowing of growth later in the year felt that such a development would not be undesirable; he shared the opinion of another member that the unemployment rate was approaching the level where unused labor resources of many kinds might be limited. A third member expressed disagreement with that view of the unemployment situation. He suggested that it was not widely held and that any tendency for the unemployment rate to stabilize near its current level was likely to lead to some sort of stimulative governmental policy measures.

One member commented that output could continue to grow at a moderate pace without generating unusual pressures because some slack still existed in the utilization of industrial capacity and of the labor force. With respect to the latter, he pointed out that a large number of persons in public service jobs created under Federal programs were available for other types of employment, even though they were not counted among the unemployed. He also noted that business fixed investment in real terms had not yet recovered to its previous high and that the inventory situation was favorable. Nevertheless, in his view, growth in over-all output might be held down if inflationary expectations led to increases in interest rates—thereby adversely affecting residential construction and business fixed investment—and if the international economic situation proved to have an adverse influence on the domestic economy.

Committee members in general were deeply concerned about price prospects. Views were expressed to the effect that people in both the public and private sectors appeared as yet not to be making the sorts of difficult decisions required to reduce the pace of the rise in prices; that expectations of a high rate of inflation seemed to be growing and, as a result, actions of businessmen and consumers might tend to make their expectations self-fulfilling; that the rate of increase in wage rates might well accelerate if prices rose at the projected rate or if the labor contract recently negotiated in the coal industry were viewed as a pattern-setter; and that individual efforts to profit from inflation could lead to some speculative activity. The comment was also made that in the past several weeks the public's attention increasingly had been focused on the problem of inflation.

It was noted that the current rise in prices was more rapid than the rate that had been projected early in 1977. Questions were raised as to whether the recent acceleration of the rise was attributable primarily to special factors affecting foods and to the depreciation of the dollar in foreign exchange markets or whether it reflected more general influences, such as the pressures that frequently emerge in the latter phase of a business upswing or the effect of the rate of monetary growth during 1977. As at other recent meetings, the observation was made that monetary policy could be no more than one element in an effective program to fight inflation.

At this meeting the Committee reviewed its 12-month ranges for growth in the monetary aggregates. At its meeting in February 1978 the Committee had specified the following ranges for growth over the period from the fourth quarter of 1977 to the fourth quarter of 1978: *M*-1, 4 to 6½ per cent; *M*-2, 6½ to 9 per cent; and *M*-3, 7½ to 10 per cent. The associated range for growth in commercial bank credit was 7 to 10 per cent. The ranges being considered at this meeting were for the period from the first quarter of 1978 to the first quarter of 1979.

In the Committee's discussion of the appropriate ranges, the members were unanimous in favoring retention of the existing range for *M*-1. It was suggested that it might be desirable, for technical reasons, to reduce the ranges for *M*-2 and *M*-3—or the range for *M*-3 alone. However, that suggestion had little support; most of the members advocated retaining the existing ranges for all of these aggregates.

In recognition of the Committee's continuing objective to move gradually toward longer-run rates of monetary expansion consistent with general price stability, several members expressed the view that it was more important at this time to pursue measures that would hold monetary growth within the existing ranges than it was to make further reductions in the ranges themselves. In this connection, it was pointed out that since the fourth quarter of 1976 the rate of growth of *M*-1 had exceeded the 6½ per cent upper limit of the longer-run range in every quarter except the one just ended. In view of that record, it was suggested, the Committee could most effectively demonstrate its adherence to its longer-run objective and lend support to the administration's anti-inflation program by succeeding in holding monetary growth within the existing range.

The point was stressed that retention of the existing ranges for the year ahead should be interpreted as constituting a tighter monetary posture than had been contemplated when the ranges were adopted in February 1978. It was observed that since then the prospective rate of inflation had increased—which implied, other things being equal, that nominal GNP and the associated transactions demand for money would expand more rapidly than had been anticipated at that time. It was recognized that such an implication could form the basis of an argument for raising the 12-month range for *M*-1, or at least its upper limit. It was suggested, however, that the ultimate conclusion of such an argument was a monetary policy that always accommodated the existing rate of inflation and that could be expected to lead to still higher rates of inflation and still more rapid monetary growth.

In the discussion of the longer-run ranges for *M*-2 and *M*-3, it was observed that inflows of time and savings deposits to commercial banks and to nonbank thrift institutions might continue to be impeded by the margin by which market interest rates exceeded the Regulation Q ceiling rates on deposits other than large-denomination CD's. It was suggested, therefore, that a reduction in the range for *M*-3, and perhaps in the ranges for both *M*-2 and *M*-3, might be viewed as consistent with a retention of the existing range for *M*-1. In opposition to this view, it was noted that commercial banks would probably continue to expand substantially the outstanding volume of large-denomination CD's not subject to rate ceilings and that the nonbank thrift institutions also were becoming more aggressive in selling such instruments. It was recognized, moreover, that the probability of attaining growth rates for *M*-2 and *M*-3 within the existing ranges over the coming year could be influenced by an increase in the Regulation Q ceilings on deposit rates.

At the conclusion of its discussion the Committee decided to retain the existing ranges for the monetary aggregates. Thus, the ranges for the period from the first quarter of 1978 to the first quarter of 1979 were 4 to 6½ per cent for *M*-1, 6½ to 9 per cent for *M*-2, and 7½ to 10 per cent for *M*-3. The associated range for growth in commercial bank credit was set at 7½ to 10½ per cent. It was 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. It was also understood that short-run factors might cause growth rates from month to month to fall outside the ranges anticipated for the year ahead.

> The Committee adopted the following ranges for rates of growth in monetary aggregates for the period from the first quarter of 1978 to the first quarter of 1979: *M*-1, 4 to 6½ per cent; *M*-2, 6½ to 9 per cent; and *M*-3, 7½ to 10 per cent. The associated range for bank credit is 7½ to 10½ per cent.

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

In considering the language of the domestic policy directive to be adopted at this meeting, Committee members agreed that in the statement of the Committee's general policy stance in the fourth paragraph more weight should be given to the objective of resisting inflationary pressures by citing that objective first. As revised, the statement said that "it is the policy of the Federal Open Market Committee to foster bank reserve and other financial conditions that will resist inflationary pressures while encouraging continued moderate economic expansion and contributing to a sustainable pattern of international transactions."

In the discussion of policy for the period immediately ahead, members of the Committee took account of the likelihood that the demand for money would expand significantly in association with the current rebound in economic activity and of the early indications that *M*-1 was growing rapidly in April. All of the members agreed that operations designed to achieve firmer money market conditions needed to be undertaken promptly if *M*-1 growth were to be held to a path reasonably consistent with the Committee's longer-run range. At the same time the members felt that, pending additional evidence on the pace of monetary expansion, the degree of firming sought should be modest.

Although members of the Committee were in general agreement on objectives for the period immediately ahead, they differed somewhat in their preferences for operating specifications. For the annual rate of growth in *M*-1 over the April–May period, most members favored ranges of 4 to 8 per cent or 5 to 9 per cent, but a few expressed a preference for 5½ to 9½ per cent. Two members advocated wider ranges because of the month-to-month volatility of the measure of monetary growth; one suggested a range of 4 to 9 per cent, and the other a range of 2 to 8 per cent. For *M*-2 most members advocated ranges of 5½ to 9½ per cent or 6 to 10 per cent, but there was some sentiment for slightly lower ranges.

All of the members favored directing open market operations during the coming inter-meeting period initially toward a Federal funds rate slightly above the current level of 6¾ per cent. Views differed somewhat with respect to the degree of leeway for operations during the inter-meeting period in the event that growth in the monetary aggregates appeared to be deviating significantly from the midpoints of the specified ranges. Most members favored a range for the weekly-average Federal funds rate extending from 6¾ to 7¼ or to 7½ per cent, but there was some sentiment for a lower limit of 6½ per cent. Those advocating a lower limit of 6¾ per cent suggested that any decline in the weekly-average funds rate from the current level would be inappropriate, particularly in view of recent developments in foreign exchange markets. At the same time several members suggested that if the Committee allowed for an increase in the funds rate of as much as ¾ of a percentage point over the inter-meeting period by setting the upper limit of the range at 7½ per cent, it should also reach an understanding that operations would not be directed toward achieving a rate above 7¼ per cent before the Committee had had an opportunity for further consultation.

At the conclusion of the discussion the Committee decided that growth in *M*-1 and *M*-2 over the April–May period at annual rates within ranges of 4 to 8½ per cent and 5½ to 9½ per cent, respectively, would be appropriate. It was understood that in assessing the behavior of these aggregates the Manager should continue to give approximately equal weight to the behavior of *M*-1 and *M*-2.

In the judgment of the Committee such growth rates were likely to be associated with a weekly-average Federal funds rate slightly above the current level of 6¾ per cent. The members agreed that if growth rates of the aggregates over the 2-month period appeared to be deviating significantly from the midpoints of the indicated ranges, the operational objective for the weekly-average Federal funds rate should be modified in an orderly fashion within a range of 6¾ to 7½ per cent. It was also agreed, however, that an increase in the rate above 7¼ per cent would not be sought until the Committee had had an opportunity for further consultation.

As customary, it was understood that the Chairman might call upon the Committee to consider the need for supplementary instructions before the next scheduled meeting if significant inconsistencies appeared to be developing among the Committee's various objectives. The members also agreed that in the conduct of day-to-day operations, account should be taken of emerging financial market conditions, including the conditions in foreign exchange markets.

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

> The information reviewed at this meeting suggests that growth in real output of goods and services was small in the first quarter, owing in part to the unusually severe weather and the lengthy strike in coal mining, but that economic activity was rebounding in the latter part of the period. In March industrial production and nonfarm payroll employment increased sharply further. The unemployment rate edged up from 6.1 to 6.2 per cent, as the civilian labor force expanded substantially. Retail sales recovered much more in February than had been reported earlier, and sales rose considerably further in March. The pace of the rise in wholesale prices remained rapid, reflecting further large increases in farm products and processed foods. The index of average hourly earnings accelerated in the first quarter, largely because of the increase in minimum wages at the beginning of the year.
>
> The trade-weighted value of the dollar against major foreign currencies declined sharply after the March 31 announcement of a very large increase in the U.S. foreign trade deficit for February. But over the past week the dollar has recovered to about its level of 4 weeks ago.
>
> *M*-1, which had declined in February, rose moderately in March. Inflows to banks of time and savings deposits other than negotiable CD's and inflows to nonbank thrift institutions remained slow. Most market interest rates, especially longer-term rates, have increased somewhat on balance in recent weeks.
>
> In light of the foregoing developments, it is the policy of the

Federal Open Market Committee to foster bank reserve and other financial conditions that will resist inflationary pressures while encouraging continued moderate economic expansion and contributing to a sustainable pattern of international transactions.

Growth of *M*-1, *M*-2, and *M*-3 within ranges of 4 to 6½ per cent, 6½ to 9 per cent, and 7½ to 10 per cent, respectively, from the first quarter of 1978 to the first quarter of 1979 appears to be consistent with these objectives. The associated range for bank credit is 7½ to 10½ per cent. These ranges are subject to reconsideration at any time as conditions warrant.

The Committee seeks to encourage near-term rates of growth in *M*-1 and *M*-2 on a path believed to be reasonably consistent with the longer-run ranges for monetary aggregates cited in the preceding paragraph. Specifically, at present, it expects the annual growth rates over the April–May period to be within ranges of 4 to 8½ per cent for *M*-1 and 5½ to 9½ per cent for *M*-2. In the judgment of the Committee such growth rates are likely to be associated with a weekly-average Federal funds rate slightly above the current level. If, giving approximately equal weight to *M*-1 and *M*-2, it appears that growth rates over the 2-month period will deviate significantly from the midpoints of the indicated ranges, the operational objective for the Federal funds rate shall be modified in an orderly fashion within a range of 6¾ to 7½ per cent. In the conduct of day-to-day operations, account shall be taken of emerging financial market conditions, including the conditions in foreign exchange markets.

If it appears during the period before the next meeting that the operating constraints specified above are proving to be significantly inconsistent, the Manager is promptly to 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, Gardner, Jackson, Partee, Wallich, Willes, and Winn. Votes against this action: None.

Subsequent to the meeting, on May 5, a telephone conference meeting was held to consult about System open market operations, pursuant to the decision at the April meeting that an increase in the Federal funds rate above 7¼ per cent, within the specified range of 6¾ to 7½ per cent, would not be sought until the Committee had had an opportunity for further consultation.

The latest estimates had indicated that *M*-1 had grown at a very rapid pace in April. For the April–May period staff projections had suggested that the annual rate of growth in *M*-1 would be well above the upper limit of the range of 4 to 8½ per cent specified by the Committee in the next-to-last paragraph of the domestic policy directive issued at the meeting of April 18. Growth in *M*-2 for the 2-month period had been projected to be at about the upper limit of the Committee's range of 5½ to 9½ per cent for that aggregate. During the preceding week the Federal funds rate had averaged about 7¼ per cent, ½ of a percentage point above the level prevailing at the time of the April meeting.

It was reported during the telephone conference that the Commerce Department's preliminary estimates indicated that real GNP had declined at an annual rate of 0.6 per cent in the first quarter, a somewhat weaker performance than had been anticipated at the time of the April meeting, but that real GNP appeared to be rising more rapidly in the second quarter than the staff had projected at that time. The behavior of GNP in both quarters was importantly affected by temporary influences.

The acceleration of growth of nominal GNP in the current quarter from the reduced pace in the first quarter appeared to be the main factor explaining the sharp acceleration of monetary growth in April. Other transitory forces—specifically, mobilization of cash by the public to make unusually large payments of Federal income taxes not withheld, somewhat slower processing of tax returns, and the upsurge in the volume of trading on the stock exchanges—might also have contributed to the April rate of monetary growth.

In its discussion the Committee agreed that, while the firming in money market conditions that had been accomplished since the meeting of April 18 had clearly been appropriate, there was some question as to whether further firming at this point would be desirable. Specifically, the Committee concluded that it would be appropriate to await some further evidence on the economic outlook and some indication of the extent to which the April surge in *M*-1 would subside.

At the conclusion of the discussion the Committee directed the Manager, until further instructed, to seek to maintain the weekly-average Federal funds rate at about 7¼ per cent, with any deviations tending to be in the direction of higher rather than lower funds rates.

On May 5, 1978, the Committee modified the domestic policy directive adopted at its meeting of April 18, 1978, to direct the Desk, until further instructed, to seek to maintain the weekly-average Federal funds rate at about the prevailing level of 7¼ per cent, with any deviations tending to be in the direction of higher rather than lower funds rates.

Votes for this action: Messrs. Miller, Volcker, Baughman, Gardner, Jackson, Partee, Wallich, and Winn. Votes against this action: Messrs. Black and Willes. Absent and not voting: Messrs. Coldwell and Eastburn. (Mr. Black voted as alternate for Mr. Eastburn.)

Messrs. Black and Willes dissented from this action because they preferred to make use of the full range that had been specified for the Federal funds rate. They believed that, given the accelerated pace of expansion in nominal GNP, growth of both *M*-1 and *M*-2 would be subjected to persistent upward pressure throughout the rest of the second quarter and that a further upward adjustment in the funds rate at this time would be helpful in moderating such pressures and, like the firming that had already occurred, would be regarded as a positive step in resisting inflationary pressures.

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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

INTEREST ON DEPOSITS

The Board of Governors of the Federal Reserve System has amended its Regulation Q to permit banks that are members of the Federal Reserve System to arrange with their depositors for the automatic transfer of funds from depositors' savings accounts to demand deposit and other accounts to cover checks drawn or to maintain a minimum balance.

Effective November 1, 1978, Section 217.5(c)(2) and (3) of Regulation Q is amended to read as follows:

SECTION 217.5—WITHDRAWAL OF SAVINGS DEPOSITS

* * * * *

(c) MANNER OF PAYMENT OF SAVINGS DEPOSITS

* * * * *

(2) Notwithstanding the provisions of subparagraph (1) of this paragraph, withdrawals may be permitted by a member bank to be made automatically or as a normal practice from a savings deposit that consists only of funds in which the entire beneficial interest is held by one or more individuals through payment to the bank itself or through transfer of credit to a demand deposit or other account pursuant to a written authorization from the depositor to make such payments or transfers in order to cover checks or drafts drawn upon the bank or to maintain a specified balance in or to make periodic transfers to such accounts. In accordance with § 217.1(e)(2) of this Part, a member bank must reserve the right to require the depositor to give notice in writing of an intended withdrawal not less than 30 days before such withdrawal is made. Such notice shall be prominently disclosed and specifically brought to the depositor's attention at the time the automatic transfer service is authorized. A member bank may not require a depositor to authorize such automatic transfers to be made from savings deposits.

(3) A member bank may permit depositors to maintain deposits subject to negotiable orders of withdrawal where authorized by Federal law.

* * * * *

The Board of Governors has amended its Regulation Q to authorize member banks to offer to depositors two new categories of time deposits.

Effective June 1, 1978, Section 217.7 is amended to read as follows:

SECTION 217.7—MAXIMUM RATES OF INTEREST PAYABLE BY MEMBER BANKS ON TIME AND SAVINGS DEPOSITS

(b) TIME DEPOSITS OF LESS THAN $100,000.

* * * * *

(4) Member banks may pay interest on any time deposit of $1,000 or more, with a maturity of eight years or more, at a rate not to exceed 7¾ per cent.[2]

* * * * *

(d) GOVERNMENTAL UNIT TIME DEPOSITS OF LESS THAN $100,000. Except as provided in paragraphs (a) and (f), no member bank shall pay interest on any time deposit which consists of funds deposited to the credit of, or in which the entire beneficial interest is held by, the United States, any State of the United States, or any county, municipality, or political subdivision thereof, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, American Samoa, Guam, or political subdivision thereof, at a rate in excess of the highest of any of the permissible rates that can be paid on time deposits under $100,000 with maturities in excess of six months (26 weeks) by any Federally insured commercial bank, mutual savings bank or savings and loan association.[3]

(e) INDIVIDUAL RETIREMENT ACCOUNT

[2] ***

[3] The highest permissible rate is currently 8.00 per cent per annum (12 CFR 329.7 and 12 CFR 526.5).

AND KEOGH (H.R. 10) PLAN DEPOSITS OF LESS THAN $100,000. Except as provided in paragraph (a), a member bank may pay interest on any time deposit with a maturity of three years or more that consists of funds deposited to the credit of, or in which the entire beneficial interest is held by, an individual pursuant to an Individual Retirement Account agreement or Keogh (H.R. 10) Plan established pursuant to 26 U.S.C. (I.R.C., 1954) §§ 408, 401, at a rate not in excess of the highest of any of the permissible rates that can be paid on time deposits under $100,000 with maturities in excess of six months (26 weeks) by any Federally insured commercial bank, mutual savings bank, or savings and loan association.[3]

(f) VARIABLE RATE TIME DEPOSITS OF LESS THAN $100,000. Member banks may pay interest on any nonnegotiable time deposit of $10,000 or more, with a maturity of six months (26 weeks), at a rate not to exceed the rate established (auction average on a discount basis) for United States Treasury bills with maturities of six months issued on or immediately prior to the date of deposit. Rounding such rate to the next higher rate is not permitted.

MARGIN REGULATIONS

The Board of Governors has amended its Regulations G, T and U to require that dealers submit bona fide bids and offers for an OTC stock to an automated quotation system if they are to be counted as market-makers in that stock for the purpose of qualifying for the Board's List of OTC Margin Stocks.

Effective June 15, 1978 Sections 207.5, 220.8, and 221.4 are amended to read as follows:

PART 207—SECURITIES CREDIT BY PERSONS OTHER THAN BANKS, BROKERS, OR DEALERS

SECTION 207.5—SUPPLEMENT

* * * * *

(d) REQUIREMENTS FOR INCLUSION ON LIST OF OTC MARGIN STOCKS.

* * * * *

(2) Four or more dealers stand willing to, and do in fact, make a market in such stock and regularly submit *bona fide* bids and offers to an automated quotations system for their own accounts.

* * * * *

(e) REQUIREMENTS FOR CONTINUED INCLUSION ON LIST OF OTC MARGIN STOCKS.

* * * * *

(2) Three or more dealers stand willing to, and do in fact, make a market in such stock and regularly submit *bona fide* bids and offers to an automated quotations system for their own accounts.

PART 220—CREDIT BY BROKERS AND DEALERS

SECTION 220.8—SUPPLEMENT

* * * * *

(h) REQUIREMENTS FOR INCLUSION ON LIST OF OTC MARGIN STOCKS.

* * * * *

(2) Four or more dealers stand willing to, and do in fact, make a market in such stock and regularly submit *bona fide* bids and offers to an automated quotations system for their own accounts.

* * * * *

(i) REQUIREMENTS FOR CONTINUED INCLUSION ON LIST OF OTC MARGIN STOCKS.

* * * * *

(2) Three or more dealers stand willing to, and do in fact, make a market in such stock and regularly submit *bona fide* bids and offers to an automated quotations system for their own accounts.

PART 221—CREDIT BY BANKS FOR THE PURPOSE OF PURCHASING OR CARRYING MARGIN STOCKS

SECTION 221.4—SUPPLEMENT

* * * * *

(d) REQUIREMENTS FOR INCLUSION ON LIST OF OTC MARGIN STOCKS.

* * * * *

(2) Four or more dealers stand willing to, and do in fact, make a market in such stock and regularly submit *bona fide* bids and offers to an automated quotations system for their own accounts.

* * * * *

(e) (e) REQUIREMENTS FOR CONTINUED INCLUSION ON LIST OF OTC MARGIN STOCKS.

* * * * *

(2) Three or more dealers stand willing to, and do in fact, make a market in such stock and regularly submit *bona fide* bids and offers to an

automated quotations system for their own accounts.

TRUTH IN LENDING

The Board of Governors of the Federal Reserve System has adopted a New Supplement VI to its Regulation Z.

SUPPLEMENT VI TO REGULATION Z
TRUTH IN LENDING

(Sections 226.12 & 226.6(b)(3)–Supplement)

SECTION I—EXEMPTIONS

Procedures and criteria under which any State may apply for exemption from the provisions of Chapter 5 of the Truth in Lending Act pursuant to paragraph (a) of § 226.12.

(a) APPLICATION. Any State may make application to the Board, pursuant to the terms of Section I of this supplement and the Board's Rules of Procedure (12 CFR 262), for a determination that under the laws of that State,[1] consumer lease transactions, as provided in Section 181(1) of the Act and § 226.2(mm) of this Part, within that State are subject to requirements which are substantially similar to those imposed under Chapter 5 of the Act [2] or which provide greater protection and benefit to lessees than those provided under Chapter 5, and that there is adequate provision for enforcement of such requirements. Such application shall be made by letter addressed to the Board signed by the Governor, the Attorney General, or any official of the State having responsibilities under the State laws which are applicable to the relevant class of transactions.

(b) SUPPORTING DOCUMENTS. The application shall be accompanied by

(1) A copy of the full text of the laws of the State which are claimed by the applicant to impose requirements substantially similar to those imposed under Chapter 5 or to provide greater protection and benefit to lessees than does Chapter 5 with respect to consumer lease transactions as defined in § 226.2(mm) of this Part.

(2) A comparison of each requirement of State law with the corresponding requirement of Chapter 5, together with reasons to support the claim that the requirements of State law are substantially similar to or provide greater protection and benefit to lessees than requirements of Chapter 5 with respect to the class of consumer lease transactions. It shall also demonstrate that any differences are not inconsistent with and do not result in a diminution in the protection and benefit afforded lessees under Chapter 5 and state that there are no other State laws which, due to their relation to the State law under consideration, should be considered by the Board in making its determination.

(3) A copy of the full text of the laws of the State which provide for enforcement of the State laws referred to in subparagraph (1) of this paragraph.

(4) A comparison of the provisions of State law with the provisions of Sections 108, 112, 130, 131, 183(a), 183(b), 185(a) and 185(c) of the Act, together with reasons to support the claim that such State laws provide for

(i) Administrative enforcement of the State laws referred to in subparagraph (1) of this paragraph which is equivalent to the enforcement provided under Section 108 of the Act;

(ii) Criminal liability for willful and knowing violation of the State law with penalties substantially similar to those prescribed under Section 112 of the Act, except that more severe penalties may be provided;

(iii) Civil liability for failure to comply with the requirements of the State law, including class action liability, which is substantially similar to that provided under Sections 130, 131, 185(b) except that more severe penalties may be provided;

(iv) In leases where the lessee's liability at the end of the lease term is based on the estimated value of the leased property, a limitation on the lessee's liability at the end of the least term substantially similar to that provided by paragraph (a) of Section 183 of the Act, except that a stricter limitation may be provided;

(v) A provision prescribing that all penalties and other charges for delinquency, default or early termination specified in the lease must be reasonable substantially similar to that provided in paragraph (b) of Section 183 of the Act, except that a stricter provision may be provided;

(vi) A statute of limitations that prescribes a period in which to institute civil actions of sub-

[1] Any reference to State law in Supplement VI includes a reference to any regulations which implement State law and formal interpretations thereof by a court of competent jurisdiction or a duly authorized agency of that State.

[2] Any reference in Supplement VI to Chapter 5 of the Act or any section thereof includes a reference to the implementing provisions of this Part and the Board's formal interpretations thereof.

stantially similar duration as that provided under paragraph (c) of Section 185 of the Act, except that a longer period may be provided.

(5) A statement identifying the office designated or to be designated to administer the State laws referred to in subparagraph (1) of this paragraph, together with complete information regarding the fiscal arrangements for administrative enforcement (including the amount of funds available or to be provided), the number and qualifications of personnel engaged therein, and a description of the procedures under which such State laws are to be administratively enforced, including administrative enforcement with respect to Federally-chartered lessors.[3] The foregoing statement should include reasons to support the claim that there is adequate provision for enforcement of such State laws.

(c) CRITERIA FOR DETERMINATION. The Board will consider the following criteria along with any other relevant information in making a determination whether the laws of a State impose requirements substantially similar to or provide greater protection and benefit to lessees than under Chapter 5, and whether there is adequate provision for enforcement of such laws:

(1) In order for provisions of State law to be substantially similar to or provide greater protection and benefit to lessees than the provisions of Chapter 5, the provisions of State law [4] shall require that:

(i) Definitions and rules of construction import the same meaning and have the same application as those prescribed under § 226.2 of this Part;

(ii) Lessors make all of the applicable disclosures required by this Part and within the same (or more stringent) time periods as are prescribed by this Part;

(iii) Lessors abide by obligations substantially similar to those prescribed by Chapter 5, under conditions substantially similar to (or more stringent than those prescribed in Chapter 5;

(iv) Lessors abide by the same (or more stringent) prohibitions as are provided by Chapter 5;

(v) Lessees need comply with no obligations or responsibilities which are more costly or burdensome as a condition of exercising any of the rights or gaining the benefits and protections in the State law which correspond to those afforded by Chapter 5, than those obligations or responsibilities imposed upon lessees in Chapter 5;

(vi) Substantially similar or more favorable rights and protections are provided to lessees under conditions substantially similar to or more favorable (to lessees) than those afforded by Chapter 5.

(2) In determining whether the provisions for enforcement of the State law referred to in paragraph (b)(1) are adequate, consideration will be given to the extent to which, under the laws of the State, provision is made for

(i) Administrative enforcement, including necessary facilities, personnel and funding;

(ii) Criminal liability for willful and knowing violation with penalties substantially similar to those prescribed under Section 112, except that more severe criminal penalties may be prescribed.

(iii) Civil liability for failure to comply with the provisions of the State law substantially similar to that provided under Sections 130, 131 and 185(b), except that more severe civil liability penalties may be prescribed;

(iv) In leases where the lessee's liability at the end of the lease term is based on the estimated value of the leased property, a limitation on the lessee's liability at the end of the lease term substantially similar to that provided in Section 183(a), and a provision requiring that penalties be reasonable substantially similar to that provided in Section 183(b), except that stricter standards on end-term liability and penalty provisions may be prescribed;

(v) A statute of limitations with respect to civil liability of substantially similar duration to that provided under Section 185(c), except that a longer duration may be provided.

(d) PUBLIC NOTICE OF FILING AND PROPOSED RULE MAKING. Following initial review of an application filed in accordance with the requirements of paragraphs (a) and (b) of Section I, notice of such filing and proposed rule making will be published by the Board in the *Federal Register*, and a copy of such application will be made available for examination by interested persons during business hours at the Board and at the Federal Reserve Bank of each Federal Reserve District in which any part of the State

[3] Transactions within a State in which a Federally-chartered institution is a lessor shall not be subject to the exemption, and such Federally-chartered lessors shall remain subject to the requirements of the Act and administrative enforcement by the appropriate Federal authority under Section 108, unless it is established to the satisfaction of the Board that appropriate arrangements have been made with such Federal authorities to assure effective enforcement of the requirements of State laws with respect to such lessors.

[4] This paragraph is not to be construed as indicating that the Board would consider adversely any additional requirements of State law which are not inconsistent with the purpose of the Act or the requirements imposed under Chapter 5.

of the applicant is situated. A reasonable period of time will be allowed from the date of such publication for the Board to receive written comments from interested persons with respect to that application.

(e) EXEMPTION FROM REQUIREMENTS OF CHAPTER 5. If the Board determines that under the law of a State consumer lease transactions are subject to requirements which are substantially similar to or which provide greater protection and benefit to lessees than those imposed under Chapter 5 and that there is adequate provision for enforcement, the Board will exempt such class of transactions in that State from the requirements of Chapter 5 in the following manner and subject to the following conditions:

(1) Notice of the exemption will be published in the *Federal Register*, and the Board will furnish a copy of such notice to the official who made application for such exemption and to each Federal authority responsible for administrative enforcement of the requirements of Chapter 5.

(2) The appropriate official of any State which receives an exemption shall inform the Board within 30 days of the occurrence of any change in its related law (including regulations). The report of any such change shall contain the full text of that change together with statements setting forth the information and opinions with respect to that change as specified in subparagraphs (2) and (4) of paragraph (b). The official who has received an exemption shall file with the Board from time to time such reports as the Board may require.

(3) The Board will inform the official of any subsequent amendments to Chapter 5 (including the implementing provisions of this Part and the Board's formal interpretations) which might call for amendment of State law, regulations or formal interpretations thereof.

(f) ADVERSE DETERMINATION. (1) If the Board denies the application for exemption, it will notify the appropriate State official of the facts upon which its decision is based and shall afford that State a reasonable opportunity to demonstrate or achieve compliance.

(2) If, after giving the State an opportunity to demonstrate or achieve compliance, the Board finds that it still cannot grant the exemption, the Board will publish in the *Federal Register* a notice of its decision and will furnish a copy of such notice to the official who made application for such exemption.

(g) REVOCATION OF EXEMPTION. (1) The Board reserves the right to revoke any exemption if at any time it determines that the State law does not, in fact, impose requirements which are substantially similar to or provide greater protection and benefit to lessees than those imposed under Chapter 5, or that there is not, in fact, adequate provision for enforcement.

(2) Before revoking any State exemption, the Board will notify the appropriate State official of the facts or conduct which in the opinion of the Board warrants such revocation and shall afford that State such opportunity as the Board deems appropriate to demonstrate or achieve compliance.

(3) If, after having been afforded the opportunity to demonstrate or achieve compliance, the Board determines that the State has not done so, notice of the Board's intention to revoke such exemption shall be published as a notice of proposed rule making in the *Federal Register*. A period of time will be allowed from the date of such publication for the Board to receive written comments from interested persons.

(4) In the event of revocation of such exemption, notice of such revocation shall be published by the Board in the *Federal Register*, and a copy of such notice shall also be furnished to the appropriate State official and to the Federal authorities responsible for enforcement of requirements of Chapter 5, and the class of transactions affected within that State shall then be subject to the requirements of Chapter 5, to administrative enforcement as provided under Section 108, to criminal liability as provided under Section 112, and to civil liability as provided under Sections 130, 131 and 185(b).

SECTION II—PREEMPTION

Procedures and criteria under which any State may apply for a determination that a State law is not inconsistent with and not preempted by a provision of Chapter 5 of the Act pursuant to § 226.6(b)(3) of this Part.

(a) APPLICATION. Any State may make application to the Board pursuant to the terms of Section II of this supplement and the Board's Rules of Procedure (12 CFR 262), for a determination that a law of such State is consistent [5] with a provision of Chapter 5 of the Act, because such State law provides greater protection and benefit to lessees than does the provision of Chapter 5,

[5] For purposes of this supplement, the terms "consistent" and "not inconsistent" shall convey the same meaning and shall involve the same evidentiary showing.

that such law is consistent with a provision of Chapter 5 for any other reason, or for a determination of any issues not clearly covered by § 226.6(b) with regard to the relationship of the Federal law to the State law. Such application shall be made by letter addressed to the Board signed by the Governor, Attorney General or any official of the State having responsibilities under the State law put forward for consideration.

(b) SUPPORTING DOCUMENTS. The application shall be accompanied by

(1) A copy of the full text of the laws of the State which are claimed by the applicant to be consistent with a provision of Chapter 5 or whose relationship (with regard to consistency or inconsistency) to a provision of Chapter 5 is claimed by the applicant to be not clearly covered by the standards and criteria for comparison set forth in § 226.6(b) of this Part.

(2) A comparison of each requirement of the State law with the corresponding requirement of Chapter 5, with reasons to support the claim that the State law is consistent with a provision of Chapter 5 or that the relationship (with regard to consistency or inconsistency) between the State law and Chapter 5 is not clearly covered by the standards and criteria set forth in § 226.6(b) of this Part.

(3) A copy of the full text of any provisions of State law corresponding to Sections 112, 130, 131, 183(a), 183(b), 185(b), and 185(c) (if applicable), together with reasons for the applicant's claim that such State provisions are not inconsistent (because they provide greater protection and benefit to lessees or for other reasons) with the Act.

(4) A statement that there are no State laws (including administrative or judicial interpretations) other than those submitted to the Board which have any bearing on whether or not the State law is consistent with a provision of Chapter 5.

(5) A statement identifying the office designated or to be designated to administer the State laws referred to in subparagraph (1) of this paragraph. If no such administrative office exists, then a statement identifying the office to which the Board can address any correspondence regarding the request for such determination shall accompany the application.

(c) CRITERIA FOR DETERMINATION. The Board will consider the following criteria along with any other relevant information, in addition to the criteria set forth in § 226.6(b) of this Part, in making a determination of whether or not State law is inconsistent with a provision of Chapter 5. In order for provisions of State law to be determined to be consistent with a provision of Chapter 5, the provisions of State law [6] shall, to the extent relevant to the determination, require that:

(1) Definitions and rules of construction import the same meaning and have the same application as those prescribed by this Part;

(2) Lessors make all of the applicable disclosures required by the corresponding provision of Chapter 5 and this Part, and within the same (or more stringent) time periods as those prescribed by this Part;

(3) Lessors abide by obligations substantially similar to those prescribed by a provision of Chapter 5 under conditions substantially similar (or more stringent) to those in Chapter 5;

(4) Lessors abide by the same (or more stringent) prohibitions as are provided by Chapter 5;

(5) Lessees need comply with no obligations or responsibilities which are more costly or burdensome as a condition of exercising any of the rights or gaining the benefits and protections provided in the State law, which correspond to those afforded by Chapter 5, than those obligations or responsibilities imposed on lessees in Chapter 5;

(6) Lessees are to have rights and protections substantially similar to or more favorable than those provided by the corresponding provisions of Chapter 5 under conditions and within time periods which are substantially similar to or more favorable (to lessees) than those prescribed by Chapter 5.[7]

(d) PUBLIC NOTICE OF FILING AND PROPOSED RULE MAKING. In connection with any application which has been filed in accordance with the requirements of paragraphs (a) and (b) of Section II of this supplement, notice of such filing and proposed rule making will be published by the Board in the *Federal Register*, and a copy of such application will be made available for examination by interested persons during business hours at the Board and at the Federal Reserve Bank of each Federal Reserve District in which any part

[6]This paragraph is not to be construed as indicating that the Board would consider adversely any additional requirements of State law which are not inconsistent with the purposes of the Act or the requirements imposed under Chapter 5.

[7]A State may make a showing that in certain limited readily identifiable circumstances a law which may otherwise be inconsistent with a provision of Chapter 5 is not inconsistent under the criteria set forth in paragraph (c) of Section II of this supplement. The Board may determine such State law to be consistent only under those circumstances but will make no such determination if doing so would mislead or confuse lessees.

of the State of the applicant is situated. A period of time will be allowed from the date of such publication for the Board to receive written comments from interested persons with respect to that application.

(e) DETERMINATION THAT A STATE LAW IS CONSISTENT WITH CHAPTER 5. If the Board determines on the basis of the information before it that the law of a State is consistent with a provision of Chapter 5, notice of such determination shall be published in the following manner and shall be subject to the following conditions:

(1) Notice of the determination will be published in the *Federal Register*, and the Board will furnish a copy of such notice to the official who made application for such exemption and to each Federal authority responsible for administrative enforcement of the requirements of Chapter 5.

(2) The appropriate official of any State which receives such a determination shall inform the Board within 30 days of the occurrence of any change in its related law (or regulations). The report of any such change shall contain copies of the full text of the law, as changed, together with statements setting forth the information and opinions with respect to that change as specified in subparagraphs (2) and (4) of paragraph (b) of Section II. The appropriate official of any State which has received such a determination shall file with the Board from time to time such reports as the Board may require.

(3) The Board will inform the appropriate official of any State which receives such a determination of any subsequent amendments to Chapter 5 (including the implementing provisions of this Part and the Board's formal interpretations) which might call for amendment of State law, regulations or formal interpretations.

(f) ADVERSE DETERMINATION. (1) If, after publication of notice in the *Federal Register* as provided under paragraph (d), the Board finds that such State law is inconsistent with a provision of Chapter 5, it will notify the appropriate State official of the facts upon which such finding is based and shall afford that State official a reasonable opportunity to demonstrate further that such State law is not inconsistent with the corresponding provisions of Chapter 5, if such State official desires to do so.

(2) If, after having afforded the State official such further opportunity to demonstrate that the State law is consistent with a provision of Chapter 5, the Board finds that the State law is inconsistent, it will publish in the *Federal Register* a notice of its decision with respect to such application and will furnish a copy of such notice to the official who made application for the determination.

(g) REVERSAL OF DETERMINATION. (1) The Board reserves the right to reverse any determination made under Section II of this supplement to the effect that a State law is consistent with a provision of Chapter 5 because of subsequently discovered facts, a change in the State or Federal law (by amendment or administrative or judicial interpretation or otherwise) or for any other reason bearing on the coverage or impact of the State or Federal law.

(2) Before reversing any such determination, the Board will notify the appropriate State official of the facts or conduct which, in the opinion of the Board, warrants such reversal and shall afford that State such opportunity as the Board deems appropriate under the circumstances to demonstrate that the determination should not be reversed.

(3) If, after having been afforded the opportunity to demonstrate that its law is consistent with a provision of Chapter 5, the Board determines that the State has not done so, notice of the Board's intention to reverse such determination shall be published as a notice of proposed rule making in the *Federal Register*. A reasonable period of time will be allowed from the date of such publication for the Board to receive written comments from interested persons.

(4) In the event of reversal of such determination, notice shall be published by the Board in the *Federal Register*, and a copy of such notice shall also be furnished to the appropriate State official and to the Federal authorities responsible for enforcement of the requirements of Chapter 5, and the State law affected shall then be considered inconsistent with and preempted by Chapter 5 within the meaning of Section 186(a).

RULES REGARDING DELEGATION OF AUTHORITY

The Board of Governors has amended its rules regarding delegation of authority to delegate to the Director of the Division of Consumer Affairs the authority to grant (but not deny or revoke) exemptions to States from the requirements of Chapter 5 of the Truth in Lending Act when State law imposes substantially similar requirements or provides greater protection and benefit to the consumer.

Effective May 17, 1978 Section 265.2(h)(2) is amended to read as follows:

* * * * *

(2) Pursuant to Sections 123, 171(b) and 186(b) of the Truth in Lending Act (15 U.S.C. §§ 1633, 1666(j) and 1667(e)) and the Board's Regulation Z, 12 CFR Part 226.12, to grant, but not deny or revoke, exemptions to States from the requirements of

(i) Chapter 2 (15 U.S.C. §§ 1631–1644), where State law imposes substantially similar requirements and there is adequate provision for enforcement,

(ii) Chapter 4 (15 U.S.C. § 1666), where State law imposes substantially similar requirements or gives greater protection to the consumer and there is adequate provision for enforcement, and

(iii) Chapter 5 (15 U.S.C. § 1667), where State law imposes substantially similar requirements or gives greater protection and benefit to the consumer, and there is adequate provision for enforcement.

TRUTH IN LENDING

The Board of Governors has amended its Regulation Z to modify the record retention requirements of § 226.6(i) as to those creditors and lessors under the jurisdiction of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board, the Federal Reserve Board and the National Credit Union Administration.

Effective May 30, 1978 Section 226.6 is amended to read as follows.

1. Section 226.6—General Disclosure Requirements

* * * * *

(i) PRESERVATION AND INSPECTION OF EVIDENCE OF COMPLIANCE.

(1) Evidence of compliance with the requirements imposed under this Part, other than advertising requirements under § 226.10, shall be preserved by the creditor or lessor for a period of not less than 2 years after the date such disclosure is required to be made.

(2) With respect to a creditor or lessor subject to the administrative enforcement jurisdiction of the Comptroller of the Currency, Board of Directors of the Federal Deposit Insurance Corporation, Federal Home Loan Bank Board (acting directly or through the Federal Savings and Loan Insurance Corporation), Administrator of the National Credit Union Administration or Board of Governors of the Federal Reserve System, all evidence of compliance with the requirements imposed under this Part, dating from July 1, 1969, other than advertising requirements under § 226.10, shall be retained until

(A) the administrative authority for that creditor or lessor completes one examination for compliance with the requirements imposed under this Part subsequent to adoption of a statement of enforcement policy,[6a] and

(B) a period of not less than 2 years has elapsed from the date that disclosure was required to be made.

(3) Each creditor or lessor shall, when directed by the appropriate administrative enforcement authority designated in section 108 of the Act, permit that authority or its duly authorized representative to inspect its relevant records and evidence of compliance with this Part.

2. Footnote 6a to § 226.7(a)(4) is redesignated footnote 6b.

INTERPRETATION OF REGULATION A

GOODS HELD BY PERSONS EMPLOYED BY OWNER. The Board has been asked to review an Interpretation it issued in 1933 concerning the eligibility for rediscount by a Federal Reserve Bank of bankers' acceptances issued against field warehouse receipts where the custodian of the goods is a present or former employee of the borrower. [¶ 1445 Published Interpretations, 1933 BULLETIN 188] The Board determined at that time that the acceptances were not eligible because:

> such receipts do not comply with the requirement of section 13 of the Federal Reserve Act that a banker's acceptance be "secured at the time of acceptance by a warehouse receipt or other such document *conveying or securing title* covering readily marketable staples," nor with the requirement of section XI of the Board's Regulation A that it be "secured at the time of acceptance by a warehouse, terminal, or other similar receipt, conveying security title to such staples, *issued by a party independent of the customer.*"

The requirement that the receipt be "issued by a party independent of the customer" was deleted from Regulation A in 1973, and thus the primary

[6a] "Statement of enforcement policy" refers to a final statement based on the Joint Notice of Proposed Statement of Enforcement Policy published at 42 Fed. Reg. 55786 (1977).

issue for the Board's consideration is whether a field warehouse receipt is a document "securing title" to readily marketable staples.

While bankers' acceptances secured by field warehouse receipts are rarely offered for rediscount or as collateral for an advance, the issue of "eligibility" is still significant. If an ineligible acceptance is discounted and then sold by a member bank, the proceeds are deemed to be "deposits" under section 204.1(f) of Regulation D and are subject to reserve requirements.

In reviewing this matter, the Board has taken into consideration the changes that have occurred in commercial law and practice since 1933. Modern commercial law, embodied in the Uniform Commercial Code, refers to "perfecting security interests" rather than "securing title" to goods. The Board believes that if, under State law, the issuance of a field warehouse receipt provides the lender with a perfected security interest in the goods, the receipt should be regarded as a document "securing title" to goods for the purposes of § 13 of the Federal Reserve Act. It should be noted, however, that the mere existence of a perfected security interest alone is not sufficient; the Act requires that the acceptance be secured by a warehouse receipt or its equivalent.

Under the U.C.C., evidence of an agreement between the secured party and the debtor must exist before a security interest can attach. [U.C.C. § 9-202] This agreement may be evidenced by: (1) a written security agreement signed by the debtor, or (2) the collateral being placed in the possession of the secured party or his agent [U.C.C. § 9-203]. Generally, a security interest is perfected by the filing of a financing statement. [U.C.C. § 9-302] However, if the collateral is in the possession of a bailee, then perfection can be achieved by: (1) having warehouse receipts issued in the name of the secured party; (2) notifying the bailee of the secured party's interest; or (3) having a financing statement filed. [U.C.C. § 9-304(3)]

If the field warehousing operation is properly conducted, a security interest in the goods is perfected when a warehouse receipt is issued in the name of the secured party (the lending bank). Therefore, warehouse receipts issued pursuant to a bona fide field warehousing operation satisfy the legal requirements of section 13 of the Federal Reserve Act. Moreover, in a properly conducted field warehousing operation, the warehouse manager will be trained, bonded, supervised and audited by the field warehousing company. This procedure tends to insure that he will not be impermissibly controlled by his former (or sometimes present) employer, the borrower, even though he may look to the borrower for reemployment at some future time. A prudent lender will, of course, carefully review the field warehousing operation to ensure that stated procedures are satisfactory and that they are actually being followed. The lender may also wish to review the field warehousing company's fidelity bonds and legal liability insurance policies to ensure that they provide satisfactory protection to the lender.

If the warehousing operation is not conducted properly, however, and the manager remains under the control of the borrower, the security interest may be lost. Consequently, the lender may wish to require a written security agreement and the filing of a financing statement to insure that the lender will have a perfected security interest even if it is later determined that the field warehousing operation was not properly conducted. It should be noted, however, that the Federal Reserve Act clearly requires that the bankers' acceptance be secured by a warehouse receipt in order to satisfy the requirements of eligibility, and a written security agreement and a filed financing statement, while desirable, cannot serve as a substitute for a warehouse receipt.

This Interpretation is based on facts that have been presented in regard to field warehousing operations conducted by established, professional field warehouse companies, and it does not necessarily apply to all field warehousing operations. Thus ¶ 1430 and ¶ 1440 of the Published Interpretations [1918 BULLETIN 31 and 1918 BULLETIN 862] maintain their validity with regard to corporations formed for the purpose of conducting limited field warehousing operations. Furthermore, the prohibition contained in ¶ 1435 Published Interpretations [1918 BULLETIN 634] that "the borrower shall not have access to the premises and shall exercise no control over the goods stored" retains its validity, except that access for inspection purposes is still permitted under ¶ 1450 [1926 BULLETIN 666]. The purpose for the acceptance transaction must be proper and cannot be for speculation [¶ 1400, 1919 BULLETIN 858] or for the purpose of furnishing working capitol [¶ 1405, 1922 BULLETIN 52].

This interpretation supersedes only the previous ¶ 1445 of the Published Interpretations [1933 BULLETIN 188], and is not intended to affect any other Board Interpretation regarding field warehousing.

BANK HOLDING COMPANY AND BANK MERGER ORDERS ISSUED BY THE BOARD OF GOVERNORS

ORDERS UNDER SECTION 3 OF BANK HOLDING COMPANY ACT

Banco Nacional De Mexico, S.A.,
Mexico City, Mexico
Banamex Holding Company,
Los Angeles, California
Ammex Holding Company,
Los Angeles, California

Order Approving Formation of Bank Holding Companies

Banco Nacional de Mexico, S.A., Mexico City, Mexico ("Banco"), Banamex Holding Company, Los Angeles, California ("Banamex") and Ammex Holding Company, Los Angeles, California ("Ammex"), have applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1)) of formation of bank holding companies by acquiring 80 per cent or more of the voting shares of Community Bank of San Jose, San Jose, California ("Bank"). Ammex is a subsidiary of Banamex, which is in turn a subsidiary of Banco. Ammex is to acquire these shares of Bank directly, and Banamex and Banco would acquire the Bank shares indirectly through Ammex.

Notice of the applications, 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 applications and all comments received in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)).

Banco is the largest commercial bank in Mexico, holding deposits of approximately $2.1 billion.[1] Banco has 500 bank offices in Mexico, two agency offices in the United States, four overseas representative offices, and an interest in a merchant bank in London. Apart from its agencies in the United States, Banco engaged in no direct or indirect business activities in the United States other than international banking transactions incidental to its foreign operations. Upon consummation of the proposed transaction, Banco would become a foreign bank holding company within the meaning of section 225.4(g)(1) of the Board's Regulation Y (12 C.F.R. § 225.4(g)(1)).

Banamex, a wholly-owned subsidiary of Banco, is a non-operating corporation with Ammex as its only subsidiary. Ammex, a wholly-owned subsidiary of Banamex, also is a non-operating corporation and has no subsidiaries. Banamex and Ammex both were recently organized for the purpose of becoming domestic bank holding companies and facilitating Banco's acquisition of a bank in California.

Bank, the eleventh largest commercial bank located in the San Jose Metropolitan Banking market,[2] held as of September 30, 1977, deposits of approximately $64.7 million, representing 1.7 per cent of the total deposits in commercial banks in that market. Applicants do not now operate in the relevant market and it does not appear that any existing competition would be eliminated as a result of the proposal. While it appears that Applicants could enter the relevant market *de novo*, in view of Bank's size and market position, as well as the fact that the market is highly competitive, consummation of this proposal would have no significant effect on potential competition. Accordingly, the Board concludes that competitive considerations are consistent with approval of these applications.

The financial and managerial resources and future prospects of Applicants and Bank are regarded as satisfactory. Therefore, considerations relating to banking factors are consistent with approval of the applications. Applicants will provide Bank with expertise and resources in the area of international commerce, an area of particular importance within the relevant market since the recent establishment in Santa Clara County of Foreign Trade Zone No. 18. Accordingly, considerations relating to the convenience and needs of the community to be served are consistent with approval. It is the Board's judgment, therefore, that the proposed acquisition would be in the public interest and that the applications should be approved.

On the basis of the record, the applications are approved for the reasons summarized above. The

[1] All banking data are as of December 31, 1976, unless otherwise indicated.

[2] The relevant market is approximated by Santa Clara County, except for the communities of Gilroy and Morgan Hill.

transaction shall not be made before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order unless such period is extended for good cause by the Board, or by the Federal Reserve Bank of San Francisco pursuant to delegated authority.

By order of the Board of Governors, effective May 19, 1978.

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

(Signed) THEODORE E. ALLISON,
[SEAL] *Secretary of the Board.*

First Thomas Ban Corp,
Thomas, Oklahoma

Order Approving
Formation of Bank Holding Company

First Thomas Ban Corp, Thomas, Oklahoma, has applied for prior approval under section 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1)) and section 225.3(a) of Regulation Y (12 C.F.R. § 225.3(a)) to become a bank holding company through the acquisition of 80 per cent or more, less directors' qualifying shares, of the voting shares of The First National Bank of Thomas, Thomas, Oklahoma ("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 (43 Fed. Reg. 12086 (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 organized for the purpose of becoming a bank holding company through the acquisition of Bank. Bank holds deposits of $8.2 million, representing .07 per cent of the total deposits in commercial banks in Oklahoma.[1] Upon acquisition of Bank, Applicant would control the 282nd largest bank in Oklahoma.

Bank, which controls 7.6 per cent of the deposits in the Custer County banking market, is the sixth largest of eight banks operating in the market.[2] The subject proposal represents a restructuring of Bank's ownership from individuals to a corporation owned by the same individuals. However, in order to analyze the competitive effects of the subject proposal, it is necessary to consider that principals of Applicant are also principals of another bank and its parent bank holding company located in the Custer County banking market.[3] That bank, The First National Bank of Custer City, Custer City, Oklahoma ("Custer City Bank"), holds deposits of $7.6 million, representing 7.0 per cent of the market's total deposits, and ranks as the seventh largest bank in the market.[4] Some existing competition was eliminated when Bank was acquired by Applicant's principals in June, 1976. However, Bank and Custer City Bank hold only 14.6 per cent of the market's total deposits. After acquisition of Bank, six unaffiliated banking alternatives would remain in the market. While approval of the subject proposal would further solidify the existing relationship between Bank and the affiliated bank and reduce the likelihood that Bank would become an independent competitor in the future, it appears that consummation of this proposal would not result in any significant adverse effects upon competition in any relevant area. Thus, competitive considerations are consistent with approval.

The financial and managerial resources and future prospects of Applicant are dependent upon Bank.[5] Applicant projects a 12-year amortization period for its acquisition debt and it appears that Applicant will have the necessary financial flexi-

[1] All banking data are as of June 30, 1977.

[2] The Custer County banking market is approximated by Custer County, Oklahoma.

[3] Principals of Applicant are also principals of Guaranty Bank and Trust Company, Oklahoma City, Oklahoma. There does not appear to be any meaningful competition between this bank, which is located outside the Custer County banking market, and Bank.

[4] In assessing the competitive effects of a proposal involving the restructuring of a bank's ownership into corporate form, the Board takes into consideration the competitive effects of the transaction whereby common share ownership was established between the subject bank and one or more banks in the same market. See the Board's Order of May 11, 1977, denying the application to become a bank holding company by Mahaska Investment Company, Oskaloosa, Iowa (63 *Federal Reserve Bulletin* 579 (1977)), the Board's Order of November 18, 1977, denying the application to become a bank holding company by Citizens Bancorp, Inc., Hartford City, Indiana (63 *Federal Reserve* BULLETIN 1083 (1977)), and the Board's Order of March 27, 1978, denying the application to become a bank holding company by Midwest Bancorp, Inc., Gardner, Illinois (64 *Federal Reserve* BULLETIN 317 (1978)).

[5] Where principals of an Applicant are engaged in establishing a chain of one-bank holding companies, the Board has indicated that it is appropriate to analyze such organizations by the standards normally applied to multi-bank holding companies. See Board's Order dated June 14, 1976, denying the application of Nebraska Banco, Inc., Ord, Nebraska, to become a bank holding company (62 *Federal Reserve* BULLETIN 638 (1976)).

bility to meet its annual debt servicing requirement and to maintain an adequate capital position for Bank. The financial and managerial resources of Applicant and Bank and the affiliated banks are considered satisfactory, and the future prospects of each appear favorable. Accordingly, considerations relating to banking factors are consistent with approval of the application.

Although consummation of the proposal would effect no changes in the banking services offered by Bank, considerations relating to the convenience and needs of the community to be served are also consistent with approval. It has been determined 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 consummated (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 delegated authority from the Board of Governors, effective May 30, 1978.

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

JEFCO, Inc.,
Cedar Rapids, Iowa

Order Approving Formation of a Bank Holding Company and Performance of Leasing Activities

JEFCO, Inc., Cedar Rapids, Iowa ("Applicant"), has applied for the Board's approval under § 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 approximately 55.2 per cent of the voting shares of City National Bank of Cedar Rapids, Cedar Rapids, Iowa ("Bank"), thus bringing Applicant's total ownership of Bank to more than 80 per cent of the voting shares of Bank. Simultaneously, Applicant applied for the Board's permission under § 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and § 225.4(b)(2) of the Board's Regulation Y to continue to engage in the leasing of equipment and vehicles used in the operation of banks. Such activities have been determined by the Board, in § 225.4(a)(6)(a) of Regulation Y, to be permissible for bank holding companies subject to Board approval of individual proposals in accordance with the procedures of § 225.4(b) of Regulation Y.

Notice of the applications, affording opportunity for interested persons to submit comments and views, has been given in accordance with §§ 3 and 4 of the Act (43 *Fed. Reg.* 8037 (1978)). The time for filing comments and views has expired, and the applications and comments received have been considered in light of the factors set forth in § 3(c) of the Act (12 U.S.C. § 1842(c)) and the considerations specified in § 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)).

Applicant is a corporation organized under the laws of Iowa in 1965 for the purpose of holding stock of Bank. Bank is the 296th largest of 598 banking organizations in Iowa, holding one-tenth of one per cent of total deposits in commercial banks in the State.[1]

Bank holds deposits of approximately $13.6 million, representing 2.3 per cent of total deposits in commercial banks in the Cedar Rapids banking market, and is the ninth largest of 20 banks in that market.[2] The subject proposal involves a restructuring of Bank's ownership from individuals to a corporation owned by those same individuals. In addition to their interest in Bank,[3] Applicant's principals hold significant voting share interest in another bank that is located 10 miles east of an office of Bank and competes in the Cedar Rapids banking market.[4] The bank, The Exchange State Bank, Springville, Iowa ("Exchange Bank"), holds deposits of approximately $4.9 million rep-

[1] All banking data are as of June 30, 1977.

[2] The Cedar Rapids banking market is the relevant market, and is approximated by all of Linn County, Iowa, plus Jefferson township in adjacent Johnson County, Iowa.

[3] One of Applicant's principals is also associated with Farmers State Bank, Martelle, Iowa, and with two bank holding companies, Lesernal Corporation, Anamosa, Iowa, which controls Onslow Savings Bank, Onslow, Iowa. However, it does not appear from the record that any significant competition currently exists between these other banks, on the one hand, and Bank, on the other.

[4] In assessing the competitive effects of a proposal involving the restructuring of a bank's ownership into corporate form, the Board takes into consideration the competitive effects of the transaction whereby common share ownership was established between the subject bank and one or more banks in the same market. See the Board's Order of May 11, 1977, denying the application to become a bank holding company by Mahaska Investment Company, Oskaloosa, Iowa (63 *Fed. Res. Bull.* 579 (1977)), the Board's Order of November 18, 1977, denying the application to become a bank holding company by Citizens Bancorp, Inc., Hartford City, Indiana (63 *Fed. Res. Bull.* 1083 (1977)), and the Board's Order of March 27, 1978, denying the application to become a bank holding company by Midwest Bancorp, Inc., Gardner, Illinois.

resenting eight-tenths of one per cent of the total deposits in commercial banks in the market and ranks as the 16th largest bank in the relevant market. Together, the two banks controlled by Applicant's principals hold aggregate deposits of approximately $18.5 million, representing only 3.1 per cent of the total deposits in the market. The aggregate deposits held by the two banks are slightly less than the deposits held by the market's seventh largest bank. Moreover, there are 18 banks remaining in the market that serve as alternative sources of banking services. In view of the relative sizes of Bank and Exchange Bank, and of their market shares, as well as the number of other competitive alternatives present in the market, the Board concludes that consummation of the subject proposal would have only slightly adverse effects upon competition, and, as discussed below, it is the Board's view that such adverse effects are clearly outweighed by considerations relating to the convenience and needs of the community to be served.

The financial and managerial resources and future prospects of Applicant are dependent upon those of Bank. Applicant proposes to service the debt it will incur as a result of the proposed transaction over a period of approximately 12 years. Applicant appears to have the necessary financial flexibility to retire its acquisition debt over a reasonable period of time while maintaining an adequate capital position for Bank. The managerial resources of Applicant and Bank are considered satisfactory and the future prospects for each appear favorable. The four banks and two bank holding companies with which Applicant is affiliated appear to be in satisfactory condition. Accordingly, considerations relating to banking factors are consistent with approval of the application under section 3(a)(1) of the Act.

Upon approval of the application to become a bank holding company, Applicant proposes to update Bank's physical facilities, and improve the services offered to Bank's customers by expanding Bank's trust services and real estate mortgage lending. In addition, Applicant intends to extend banking hours. These convenience and needs factors are sufficient to outweigh clearly any slightly adverse competitive effects that might result from consummation of the proposal. Based upon the foregoing and other considerations reflected in the record, it is the Board's judgment that the proposed acquisition is in the public interest and that the application to become a bank holding company should be approved.

In connection with the application to become a bank holding company, Applicant has also applied, pursuant to § 225.4(a)(6)(a) of the Board's Regulation Y, to continue to engage in the leasing of equipment and vehicles used in the operation of banks, which leasing business Applicant conducts as LTD Leasing Company ("LTD"). The leasing transactions are negotiated solely with Bank and its affiliated banks and serve as the functional equivalent of extensions of credit to the lessees. The property is leased on a nonoperating basis, yielding a return that compensates LTD for its full investment in the equipment, plus the cost of financing the equipment over the term of the lease. The term of the leases is generally less than seven years and the leasing activities otherwise appear to be in compliance with § 225.4(a)(6)(a) of Regulation Y.

Applicant's performance of the proposed leasing activities would ensure continuation of gains in the efficiency of the operations of Bank and its affiliated banks. It does not appear that Applicant's engaging in the above-described activities would have any significant adverse effect on existing or potential competition. Furthermore, there is no evidence in the record indicating that consummation of the proposal would result in any undue concentration of resources, unfair competition, conflicts of interests, unsound banking practices or other adverse effects on the public interest.

Based on the foregoing and other considerations reflected in the record, the Board determines, in accordance with the provisions of section 4(c)(8) of the Act, that consummation of this proposal can reasonably be expected to produce benefits to the public that outweigh possible adverse effects and that the application to continue to engage in certain leasing activities should be approved.

Accordingly, the applications are approved for the reasons summarized above. The acquisition of shares of Bank 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 date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Chicago pursuant to delegated authority. The determination as to Applicant's leasing activities is subject to the conditions set forth in section 225.4(c) of Regulation Y and to the Board's authority to require reports by, and make examinations of, bank holding companies and their subsidiaries and to require such modification or termination of the activities of a bank 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 May 4, 1978.

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

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

The Kyowa Bank, LTD.,
Tokyo, Japan

Order Approving
Formation of Bank Holding Company

The Kyowa Bank, Ltd., Tokyo, Japan, 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)) of formation of a bank holding company by acquiring 100 per cent (less directors' qualifying shares) of the voting shares of Kyowa Bank of California ("Bank"), Los Angeles, California.

Notice of the application, affording opportunity for interested persons to submit views and recommendations, has been given in accordance with section 3(b) of the Act (12 U.S.C. § 1842(b)). The time for filing views and recommendations 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 is the 17th largest commercial bank in Japan and the 63rd largest commercial bank in the world, holding deposits of $12.6 billion.[1] Applicant has 226 bank offices in Japan, one branch, one agency, and one representative office in the United States, one overseas branch and four overseas representative offices, and a subsidiary in Hong Kong. In addition, Applicant owns or controls, directly or indirectly, more than five per cent of the voting shares of various Japanese industrial and commercial companies. Some of these companies or their subsidiaries have offices in the United States. These companies are not subsidiaries of Applicant, however, and in each case more than half of their consolidated assets and revenues are located and derived outside the United States. Such companies do not engage, directly or indirectly, in the business of underwriting, selling or distributing securities in the United States. Upon consummation of the proposed transaction, Applicant would become a foreign bank holding company within the meaning of section 225.4(g)(1) of the Board's Regulation Y (12 C.F.R. § 225.4(g)(1)), and its continued holding of its present investments would be permissible under section 225.4(g)(2) of that Regulation (12 C.F.R. § 225.4(g)(2)).

Bank, a proposed new bank, will operate in the Los Angeles-Orange County metropolitan banking market. Since Bank is a proposed new bank, consummation of the proposal will neither eliminate existing competition nor increase the concentration of banking resources in any relevant area. Accordingly, the Board concludes that competitive considerations are consistent with approval of the application.

The financial and managerial resources and future prospects of Applicant and Bank are regarded as satisfactory. Therefore, considerations relating to banking factors are consistent with approval of the application. Bank will provide an additional source of international banking services in the Los Angeles area. Accordingly, considerations relating to the convenience and needs of the community to be served are consistent with approval. It is the Board's judgment, therefore, 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 before the thirtieth calendar day following the effective date of this Order or later than three months after that date, and Bank shall be opened for business not later than six months after the effective date of this Order. The last two periods described in this paragraph may be extended for good cause by the Board, or by the Federal Reserve Bank of San Francisco pursuant to delegated authority.

By order of the Board of Governors, effective May 26, 1978.

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

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

[1] All banking data are as of December 31, 1976.

National Bancshares Corporation of Texas,
San Antonio, Texas

Order Approving Acquisition of Bank

National Bancshares Corporation of Texas, San Antonio, 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 per cent of the voting shares (less directors' qualifying shares) of Northwest Bank of Commerce, National Association, San Antonio, 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 application and all comments received, including those submitted by Kelly Field National Bank, San Antonio, Texas ("Protestant"), have been considered in light of the factors set forth in section 3(c) of the Act.

Applicant, the twelfth largest banking organization in Texas, controls five banks with aggregate deposits of approximately $600 million, representing 1.12 per cent of the total deposits in commercial banks in the State.[1] Bank is to be located in the northwest portion of the city of San Antonio. Within the San Antonio banking market, Applicant controls three banks with aggregate deposits of $530.3 million, representing 16.9 per cent of market deposits, and ranks as the second largest of 46 banking organizations located in the market.[2] Under Texas law, Applicant is prohibited from establishing branches of its subsidiary banks.[3] Consequently, Applicant proposes to expand its banking operations in San Antonio by acquiring Bank. Since Bank is a proposed new bank, no existing competition between Bank and Applicant's other subsidiaries would be eliminated by consummation of the subject proposal, nor would Bank's acquisition by Applicant cause any immediate increase in the concentration of banking resources in the relevant market or the State of Texas. Furthermore, there is no evidence in the record to indicate that Applicant's proposal is an attempt to pre-empt a site for a bank before there is a need for one.

The Board has received comments in opposition to the subject proposal from Protestant, a bank located approximately five miles from the proposed location of Bank. Protestant alleges that Applicant is seeking to gain control of the "military new account market" in the San Antonio area. Protestant's opposition is based upon the facts that (1) Applicant has banking facilities at two military bases within the San Antonio banking market, and (2) the proposed location of Bank is in an area wherein many military personnel reside.

The Board has examined the materials submitted by Protestant and, on the basis of all of the facts of record, concludes that the proposed acquisition does not represent an attempt by Applicant to monopolize any portion of the San Antonio banking market and that consummation of the proposed transaction would not have any significant adverse effects on competition in any relevant area. Bank is to be located about five miles from the nearest military facility and up to twenty-three miles from the most distant military facility in the San Antonio banking market. As the only bank in its immediate area, Bank can be expected to draw its customers from the general population in this rapidly growing area. In this regard, it appears that rapid growth of this area is not attributable to an increase in the military population since the number of military personnel stationed at bases in the San Antonio market has decreased 17.2 per cent from 1970 to 1977, while the population of the banking market as a whole increased 11.6 per cent during this period. Moreover, Applicant has indicated that Bank will offer predominantly consumer and commercial oriented banking services rather than services aimed exclusively at military customers. In view of the foregoing and other facts of record, the Board concludes that competitive considerations are consistent with approval of the application.

The financial and managerial considerations and future prospects of Applicant and its subsidiary banks are regarded as generally satisfactory. Bank, as a proposed new bank, has no financial or operating history; however, its future prospects as a subsidiary of Applicant appear favorable. Thus, considerations relating to banking factors are consistent with approval.

Bank would serve as an additional full-service banking alternative in a portion of San Antonio

[1] All banking data are as of June 30, 1977, and reflect bank holding company formations and acquisitions as of April 30, 1978.

[2] The San Antonio banking market is approximated by the San Antonio SMSA.

[3] Such State law prohibitions against branching do not, under certain circumstances, apply to branches on military installations. (See *State of Texas* v. *National Bank of Commerce of San Antonio, Texas*, 290 F. 2d 229 (5th Cir. 1961)). Consequently, several banks in San Antonio, including Protestant's and one of Applicant's subsidiary banks, operate offices on military facilities in the San Antonio area.

that is rapidly expanding and is not currently served by any other bank. Applicant anticipates that Bank will be active in making installment, commercial and industrial, and real estate loans. Therefore, the Board concludes that considerations relating to the convenience and needs of the community to be served weigh in favor of approval of the application.

On the basis of all of the evidence in the record, the Board concludes that all of the relevant factors that the Board must consider are consistent with approval, and that consummation of the proposed transaction would be in the public interest.

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 date 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 May 17, 1978.

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

(Signed) CATHY E. MINEHAN,
[SEAL] *Assistant Secretary of the Board.*

Commercial National Corporation,
Peoria, Illinois

Order Approving Retention of Bank Shares

Commercial National Corporation, Peoria, Illinois, 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 retain, through its subsidiary, Commercial National Bank of Peoria, Peoria, Illinois ("Subsidiary Bank"), 7 per cent of the outstanding voting shares of The National Bank of Canton, Canton, Illinois ("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 in light of the factors set forth in § 3(c) of the Act (12 U.S.C. § 1842(c)).

On November 15, 1972, Subsidiary Bank received as trustee 4 per cent (4,068 shares) of the outstanding voting shares of Bank pursuant to two testamentary trusts established by the will of Mr. Robert B. Chipferfield. On November 18, 1977, Subsidiary Bank received as trustee 1.9 per cent (1,900 shares) of the outstanding voting shares of Bank pursuant to a testamentary trust established by the will of Mr. Ralph Stevens. These three trusts give Subsidiary Bank sole voting authority over shares representing 5.9 per cent of Bank stock, and Subsidiary Bank holds in a fiduciary capacity an additional 1.1 per cent of the voting shares of Bank acquired prior to 1970. Approval of the application would allow Subsidiary Bank, and thereby Applicant, to continue to exercise sole voting authority for 7 per cent of the voting shares of Bank until the expiration on August 29, 1980, of the Robert B. Chipferfield f.b.o. Virginia Larsen Trust, and sole voting authority for 5 per cent of the voting shares of Bank thereafter.

Subsidiary Bank, with deposits of $281.7 million is the 16th largest commercial bank in Illinois controlling approximately 0.43 per cent of total deposits in commercial banks in Illinois.[1] Subsidiary Bank is the largest of ten commercial banks in the city of Peoria and the largest commercial bank in Peoria County. It controls 24.4 per cent of deposits in commercial banks in the Peoria banking market.

Bank holds deposits of $56.3 million and is the largest of three banks in the city of Canton and the largest of thirteen banks in Fulton County. Bank controls 33.3 per cent of deposits in commercial banks in the banking market approximated by the eastern half of Fulton County.

The two banks are located in separate, though adjacent, banking markets. Subsidiary Bank derives about 8.2 per cent of its total deposits, that percentage representing mostly correspondent balances, and about 0.3 per cent of its loan volume from Bank's service area. Bank derives an insignificant amount of its deposits and loans from Subsidiary Bank's service area. Subsidiary Bank is located about 30 road miles northeast of Bank, and there are numerous intervening alternative sources of banking services. Under current Illinois law, neither bank can operate a branch in the other's market, or form or become a subsidiary of a multibank holding company. Approval of the application to hold seven per cent of Bank until August 29, 1980, and five per cent thereafter will not eliminate significant existing or potential competition.

The financial and managerial resources and fu-

[1] All banking data are as of June 30, 1977.

ture prospects of Applicant, Subsidiary Bank, and Bank are satisfactory. Accordingly, banking factors are consistent with approval. There is no indication that the convenience and needs of the community to be served are not currently being met. Although there will be no immediate increase in the services offered by Bank, convenience and needs considerations are consistent with approval. Therefore, it is the Board's judgment that the retention of the shares of Bank 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.

By order of the Board of Governors, effective May 2, 1978.

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

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

ORDERS UNDER SECTION 4 OF BANK HOLDING COMPANY ACT

Chemical New York Corporation, New York, New York

Order Approving Acquisition of Citizens Mortgage Company

Chemical New York Corporation, New York, New York ("Applicant"), a bank holding company within the meaning of the Bank Holding Company Act ("Act"), has applied for the Board's approval, under § 4(c)(8) of the Act (12 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 acquire, through its wholly-owned subsidiary, The Galbreath Mortgage Company, Columbus, Ohio ("Galbreath"), the mortgage servicing portfolio of Citizens Mortgage Company, Houston, Texas ("Company"), and to engage in mortgage banking activities from Company's existing office. The activities of originating and servicing mortgage loans have been determined by the Board to be closely related to banking (12 C.F.R. §§ 225.4(a)(1) and (3)).

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* 8035 (1978)). 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 § 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)).

Applicant, the fourth largest banking organization in New York State, controls six banking subsidiaries and has consolidated assets of $30.9 billion.[1] Galbreath ($39.3 million in assets) engages in a general mortgage banking business through 13 offices in Ohio, Michigan, Pennsylvania, Indiana, South Carolina, Tennessee, Georgia, and Texas. Galbreath has a mortgage servicing portfolio of $852 million and ranks as the 45th largest mortgage banking firm in the United States.[2] Company ($1.9 million in assets as of September 30, 1977) currently services a mortgage portfolio of approximately $102 million from a single office in Houston, Texas. Company was at one time fairly active in originating mortgage loans on commercial property; however, it now restricts its activities to originating and servicing residential mortgages. In view of the number and size of mortgage banking firms located in the Houston market,[3] Company does not have a significant presence in that market. Although Galbreath is represented in the Houston market, its Houston office was not opened until late 1977 and the amount of competition that would be eliminated upon consummation of this proposal is not viewed as significant. Moreover, Company's acquisition by Applicant may enhance competition in the relevant market by increasing Company's ability to compete. Accordingly, the Board finds that Applicant's acquisition of Company would not have any significant adverse effect upon competition.

As a result of this proposal, Company's customers will be offered a greater variety of loans than currently offered by Company. In addition, the acquisition of Company will ensure the continued provision of mortgage banking services from Company's present location. Furthermore, there is no evidence in the record indicating that consummation of this proposal would result in any undue concentration of resources, conflicts of interests, unsound banking practices, or any other adverse effects upon the public interest.

Based upon the foregoing and other considerations reflected in the record, the Board has

[1] Unless otherwise indicated, all data are as of December 31, 1977.
[2] As of June 30, 1977.
[3] The relevant market is approximated by the Houston Rand McNally Metro Area.

determined that the balance of the public interest 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.

The transaction shall be made not later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of New York, pursuant to delegated authority.

By order of the Board of Governors, effective May 4, 1978.

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

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

Chemical New York Corporation,
New York, New York

Order Approving Acquisition of Investment and Capital Management Corp.

Chemical New York Corporation, New York, New York, 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 and section 225.4(b)(2) of the Board's Regulation Y, to acquire all of the voting shares of Investment Capital and Management Corp. ("Investment"), Chicago, Illinois, a company that serves as an investment adviser, providing portfolio investment advisory and management services, furnishing general economic information and advice, and conducting investment research. Such activities have been determined by the Board to be closely related to banking (12 CFR § 225.4(a)(4) and (5)).

Notice of the application, affording opportunity for interested persons to submit comments and views on the public interest factors has been duly published (43 Fed. Reg. 12086). The time for filing comments and views has expired, and the Board has considered all comments received in the light of the public interest factors set forth in section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)).

Applicant, the fourth largest banking organization in New York State, controls six subsidiary banks with aggregate domestic deposits of $13.1 billion.[1] Applicant also controls nonbanking subsidiaries that engage principally in consumer finance, mortgage banking, leasing, construction lending, and investment advisory activities.

Investment, with total assets of $450,000 as of December 31, 1977, operates from a main office in Chicago and a branch in Orchard Lake, Michigan. Investment engages in providing investment advisory and investment management services and is a registered investment adviser. Its principal activity is the management of investment portfolios for individuals, corporations, charitable organizations, and employee benefit trusts on a continuing basis. In conjunction with its portfolio investment advisory and management services, Investment also furnishes general economic information and advice and conducts investment research.

As of August, 1977, Investment administered 164 accounts with assets of approximately $289 million. Investment primarily serves Illinois, Michigan, Kentucky, Missouri, Kansas, and Indiana, from which it obtains about 89 per cent of its revenues. On the basis of asset portfolios, there are 41 larger investment management firms headquartered in the region, and Investment competes as well with numerous small firms there and with commercial banks, trust companies, and insurance companies, and holds significantly less than 1 per cent of the aggregate assets managed by companies engaged in investment advisory activities in the area.

All of Applicant's subsidiary banks engage in investment advisory activities through their respective trust departments; however, only Chemical Bank, New York, New York, Applicant's lead bank, obtains any investment advisory or management business from Investment's market. Although the volume of business that Chemical Bank derives from the contiguous six States served by Investment exceeds that of Investment, the proposed acquisition would not eliminate any significant competition. Chemical Bank does not actively solicit personal investment advisory and mangement accounts from Investment's market, but has a small amount of such business derived from relationships established in the New York area.

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

Applicant's nonbank subsidiary engaged in investment advisory services, Van Deventer and Hoch, Glendale, California, serves a separate market and derives no business from Investment's market. In addition, Investment does not obtain a significant amount of business from the area served by Van Deventer and Hoch or Applicant's bank subsidiaries. In view of the foregoing, there does not appear to be any significant existing competition between Investment and Applicant or any of its subsidiaries.

Although there is the possibility of future competition developing between Applicant and Investment and although Applicant possesses the resources and the capability to expand *de novo* into Investment's market, the elimination of future competition is not considered to be significant in light of the large number of existing competitors in the market and Investment's small market share. Accordingly, the Board concludes that competitive considerations are consistent with approval of the application.

It is anticipated that Investment's affiliation with Applicant should result in increased operational efficiencies and enable Investment to improve the quality and depth of its investment advisory services and to compete more effectively with the large organizations in the market. Furthermore, there is no evidence in the record indicating that Applicant's acquisition of Investment would result in any undue concentration of resources, unfair competition, conflicts of interests, or unsound banking practices.

Based upon the foregoing and other considerations reflected in the record, the Board has determined, in accordance with the provisions of section 4(c)(8) of the Act, that consummation of this proposal can reasonably be expected to produce benefits to the public that outweigh possible adverse effects. Accordingly, the application is hereby approved. This determination is subject to the conditions set forth in section 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.

The transaction shall be made no later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of New York, pursuant to authority hereby delegated.

By order of the Board of Governors effective May 26, 1978.

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

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

Equitable Bancorporation
Baltimore, Maryland

Order Approving Retention of Offices of Equitable Financial Corporation

Equitable Bancorporation, Baltimore, Maryland, 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 § 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)), to retain indirectly eight offices of Equitable Financial Corporation, Lutherville, Maryland ("Equitable Financial"), a wholly-owned subsidiary of Applicant. The offices that Applicant has applied to retain have been engaged soley in making second mortgage loans.[1] Applicant has applied to also engage, through these offices, in the activities of factoring, consumer finance and the servicing of loans and other extensions of credit for any person. These activities have been determined by the Board to be closely related to banking (12 C.F.R. §§ 225.4(a)(1) and (3)). The offices are located in Lutherville, Rockville, Camp Springs, and Glen Burnie, Maryland; Greensboro and Raleigh, North Carolina; Wilmington, Delaware; and McLean, Virginia.

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* 1129). 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 is the second largest banking organization in Maryland and controls five banks with aggregate deposits of $1.4 billion, representing 14.0 per cent of the total deposits in commercial

[1]Upon being advised that prior Board approval was required but was not secured, Applicant promptly converted the subject offices to loan production offices.

banks in the State.[2] Equitable Financial ($4.8 million in assets as of year-end 1977) is engaged in the mortgages, deeds of trust or other security interests on property that is subject to one or more prior encumbrances.

In January 1974, Applicant was authorized by the Federal Reserve Bank of Richmond, acting pursuant to delegated authority, to establish Equitable Financial as a subsidiary for the purpose of engaging *de novo* in those activities that are the subject of the instant application.[3] Notice of this proposal was published as required by section 225.4(b)(1) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(1)), and it was indicated that such activities would be conducted in Baltimore, Maryland. Subsequently, from January 1976 until May 1977, Applicant opened the subject eight offices of Equitable Financial *de novo* without prior Board approval.[4] By this application, Applicant seeks to bring the operation of these offices into conformance with the requirements of law.

In acting on an application pursuant to § 4(c)(8) of the Act to retain offices engaged in activities that are permissible for bank holding companies, in situations where the necessary prior Board approval was not obtained for such offices or activities, the Board applies the same standards that it applies in acting upon an application to establish such offices and commence such activities initially. In addition, the Board analyzes the competitive effects of such proposals as of the time that the offices were established or the activity commenced.

The facts of record indicate that the *de novo* establishment of the eight offices added additional locations and competitors in the relevant markets and eliminated no significant amount of existing competition.[5] Thus, it appears there were no significant adverse competitive effects at the time Equitable Financial opened these offices. With respect to present competitive effects, in light of the relative size of each office in each relevant market area and in view of the number of competitors engaged in the activity of second mortgage lending in those market areas, it does not appear that approval of Applicant's retention of these offices would have any significant adverse effects on existing or potential competition. As to the other proposed nonbanking activities of Equitable Financial, the Board finds that there would similarly be no significant adverse effects on existing or potential competition. Retention of these offices, on the other hand, would provide benefits to the public by assuring a continued and additional source for second mortgage loans, factoring, and consumer finance services in the areas served by the subject offices. Moreover, there is no evidence in the record indicating that retention would result in any undue concentration of resources, unfair competition, conflicts of interests, unsound banking practices or other adverse effects on the public interest.

As indicated above, the subject application is an after-the-fact request for Board approval to engage in activities at locations that were commenced in violation of the Board's Regulation Y. Upon examination of all the facts and circumstances surrounding the establishment by Equitable Financial of its offices without prior Board approval, it appears that the violations do not warrant denial of this application. In acting upon the application, the Board has taken into consideration the fact that Applicant has taken steps to conform its operations to the Act and the Board's Regulation Y by filing the subject application. In addition, Applicant's management has adopted a definitive program to prevent violations from occurring in the future, and the Board expects that such actions will assist Applicant in preventing a recurrence of similar violations. In consideration of the above and other information in the record evidencing Applicant's intention to comply with the requirements of the Act and the Board's Regulation Y, the Board has determined that the circumstances of the above violations do not warrant denial of the application.

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. Accordingly, the application is hereby approved. This determination is subject to the conditions set forth in § 225.4(c)

[2] All data are as of June 30, 1977, unless otherwise indicated.

[3] The facts of record indicate that despite such authorization, Equitable Financial has confined its activities to making secondary mortgage loans.

[4] Section 4 of the Act and section 225.4(a) of the Board's Regulation Y prohibit a bank holding company from engaging in any nonbanking activity without the Board's prior approval. In addition, section 225.4(c)(2) of the Board's Regulation Y specifically states that after the Board approves an application, "the activities involved shall not be . . . provided at any location other than those described in the notice published with respect to such determination . . ." Accordingly, it is the Board's judgment that Applicant, by engaging in the subject activities without prior Board approval at locations other than Baltimore, Maryland, violated the Act and the Board's Regulation Y.

[5] The two principal market areas served by these offices are approximated by the Washington, D.C., SMSA and the Baltimore, Maryland, SMSA.

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 May 3, 1978.

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

(Signed) CATHY E. MINEHAN,
[SEAL] *Assistant Secretary of the Board.*

Manufacturers Hanover Corporation,
New York, New York

Order Approving Acquisition of First Credit Corporation and First Credit Corporation of Georgia

Manufacturers Hanover Corporation, New York, New York, a bank holding company within the meaning of the Bank Holding Company Act ("BHC 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 CFR § 225.4(b)(2)), to acquire substantially all of the assets of First Credit Corporation, Whiteville, North Carolina ("FCC"), and First Credit Corporation of Georgia, Fayetteville, Georgia ("FCCG"). Applicant proposes to acquire such assets through its wholly owned subsidiary, Ritter Financial Corporation, Wyncote, Pennsylvania ("Ritter"), and thereafter engage in the activities of making, acquiring and servicing, for its own account or for the account of others, loans or other extensions of credit as would be made by a finance company; and acting as agent or broker for the sale of credit life and credit accident and health insurance directly related to extensions of credit at each of the present offices of FCC and FCCG.[1] Applicant also proposes to act as agent or broker in the sale of nonfiling insurance that is directly related to secured extensions of credit made at the present offices of FCC. Such activities have been determined by the Board to be closely related to banking (12 CFR § 225.4(a)(1), (3), and (9)).

Notice of the application, affording opportunity for interested persons to submit comments on the public interest factors, has been published (42 *Federal Register* 54875 (1977). The time for filing comments has expired, and the Board has considered the application and all comments received, including the request for a hearing submitted by Georgia Legal Services Program, Inc., Columbus, Georgia ("Protestant"), in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

Applicant is the third largest banking organization in the State of New York and fourth largest banking organization in the nation. Its four domestic bank subsidiaries, including Applicant's lead bank, Manufacturers Hanover Trust Company, New York, New York, hold aggregate domestic deposits of approximately $19.6 billion and operate a total of 306 offices throughout New York State.[2] In addition to Ritter and Ritter Life, Applicant controls several other nonbanking subsidiaries; these companies engage in leasing and mortgage banking activities.

Ritter is a consumer finance company with total assets of approximately $126 million. Ritter operates more than 125 offices, variously located in Indiana, Kentucky, Connecticut, New Jersey, West Virginia, Virginia, Pennsylvania, and North Carolina. Although it primarily engages in the activity of making direct loans to consumers, at some of its offices Ritter also engages in the activities of making mortgage loans, servicing loans or other extensions of credit, sales financing, and acting as agent or broker in the sale of credit life and credit accident and health insurance. In addition, Ritter, through Ritter Life, engages in the activity of acting as reinsurer of credit life and credit accident and health insurance sold at offices of Ritter in New Jersey, Pennsylvania, Virginia, West Virginia, and North Carolina.

FCC, with assets of approximately $3.2 million, engages in the activities of making consumer loans and acting as agent in the sale of credit-related insurance. FCC engages in these activities at five offices in North Carolina.[3] Two of Ritter's offices are located within markets where two of FCC's

[1] Applicant, through its wholly owned, indirect subsidiary, Ritter Life Insurance Company ("Ritter Life"), also proposes to engage in the activity of acting as reinsurer of credit life and credit accident and health insurance sold in connection with loans made by Ritter in North Carolina. Applicant presently engages in this activity at existing offices of Ritter in North Carolina, pursuant to the Board's Order of May 3, 1977, approving the application of Applicant to retain offices of Ritter and recommence reinsurance activities.

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

[3] The offices are located in Wilmington, Shallotte, Aberdeen, Wallace, and Sanford.

offices operate. The Ritter office in Burgaw competes for business with the FCC office in Wallace.[4] In addition, both Ritter and FCC have an office located in the city of Sanford.[5] Thus, consummation of the subject proposal would eliminate some existing competition within the markets served by the Wallace and Sanford offices of FCC. However, in view of the relatively small market share held by FCC in each of the relevant markets and the numerous other commercial banks, consumer finance companies and credit unions competing for consumer loans in these markets, it appears that the amount of existing competition that would be eliminated as a result of consummation of this proposal would not be significant. Ritter does not have any offices located within the market areas served by the three other FCC offices, nor does Ritter appear to derive any substantial business from these markets. Although Applicant appears to possess the financial and managerial capabilities to enter these markets *de novo*, such possibility appears unlikely within the foreseeable future due, in part, to the current policies of the North Carolina Banking Department regarding new consumer finance offices. Moreover, in view of FCC's market share of consumer loans in each of these three markets, the loss of such potential competition is viewed as extremely slight.

FCCG, with assets of approximately $2.5 million, engages in the activities of making consumer loans and mortgage loans, sales financing, and acting as agent in the sale of credit-related insurance. It engages in such activities at six offices in Georgia.[6] Ritter does not operate any offices in Georgia or derive any substantial business from the market areas served by the FCCG offices. Thus, Applicant's acquisition of FCCG would not eliminate any existing competition. To the extent that Applicant possesses the ability to expand *de novo*, consummation of this proposal would eliminate some potential competition. However, the Board regards any such loss as *de minimus* in view of the fact that Applicant would not gain a substantial share of the consumer loan business in any of the markets served by FCCG and in view of the size and number of other competitors already operating in these markets. Because of the size of FCCG and the location of its offices, the Board considers the subject proposal to be a foothold entry in the State of Georgia, which would provide a basis for further *de novo* expansion of Applicant's consumer finance activities. Furthermore, as discussed in greater detail below, consummation of Applicant's proposal could have a positive effect on competition in the future by having a more aggressive successor to FCC and FCCG in the marketplace.

As part of the subject transaction, Applicant proposes to offer loans at the present offices of FCC at rates of interest that are less than those currently charged for loans at such offices. In addition, Applicant proposes to offer, through Ritter Life, credit life and credit accident and health insurance at premium rates below the statutory maximum for loans made at the present offices of FCC. No such reductions are proposed for loans or insurance to be offered in Georgia.

FCC and FCCG are currently owned by United Carolina Bankshares Corporation, Whiteville, North Carolina ("UCB"), which, Applicant asserts, is reluctant to commit the additional financial or managerial resources necessary to expand the range of services offered by FCC or FCCG. In this regard, it is noted that FCCG has closed three of its offices since it was acquired by UCB in 1974. Applicant, on the other hand, asserts that because of its financial resources and managerial expertise it would expand the volume and size of loans that would be made at the present offices of FCC and FCCG. Applicant further states that its proposal will result in greater efficiency and convenience for customers because of Ritter's on-line computer capabilities, as well as product diversification and expansion. For example, Applicant plans to offer sales financing at offices of FCC, which services are not currently available at these offices. Applicant also states that it would utilize FCCG as a basis for future *de novo* expansion, which, because of Ritter's financial and managerial resources, would provide a positive effect on competition in Georgia by introducing an aggressive competitor willing to commit the financial and managerial resources to expand consumer finance activities in the State.

Based on all of the facts of record, the Board concludes that consummation of the subject proposal would result in benefits to the public, and that these benefits are sufficient to outweigh any adverse effects on competition that may also result from consummation of the proposal. Moreover, there is no evidence in the record to indicate that the proposed transaction would lead to any undue

[4] Burgaw is located 14 miles away from Wallace. The relevant market for this area is approximated by all of Duplin and Pender Counties, North Carolina.

[5] The relevant market for Sanford is approximated by all of Lee and Hartnett Counties, North Carolina.

[6] The FCCG offices are located in La Grange, Butler, Thomaston, Manchester, Jonesboro, and Fayetteville.

concentration of resources, conflicts of interests, unsound banking practices, or any other adverse effects upon the public interest.

In response to the published notice of Applicant's proposal, the Board has received comments in opposition and a request for a formal hearing on the subject application from Protestant, a nonprofit organization engaged in the representation of low-income consumers located throughout most of Georgia. Protestant opposes and requests a hearing only with respect to that portion of the subject proposal concerning the acquisition of the assets of FCCG.

Protestant's opposition to Applicant's proposal to act as agent in the sale of credit-related insurance is predicated upon Protestant's belief that: (1) certain types of credit life and credit health and accident insurance are of no benefit to the consumer; (2) the premiums to be charged for such insurance are unreasonably high in comparison to loss experience and premiums permissible in other states;[7] and (3) Applicant may condition, or "tie-in," the granting of a loan upon the purchase of credit-related insurance. As a condition to approval of the subject application, Protestant urges the Board to prohibit Applicant from engaging in the sale of:

(a) level term credit life insurance;

(b) credit insurance as a precondition of making a loan;

(c) joint credit life insurance;

(d) three-day retroactive credit accident and health insurance in connection with loans over $100; and

(e) credit life and credit accident and health insurance at rates proposed by Applicant.

Protestant opposes Applicant's proposal to make consumer loans because Protestant views the interest rates for these loans as being unreasonably high in comparison to those permissible in other states.[8] Thus, Protestant asserts that Applicant should reduce the rate of interest it would charge for loans made in Georgia to provide a public benefit to consumers.

In order to be entitled to a hearing on the application, Protestant must establish its standing by demonstrating that it would suffer "injury in fact" as a result of the challenged action.[9] In regard to the question of standing, the Secretary of the Board requested Protestant to specifically address the question of how consummation of this proposal would adversely affect Protestant. In response, Protestant stated that it had standing to challenge the subject application for two reasons. First, Protestant represents "the indigent population of most of the State of Georgia, which population includes a large number of persons who are unable to obtain credit from any source other than industrial loan companies." Second, Protestant asserts that it represents a particular, although unnamed, client and is assisting that client with credit problems. One of the ways Protestant has chosen to assist this client is "to force FCCG or Ritter to lower its cost of credit significantly."

The Supreme Court has stated that "injury in fact" can not be established by "a mere 'interest in a problem,' no matter how long standing the interest and no matter how qualified the [petitioner] is in evaluating the problem."[10] An organization's abstract concern with a subject does not not substitute for the requisite concrete injury in fact.[11] Furthermore, an organization can establish standing only as a representative of its members who have been injured in fact and who could have brought suit in their own right.[12]

In the subject case, Protestant does not allege that any specific injury to itself, or the individual it represents, would result from consummation of Applicant's proposal. Protestant's complaint involves dissatisfaction with interest rates and insurance premiums that may be charged in connection with consumer loans under Georgia law. In the

[7] Insurance that may be sold in connection with loans made in Georgia by a company, such as FCCG or Ritter, is regulated by the Industrial Loan Act of Georgia; and premiums that may be charged for such insurance are determined by the Controller General of the State of Georgia (*Code of Georgia*, ch. 25, §§ 306 and 315). Specific premiums for such insurance are set forth in Chapter 120-1-11 of the *Rules and Regulations of the Georgia Industrial Loan Department*.

[8] Loans that may be made in Georgia by a company, such as FCCG or Ritter, are regulated by the Industrial Loan Act of Georgia. In general, loans made under this statute may be made for amounts up to $3,000, with maturities of up to 36 months. Interest may be charged on such loans at the rate of 8 per cent per year on the face amount of the note evidencing the loan, with fees of an additional 8 per cent on the first $600 and 4 per cent on the excess, plus a maintenance fee of $2.00 per month. (See *Code of Georgia*, ch. 25 § 315.)

[9] *Association of Data Processing Service Organizations* v. *Camp*, 397 U.S. 150 (1970); *Sierra Club* v. *Morton*, 405 U.S. 727 (1972); *Warth* v. *Seldin*, 422 U.S. 490 (1975); *Simon* v. *Eastern Kentucky Welfare Rights Organization*, 426 U.S. 26 (1976). The foregoing decisions concern the question of standing before federal courts. However, standing principles enunciated in those cases are applicable to the question of standing before administrative agencies. In *Martin-Trigona* v. *Federal Reserve Board*, 509 F. 2d 363, 366 (1975), the Court of Appeals for the District of Columbia concluded that the test for determining standing, i.e., injury in fact, applies "both to standing before this Court and standing before an administrative agency."

[10] *Sierra Club v. Morton*, 405 U.S. 727, 739 (1972).

[11] Simon, *supra*, at 40.

[12] *Warth* v. *Seldin*, 422 U.S. at 511; see also *Simon*, *supra*, at 40.

Board's view, neither Protestant, nor the individual it represents, would be injured by consummation of the proposal now before the Board. The offices of FCCG are presently operated by UCB. Under Applicant's control, those offices would continue to offer the same, or improved, services at the same charges. Even if the Board were to deny the subject application, Protestant's complaint, and that of those it represents, would not be redressed.

Protestant alleges only that the *status quo* will be maintained, which Protestant finds unsatisfactory. Almost by its own admission, Protestant's interest in this case is that of a concerned bystander. Protestant seeks a hearing in this matter in order to press its particular views concerning the statutes and regulations that are properly the province of the State of Georgia. The written views of Protestant as an "interested person" are welcome, but that does not imply a right to precipitate a formal hearing in the absence of a showing of injury in fact. Protestant has failed to make the necessary showing of injury in this case and, therefore, is not entitled to a hearing under section 4(c)(8) of the BHC Act.

Apart from the question of standing, Protestant is not entitled to a hearing unless it raises material issues of fact that are in dispute by the relevant parties.[13] The Secretary of the Board requested Protestant to specifically detail the issues of fact involved in the subject case. In response, Protestant states that a formal hearing is necessary to determine:

(1) Whether Applicant's proposed charges for credit life and credit accident insurance constitute an expected public benefit, and, if so, is the projected benefit sufficient to satisfy the balancing test set forth in section 4(c)(8) of the BHC Act;

(2) Whether Applicant is justified in not extending the proposed rate reduction for the present offices of FCC to the offices it will operate in Georgia; and whether a greater reduction should be required to establish a public benefit; and

(3) The sufficiency of Applicant's plans to discontinue FCCG's practice of effectively coercing customers into purchasing credit insurance.

In order for the Board to approve an application under section 4(c)(8) of the BHC Act, the Board must determine that the performance of the proposed activity by the applicant "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."

Protestant does not allege that any of the adverse effects enumerated in the statute, or any other adverse effects, would result from consummation of the subject proposal. Nor does Protestant dispute Applicant's public benefit allegations. Rather, Protestant alleges only that the interest rates and insurance premiums that Applicant would charge customers are unreasonably high and do not constitute a sufficient public benefit. Applicant does not dispute the allegation that permissible interest rates for loans and premiums for credit life and credit accident and health insurance may be high in Georgia. Nor does Applicant claim that interest rates or insurance premiums it would charge are a public benefit of its proposal.[14]

The issue the Board must determine is whether the subject proposal can reasonably be expected to produce public benefits that outweigh any possible adverse effects. This is a balancing test, which mandates that the Board consider all factors, not just particular factors. In this regard, it must be emphasized that neither the BHC Act nor the Board's regulations specifically require the Board to consider interest rates or insurance premium charges in acting on an application involving the subject activities. Moreover, the Board does not need to determine that such charges are necessarily a benefit in order to determine that the balance of the public interest factors weighs in favor of approval of an application. This is particularly true in the subject case, where Applicant does not claim proposed interest rates or insurance premiums as public benefits for the services it would offer in Georgia.

In its submissions, Protestant states "there is a possibility that Applicant is compelling customers to purchase credit insurance." No direct evidence has been submitted by Protestant [15] in sup-

[13] *Independent Bankers Association of Georgia* v. *Board of Governors of the Federal Reserve System*, 516 F. 2d 1206, 1219-1220 (D.C. Cir. 1975).

[14] In its application, Applicant states that, at some future date, it would propose to engage in the activity of acting as reinsurer for credit life and credit accident and health insurance in Georgia, and at such time Applicant would propose to offer such insurance at premiums less than the statutory maximum. However, the subject application does not involve such a proposal.

[15] Protestant asserts that the percentage of loans granted that also have credit insurance is *prima facie* evidence in support of the allegations.

port of this allegation. Such "tie-in" arrangements are specifically prohibited by section 106 of the BHC Act and section 225.4(c) of Regulation Y. Applicant, in its application, specifically stated that the operations of its subsidiaries are in compliance with the prohibitions against "tie-in" arrangements and that Applicant will instruct any officials of FCCG that it may employ following consummation of the proposal of such prohibitions. Federal Reserve System inspection reports of UCB, FCC, FCCG, Applicant and Ritter reveal no violations of the "tie-in" prohibitions. In the Board's view, there is no basis to hold a hearing on this issue in the face of such a bare, unsupported generalization.

The question of "tie-in" arrangements is not a question of fact in the subject application. If Protestant, or any of the individuals it purports to represent, have been injured in any way as a result of violations of the "tie-in" prohibitions, those persons may sue in the appropriate United States District Court for injunctive relief, i.e. to restrain and prevent such violations, as well as for treble damages.[16]

In summary, the Board concludes that no material issues of fact are in dispute by the relevant parties and, therefore, there is no requirement that the Board hold a hearing. Applicant's sole purpose in requesting a hearing is to elicit and present evidence in support of its own view that the State of Georgia permits unreasonably high interest rates and insurance premium charges. In such circumstance, no purpose would be served by holding a hearing on these questions.

Protestant requests the Board to impose certain restrictions with regard to Applicant selling credit-related insurance. Protestant urges the Board to prohibit Applicant from selling level term credit life insurance. In this regard, the Board has previously determined that such insurance is not directly related to extensions of credit.[17] However, Applicant does not propose to offer such insurance. Accordingly, this matter is not at issue in the subject application. Protestant also urges the Board to prohibit Applicant from selling joint credit life insurance because insurance is not needed for a nonworking spouse in order to guarantee repayment of the loan in the event of the death of the borrower. In this regard, Applicant proposes to offer such insurance only on those loans for which the spouse is a co-signer or comaker and is, thereby, obligated for payment of the loan.

Finally, Protestant requests the Board to examine the ability of Applicant to comply with commitments made to the Board. In support of this request, Protestant alleges that Applicant sold credit-related insurance in Connecticut at the maximum statutory rate, which Protestant asserts violates Applicant's commitment to offer such insurance at rates lower than the statutory maximum. Applicant made such a commitment in its proposals to engage in reinsurance activities in certain states.[18] However, Applicant did not propose to engage in reinsurance activities in Connecticut and, therefore, is not obligated to offer credit-related insurance at reduced premiums in that state. Furthermore, it appears that Applicant is in compliance with other commitments made to the Board.

Therefore, having considered all of the material submitted by Protestant, the Board concludes that Protestant is not entitled to a hearing on the subject application, nor does it otherwise appear in the public interest for the Board to hold a hearing in this matter. Protestant's request for a hearing on the proposal to acquire FCCG is hereby denied. Furthermore, the Board finds that the merits of Protestant's comments in opposition to this proposal do not justify the Board taking any other action on Protestant's requests.

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 favorable. Accordingly, the application is hereby approved. This determination is subject to the conditions set forth in section 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

[16] Sections 106(c) and (e) of the BHC Act (12 U.S.C. §§ 1973 and 1975). In addition, the Board has authority to institute appropriate action to remedy any violation of law by a bank holding company or any of its nonbanking subsidiaries. See 12 U.S.C. § 1818(b)(3).

[17] See the Board's Order, dated May 29, 1973, approving the application of Fidelity Corporation of Pennsylvania, Rosemont, Pennsylvania, to acquire Local Finance Corporation, Providence, Rhode Island (59 *Federal Reserve* BULLETIN 472, 473-474 (1973).

[18] See the Board's Order dated December 10, 1974, approving the application of Applicant to acquire Ritter (61 *Federal Reserve* BULLETIN 42 (1975)); and the Board's Order dated May 3, 1977, approving the application of Applicant to retain offices of Ritter and recommence reinsurance activities.

orders issued thereunder, or to prevent evasion thereof.

The transaction shall be made not later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of New York, pursuant to authority hereby delegated.

By order of the Board of Governors, effective May 1, 1978.

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

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

NCNB Corporation,
Charlotte, North Carolina

Order Denying Retention of TranSouth Financial Corporation

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 all of the voting shares of TranSouth Financial Corporation (formerly Stephenson Finance Company), and its subsidiary TranSouth Mortgage Corporation (formerly Associated Underwriters, Inc.), both of Florence, South Carolina (together referred to as "TranSouth").[1] TranSouth directly engages primarily in making direct consumer installment loans, secured and unsecured, to individuals, purchasing consumer installment sales finance contracts, purchasing recreational lot notes, extending direct loans to dealers for the financing of inventory (floor planning) and working capital purposes, and purchasing personal property lease contracts. TranSouth also acts as agent for the sale of credit life and credit accident and health insurance and physical damage insurance, all of which are directly related to extensions of credit by TranSouth. Each of the above activities has been determined by the Board to be closely related to banking (12 C.F.R.§ 225.4(a)(1), (6) and (9)).

[1] In separate applications, Applicant has also applied to retain its indirect interest in three other TranSouth subsidiaries, Superior Life Insurance Company, Superior Insurance Company and Superior Claim Service, all of Florence, South Carolina. The Board's disposition of these applications will be treated separately.

Notice of the applications, affording opportunity for interested persons to submit comments and views on the public interest factors, has been duly published (43 *Federal Register* 9653). The time for filing comments and views has expired, and the Board has considered the applications and all comments received in light of the public interest factors set forth in section 4(c)(8) of the Act.[2]

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"). Applicant acquired all of the outstanding shares of TranSouth in July, 1969. Pursuant to the provisions of section 4 of the Act, Applicant has until December 31, 1980, to divest its interest in TranSouth or, in the alternative, to apply and secure the Board's approval to retain such interest.[3]

Applicant is the second largest banking organization in North Carolina by virtue of its control of Bank, which has deposits of $2.6 billion, rep-

[2] On May 9, 1978, the Board received a letter from the United States Department of Justice that contains findings that are consistent with the Board's findings with regard to the anticompetitive effects of the proposed retention and recommends denial of the application. However, the action reflected herein was taken without significant reliance on the opinion and recommendation of the Department of Justice.

[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 Board approval. Notwithstanding, Applicant has asserted that the shares of TranSouth may be retained by Applicant on the basis of section 4(c)(5) of the Act, which provides an exemption for retention of shares which are eligible for investment by national banking associations under the provisions of section 5136 of the Revised Statutes. However, at the time that Applicant acquired TranSouth in 1969, Applicant was not a bank holding company under the Act and did not rely on section 4(c)(5) to make the acquisition. Furthermore, if Applicant had been a bank holding company in 1969, it could not have relied on the exemption in section 4(c)(5) of the Act to acquire the shares of TranSouth since TranSouth operated consumer finance offices in three states and would not have been a permissible investment for a national bank. Moreover, if Applicant were to acquire the shares of TranSouth today, section 225.4(e) of Regulation Y would preclude the applicability of section 4(c)(5) of the Act to such acquisition inasmuch as the shares of TranSouth are not of the kind that are explicitly eligible by Federal statute for investment by a national bank. Finally, the Board notes that since 1971, in its Registration Statement, Annual Reports and other filings with the Board, Applicant has not previously asserted reliance on section 4(c)(5) as its authority to hold the shares of TranSouth. Thus, it appears that Applicant's assertion of the applicability of section 4(c)(5) at this time is merely an afterthought designed to avoid regulatory inquiry into Applicant's retention of the shares of TranSouth. Accordingly, the Board believes Applicant's assertion of the applicability of section 4(c)(5) of the Act to the shares of TranSouth is without merit.

resenting 17.2 per cent of the total deposits in commercial banks in the State.[4] In addition to engaging in consumer finance and related insurance activities through TranSouth, Applicant engages through subsidiaries in a variety of nonbanking activities, including mortgage banking, factoring, providing trust services, and acting as an investment advisor.

TranSouth is the 35th largest finance company in the United States.[5] It operates 94 loan offices in five States, of which 44 are located in North Carolina. On December 31, 1977 TranSouth had assets of $169 million and total finance receivables of $155.5 million.

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 a nonbank company have been determined by regulation to be closely related to banking, the Board is required to consider whether a bank holding company's acquisition of that company "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in 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.[6] 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 proposed acquisitions.

The relevant product market to be considered in evaluating the competitive effects of this proposal is the making of personal cash loans,[7] and the Board has previously determined that consumer finance companies compete with commercial banks in the area of personal loans.[8] At the time of its acquisition by Applicant in July 1969, TranSouth had receivables of $42.6 million and operated 65 consumer finance offices in three States, of which 33 were located in the State of North Carolina. As of December 31, 1968, approximately 63 per cent of the receivables derived from TranSouth's North Carolina offices represented direct installment loans to individuals. Bank is also engaged in making direct installment loans to individuals, and in 1969 it operated 79 banking offices throughout North Carolina. Bank had offices in five markets where TranSouth had offices, and from the record it appears that in each of these five markets both TranSouth and Bank held a significant amount of the outstanding direct installment loans. Thus, the acquisition of TranSouth by Applicant eliminated a significant amount of existing competition in each of the five markets where both Bank and TranSouth had offices.[9]

In addition to the elimination of existing competition between Bank and TranSouth, the facts of record indicate that this acquisition also resulted in elimination of potential competition. When it was acquired by Applicant, TranSouth had offices in 21 additional North Carolina counties, where, under North Carolina law, Bank could have established banking offices. Since its acquisition by Applicant, TranSouth has, through acquisition of going concerns, as well as *de novo* establishment of offices, increased its number of offices from 60 to 95, including the addition of 11 offices in North Carolina, an increase in North Carolina of 33 per cent. Likewise, Bank has substantially expanded its banking operations, and now has 163 banking offices throughout North Carolina, an increase of more than 100 per cent. As a result of this expansion, both Bank and TranSouth have offices in 12 additional North Carolina counties. It appears that Applicant's dual expansion policy has enabled it to obtain a significant aggregate amount of the outstanding direct installment loans in each of the additional 12 markets where both Bank and Tran-

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

[5] *American Banker*, May 27, 1977.

[6] Applicant contends that the Board in this case should apply a somewhat different standard, particularly with regard to competitive effects. However, the standard described above is derived from the statute and has been consistently applied in numerous orders by the Board on applications under section 4 of the Act. Inasmuch as Applicant has offered no compelling evidence in support of a reevaluation by the Board of the long-standing and consistent application of the standard, the Board rejects Applicant's argument.

[7] Since TranSouth is also engaged in other types of consumer lending, Applicant contends that the product market should include several other types of loans and other lenders. The Board has also examined Applicant's data submitted in support of its claim in this regard, and the Board has determined that its conclusion with respect to competitive effects would be unchanged.

[8] See the Board's Order dated August 3, 1973 denying the application of Bankers Trust Corporation, New York, New York, to acquire Public Loan Company, Binghamton, New York, 59 *Federal Reserve Bulletin* 694 (1973).

[9] The Board notes that at the time of acquisition neither Applicant nor its subsidiaries was engaged in making personal cash loans in any of the markets outside of North Carolina in which TranSouth had offices. Furthermore, at the present time, no subsidiary of Applicant other than TranSouth engages in the making of such loans outside of North Carolina.

South now have offices. The magnitude of Applicant's expansion in North Carolina since 1969 clearly demonstrates that Applicant had sufficient financial and managerial resources to enter *de novo* the 21 counties then served by TranSouth, and such *de novo* entry would have been more conductive to competition in those markets. Furthermore, Applicant's subsequent expansion demonstrates an inclination toward such expansion. TranSouth now has offices in 18 counties where Bank could establish banking offices. Accordingly, the Board views the effects of the acquisition of TranSouth by Applicant on both existing and potential competition as adverse and believes that those factors weigh against approval of this application.

As stated above, Applicant must bear the burden of showing that the benefits to the public that have resulted or will result from the acquisition outweigh in the public interest the adverse effects. Toward this end, Applicant has offered statistical evidence suggesting that since its affiliation with Applicant, TranSouth has incurred lower interest expenses, had higher rates of return, had lower loan losses, and had a higher growth rate, than selected independent consumer finance companies. However, the few firms used in the comparison were not selected at random, and are generally smaller than TranSouth, and no comparison of these factors was made with respect to TranSouth alone, both before and after acquisition. Finally, the Board has indicated that where it finds that an acquisition has resulted in a serious adverse effect by virtue of the elimination of a potential entrant, a showing that the applicant has made a strong company stronger is insufficient to outweigh the adverse effect.[10] In this connection, the Board notes that Applicant does not demonstrate that any of the benefits accruing to TranSouth by virtue of its affiliation with Applicant have been passed on to TranSouth's individual borrowers in the form of benefits such as lower interest rates, longer maturities, larger loans or improved services. On the contrary, it appears from Applicant's statistical evidence that the average size of TranSouth's direct installment loans is nearly 20 per cent below the average for the independent finance companies. Finally, while the increase in the number of TranSouth's offices by 35 may be viewed as benefitting the public convenience, the Board notes that 19 of these offices represented acquisitions of the assets of existing offices, and therefore, did not provide an additional competitor in the markets where each office is located.

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, the applications are denied.[11]

By order of the Board of Governors, effective May 11, 1978.

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

(Signed) CATHY E. MINEHAN,
[SEAL] *Assistant Secretary of the Board*

[10] See Board's Order dated March 14, 1978, denying the application of Citycorp, New York, New York to retain Advance Mortgage Corporation, Southfield, Michigan.

[11] The Board's conclusions regarding the adverse effects of the proposed retention are based upon the facts presently contained in the record. This action is taken without prejudice to any decision by Applicant to submit a proposal modified to address the findings of the Board regarding the adverse competitive effects and the unfavorable balance of public interest factors concerning this proposal.

NCNB Corporation,
Charlotte, North Carolina

Order Concerning Retention of Superior Insurance Company and Superior Claim Service

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 § 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and § 225.4(b)(2) of the Board's Regulation Y (12 CFR 225.4(b)(2)), to retain its indirect subsidiaries, Superior Insurance Company ("SIC") and Superior Claim Service ("SCS"), both of Florence, North Carolina. These companies engage, respectively, in the activities of underwriting property and casualty insurance related to extensions of credit by Applicant's affiliates and adjusting insurance claims and appraising and valuing property in connection therewith. While such activities have not been determined by the Board to be closely related to banking, Applicant has proposed that notice of opportunity for hearing regarding the activities be published in the *Federal Register*.

Section 225.4(a) of Regulation Y, (12 CFR 225.4(A)) provides that a bank holding company may file an application to engage in activities, other than those determined to be permissible for bank holding companies, if it is of the opinion that the proposed activity in the circumstances surrounding a particular case is closely related to banking or managing or controlling banks. The regulation further provides that the Board will publish in the *Federal Register* a notice of opportunity for hearing regarding the proposed activity only if it believes that there is a reasonable basis for the bank holding company's opinion.

Applicant acquired SIC in July 1969, and has been engaged since that time in the underwriting activity.[1] Since the Board has not found this activity to be closely related to banking, Applicant as a proponent of the activity is required to demonstrate in accordance with section 225.4(a) of the Board's Regulation Y that there is a reasonable basis for its opinion that these activities are closely related to banking.

Applicant contends that underwriting property and casualty insurance directly related to extensions of credit by Applicant's affiliates is closely related to banking. It bases its contention on the Board's determination that selling such insurance as agent is permissible for bank holding companies, as well as the fact that the Board has found that both selling and underwriting credit life and credit accident and health insurance related to extensions of credit by the bank holding company system is closely related to banking. Applicant concludes, without providing evidence, that there is no substantive difference between the activities of underwriting credit-related property and casualty insurance and underwriting credit life and credit accident and health insurance.

In the circumstances presented, the Board concludes that Applicant has failed to present sufficient evidence to warrant a finding that there is a reasonable basis for the opinion that the activity is closely related to banking. In determining whether there is a reasonable basis for Applicant's opinion, the Board has looked to recent court decisions. A federal circuit court has set forth guidelines for determining whether an activity is closely related to banking,[2] and recently the Board has analyzed proposed activities in terms of the court's guidelines to determine whether there is a reasonable basis for finding them closely related to banking. The court stated that a finding that an activity is closely related could be made where it is demonstrated that banks generally have in fact provided the proposed services, or that banks generally provide services that are operationally or functionally so similar to the proposed services as to equip them particularly well to provide the proposed service, or that banks generally provide services that are so integrally related to the proposed service as to require their provision in a specialized form.[3]

On the basis of information submitted by Applicant, the Board concludes that Applicant did not demonstrate there is a reasonable basis for the opinion that the proposed activity met any of these three court recognized tests. Accordingly, the Board finds that Applicant has failed to meet its burden of demonstrating that there is a reasonable basis for its opinion that the activity is closely related to banking or managing and controlling banks.

Based upon the foregoing and the other facts of record, the Board concludes that in the circumstances presented in this case there is no reasonable basis for believing the proposed activity is closely related to banking or managing or controlling banks and therefore a *Federal Register* notice of opportunity for hearing in this matter should not and will not be published.[4]

By Order of the Board of Governors, effective May 10, 1978.

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

(Signed) THEODORE E. ALLISON,
[SEAL] *Secretary of the Board.*

[1] 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 Board approval.

[2] *National Courier Association* v. *Board of Governors of the Federal Reserve System*, 516 F.2d 1229 (D.C. Cir. 1975).

[3] 516 F.2d at 1737. These guidelines are cited, for example, in *Association of Bank Travel Bureaus, Inc.* v. *Board of Governors of the Federal Reserve System*, No. 76-1186 (7th Cir. Jan. 12, 1978), and *Alabama Association of Insurance Agents* v. *Board of Governors of the Federal Reserve System*, 533 F.2d 224,241 (5th Cir. 1976), *rehearing denied* 558 F.2d 729 (1977), *cert. denied* 46 U.S.L.W. 3539 (Feb. 27, 1978).

[4] In its application to retain SCS, Applicant stated that SCS's activity of claims adjusting and valuing and appraising property is incidental to the underwriting activity of SIC. Since the Board has found that there is no reasonable basis for believing this latter activity is closely related to banking, there would be no reasonable basis for SCS's activities being closely related to banking.

Philadelphia National Corporation,
Philadelphia, Pennsylvania

Order Approving Acquisition of Colonial Mortgage Service Company Associates, Inc.

Philadelphia National Corporation, Philadelphia, Pennsylvania, 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 U.S.C. § 1843(c)(8)) and § 225.4(b)(2) of the Board's Regulation Y (12 CFR § 225.4(b)(2)), to acquire Colonial Mortgage Service Company Associates, Inc., Kensington, Maryland ("Company"), a company that engages in the activities of mortgage banking, including originating conventional and guaranteed residential mortgage loans for the account of others. Such activities have been determined by the Board to be closely related to banking (12 CFR § 225.4(a)(1)).

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* 4285). 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, the fourth largest banking organization in Pennsylvania, controls Philadelphia National Bank, with deposits of $2,300 million, representing 4.9 per cent of the total deposits in commercial banks in Pennsylvania.[1] Applicant also engages through subsidiaries in a variety of nonbanking activities, including factoring and commercial finance, mortgage banking, real and personal property leasing, consumer finance, insurance agency, and insurance underwriting.

Company operates five offices for the origination of 1-4 family residential mortgage loans, three of which are located in the Washington, D.C., residential mortgage market, one is located in the Baltimore, Maryland, market and one is located in the Norfolk, Virginia, market.[2] In 1976, Company originated a total of $119.1 million in 1-4 family residential mortgage loans. Since its formation in 1968, Company has operated under an agreement with Applicant to originate residential mortgage loans exclusively for sale to Applicant's subsidiaries.

Applicant is currently engaged in mortgage banking through several wholly-owned direct and indirect subsidiaries known collectively as the "Colonial Group," based in Philadelphia, Pennsylvania. Through the Colonial Group, Applicant engages in originating and servicing, for its own account and the account of others, 1-4 family residential mortgage loans, multi-family and commercial mortgage loans, and construction loans, primarily in Pennsylvania, New Jersey, Delaware, Georgia, Ohio and California. Applicant does not have an office located in any markets in which Company competes, and does not compete with Company for the origination of 1-4 family residential mortgages in either the Baltimore and Norfolk markets. While Applicant originated $135,500 in residential mortgage loans in the Washington, D.C., market during 1976, the record indicates that approximately 61 organizations originate 1-4 family residential mortgage loans in the Washington, D.C., market and that during 1976 a total of $1,400 million of such loans were originated. There is no significant competition between Company and Applicant's Colonial Group, and it appears unlikely that any significant competition would develop between them in the future, particularly in light of the nature of the relationship existing between Company and Applicant. Thus, approval of the proposed acquisition would have no adverse effects on existing competition in the Washington, D.C., market or potential competition in the Baltimore or Norfolk markets.[3]

Following consummation of the proposed acquisition, Applicant would assist Company in expanding the types of mortgage loans it offers to its customers in Maryland and Virginia to include commercial mortgage loans and construction loans. In addition, Applicant intends to install data processing and transmission equipment at Company's offices, thereby enabling Company to serve

[1] All banking data are as of June 30, 1977, unless otherwise stated.

[2] The Washington, D.C. residential mortgage market consists of the Washington SMSA. The Baltimore, Maryland, market consists of the Baltimore SMSA. The Norfolk, Virginia, market consists of the cities of Norfolk, Virginia Beach, Portsmouth, Chesapeake and Suffolk in Virginia and Currituck County in North Carolina.

[3] In the course of evaluating the application, a letter was received by the Board protesting the use of the name "Colonial" in the Norfolk, Virginia, market by Applicant and Company. The protestant is also engaged in the mortgage banking business in the Norfolk market under the name "Colonial." However, from the record, it appears that Applicant first registered the name "Colonial" in Virginia in 1968, while the protestant registered its use of that name in 1970. Accordingly, based on these facts, the use of the name "Colonial" by Applicant is not viewed as an unfair competitive practice.

its customers more efficiently. On this basis, the Board concludes that the benefits to the public that can reasonably be expected to result from the acquisition of Company by Applicant are sufficient to outweigh any adverse effects on competition that may result from the proposal.[4] Furthermore, there is no evidence in the record to indicate that consummation of the proposed transaction would result in undue concentration of resources, unfair competition, conflicts of interests, unsound banking practices or other effects that would be adverse to the public interest.

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. 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.

The transaction shall be made not later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Philadelphia.

By order of the Board of Governors, effective May 3, 1978.

Voting for this action: Chairman Miller and Governors Wallich and Partee. Present and abstaining: Governor Gardner. Absent and not voting: Governors Coldwell and Jackson.

(Signed) CATHY E. MINEHAN,
[SEAL] *Assistant Secretary of the Board.*

[4] In purchasing the stock of Company, Applicant has entered into an agreement with Company's principal that he will not engage in a business similar to that of Company in any area where Company has offices for a period of eight years from the acquisition of Company. Applicant has also entered into agreement to employ Company's principal for a period of eight years. While the term of the noncompetition provision is somewhat long in duration, it is not regarded as unreasonable, particularly in light of the fact that is is co-extensive with the term of the employment agreement between Applicant and Company's principal.

DETERMINATIONS UNDER SECTION 2(g)(3) OF BANK HOLDING COMPANY ACT

First Commerce Corporation,
New Orleans, Louisiana

Order Granting Determination Under the Bank Holding Company Act

First Commerce Corporation ("Commerce"), New Orleans, Louisiana, a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended, has requested a determination under section 2(g)(3) of the Act (12 U.S.C. § 1841(g)(3)), that Commerce is not in fact capable directly or indirectly of controlling Albert Prevot ("Prevot"), an individual residing in McAllen, Texas, in connection with a sale to Prevot by Commerce's subsidiary bank, First National Bank of Commerce ("First NBC"), New Orleans, Louisiana, of approximately 53 per cent of the outstanding voting shares of Planters Trust and Savings Bank ("Planters"), Opelousas, Louisiana, notwithstanding the fact that Prevot is indebted to First NBC.

Under section 2(g)(3) of the Act shares transferred after January 1, 1966, by any bank holding company to a transferee that is indebted to the transferor are deemed to be indirectly owned or controlled by the transferor unless the Board, after opportunity for hearing, determines that the transferor is not in fact capable of controlling the transferee. Although the shares of Planters sold to Prevot were owned and transferred by First NBC, a determination respecting Commerce is necessary because under section 2(g)(1) of the Act, Commerce is deemed to own indirectly shares owned by its subsidiary bank. Notice of an opportunity for hearing regarding Commerce's request was published March 22, 1977 (42 *Fed. Reg.* 15465). The time provided for requesting a hearing has expired, and none has been requested. Commerce has submitted to the Board evidence to support its contention that it, directly or through its subsidiary, First NBC, is not in fact capable of controlling Prevot, and the Board has received no contradictory evidence. Based upon the evidence of record in this matter, it is hereby determined that Commerce is not in fact capable of controlling Prevot.

The record reflects that the sale of Planters shares by First NBC was negotiated at arm's length; that Prevot had no previous relationship or affiliation with Commerce or First NBC; and that all management and director interlocks between First NBC and Planters have terminated. It further appears that Prevot purchased the shares of Planters as an investment for his own account and not as a nominee or representative of any other party; that Prevot has sufficient personal resources to enable him to resist an attempt to control him or influence his management of Planters; and that the terms governing the debt relationship between Prevot and First NBC are generally limited to those reasonably required, in accordance with sound and accepted banking practices, to protect First NBC's security. With respect to that debt relationship, a procedure has been established to insure that should it become necessary for First NBC to reacquire shares of Planters as a result of a default by Prevot, First NBC will effect a complete and timely disposition of those shares. Finally, Commerce and First NBC have undertaken not to attempt to exercise control over Prevot or Planters, and Prevot has undertaken to report any such attempt to the Federal Reserve Bank of Atlanta.

Accordingly, it is ordered, that the request of Commerce for a determination pursuant to section 2(g)(3) is granted. This determination is based on representations made to the Board by Commerce and Prevot. In the event that the Board should hereafter determine that facts material to this determination are otherwise than as represented, or that Commerce or Prevot has failed to disclose to the Board other material facts, this determination may be revoked, and any change in the facts and circumstances relied upon by the Board in making this determination could result in the Board reconsidering the determination made herein.

By order of the Board of Governors, acting through its General Counsel, pursuant to delegated authority (12 C.F.R. § 265.2(b)(1)), effective May 3, 1978.

(Signed) THEODORE E. ALLISON,
[SEAL] *Secretary of the Board.*

PRIOR CERTIFICATION PURSUANT TO THE BANK HOLDING COMPANY TAX ACT OF 1976

Serco Investment Company,
Prairie Village, Kansas

Serco Investment Company, Prairie Village, Kansas ("Serco"), has requested a prior certification pursuant to section 1101(b) of the Internal Revenue Code ("Code"), as amended by section 2(a) of the Bank Holding Company Tax Act of 1976, that its proposed divestiture of all of the 102,895 voting shares of Southgate State Bank and Trust Company, Prairie Village, Kansas ("Bank"), currently held by Serco, through the *pro rata* distribution of such shares to the sole shareholder of Serco, is necessary or appropriate to effectuate the policies of the Bank Holding Company Act (12 U.S.C. § 1841 *et seq.*) ("BHC Act").

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

1. Serco is a corporation organized under the laws of the State of Missouri on June 20, 1924.

2. Serco began acquiring shares of Bank on March 3, 1958. By June 30, 1968, Serco had acquired 7,872 shares, representing 23.4 per cent of the outstanding voting shares, of Bank. Subsequently, Serco made additional acquisitions of Bank shares and Bank declared dividends in the form of its own shares, such that on July 7 and December 31, 1970, Serco owned and controlled 10,014 shares, representing 25.04 per cent of the outstanding voting shares, of Bank. On several occasions since December 31, 1970, Bank has issued new shares and declared dividends in the form of its own shares. Thus, Serco currently owns and controls 102,895 shares, representing 20.58 per cent of the outstanding voting shares, of Bank.[2]

3. Serco became a bank holding company on December 31, 1970, as a result of the enactment of the 1970 Amendments to the BHC Act, by virtue of its direct ownership and control at that time of more than 25 per cent of the outstanding voting shares of Bank, and it registered as such with the Board on July 19, 1972. Serco would

[1] This information derives from Serco's communications with the Board concerning its request for this certification, Serco's registration statement filed with the Board pursuant to the BHC Act, and other records of the Board.

[2] Under section 1101(c) of the Code, property acquired after July 7, 1970, generally does not qualify for the tax benefits of section 1101(b) of the Code when distributed by an otherwise qualified bank holding company. However, where such property was acquired by a qualified bank holding company in a transaction in which gain was not recognized under section 305(a) of the Code, then section 1101(b) is applicable. Serco has indicated that all of the 92,881 shares of Bank acquired by Serco between July 7, 1970, and the present date were acquired in transactions in which gain was not recognized under section 305(a) of the Code. Accordingly, even though such shares were acquired after July 7, 1970, those shares would nevertheless qualify as property eligible for the tax benefits provided in section 1101(b) of the Code, by virtue of section 1101(c), if those shares of Bank were, in fact, received in transactions in which gain was not recognized under section 305(a) of the Code.

have been a bank holding company on July 7, 1970, if the BHC Act Amendments had been in effect on such date, by virtue of its direct ownership and control on that date of more than 25 per cent of the outstanding voting shares of Bank.

4. Serco has, continuously since its registration as a bank holding company, remained subject to the BHC Act and has conducted its affairs as a bank holding company. Serco has continued to file with the Board all reports required of it under the BHC Act.

5. Serco holds property acquired by it on or before July 7, 1970, the disposition of which would be necessary or appropriate to effectuate section 4 of the BHC Act if Serco were to continue to be a bank holding company beyond December 31, 1980, which property is "prohibited property" within the meaning of section 1103(c) of the Code.

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

A. Serco is a qualified bank holding corporation within the meaning of section 1103(b) of the Code, and satisfies the requirements of that section;

B. the 102,895 shares of Bank that Serco proposes to distribute are all or part of the property by reason of which Serco controls (within the meaning of section 2(a) of the BHC Act) a bank or a bank holding company; and

C. the distribution of such shares is necessary or appropriate to effectuate the policies of the BHC Act.

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

By order of the Board of Governors, acting through its General Counsel pursuant to delegated authority (12 CFR § 265.2(b)(3)), effective May 30, 1978.

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

ORDERS APPROVED UNDER BANK HOLDING COMPANY ACT

BY THE BOARD OF GOVERNORS

During May 1978, the Board of Governors approved the applications listed below. Copies are available upon request to Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Section 3

Applicant	*Bank(s)*	*Board action (effective date)*
Everest Bancshares, Inc., Everest, Kansas	The Union State Bank of Everest, Everest, Kansas	5/10/78
First City Bancorporation of Texas, Inc., Houston, Texas	West Ten National Bank, El Paso, Texas	5/16/78
First Security Corporation, Salt Lake City, Utah	First Security State Bank of Ogden, Ogden, Utah	5/05/78
Franklin Bancgroup & Co., St. Louis, Missouri	Benton Community Bank, Benton, Illinois	5/12/78

Section 3—Continued

Applicant	Bank(s)	Board action (effective date)
Hawkeye Bancorporation, Des Moines, Iowa	The National Bank of Washington, Washington, Iowa	5/04/78
Santa Fe Trail Banc Shares, Inc., Hutchinson, Kansas	The Haskell County State Bank, Sublette, Kansas	5/15/78
Tri County Investment Co., Pine Island, Minnesota	The Security State Bank of Pine Island, Pine Island Minnesota	5/10/78
Union Bancgroup & Co., St. Louis, Missouri	The First National Bank of Cobden, Cobden, Illinois	5/26/78

Section 4

Applicant	Bank(s)	Non Banking Company or activity	Effective date
Midland Capital Co., Oklahoma City, Oklahoma		Midland Mortgage Co., Oklahoma City, Oklahoma	5/30/78

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 3

Applicant	Bank(s)	Reserve Bank	Effective date
Chemical Financial Corporation, Midland, Michigan	National Bank of Marshall, Marshall, Michigan	Chicago	5/23/78
Empire Bancorp, Inc., Kansas City, Missouri	The Bank of Otterville, Otterville, Missouri	Kansas City	5/12/78
F & M National Corporation, Winchester, Virginia	The Stonewall Jackson Bank and Trust Company, Mount Jackson, Virginia	Richmond	5/10/78
Fidelity Union Bancorporation, Newark, New Jersey	Burlington County Trust Company, Moorestown, New Jersey	New York	5/24/78

Section 3—Continued

Applicant	Bank(s)		Board action (effective date)
Pacesetter Financial Corporation, Grand Rapids, Michigan	The Brighton State Bank, Brighton, Michigan	Chicago	5/02/78

ORDERS APPROVED UNDER BANK MERGER ACT

Applicant	Bank(s)	Reserve Bank	Effective date
Apple Capital Bank, Mount Jackson, Virginia	The Stonewall Jackson Bank and Trust Company, Mount Jackson, Virginia	Richmond	5/10/78
Southern Bank and Trust Company, Richmond, Virginia	The Bank of Chesterfield, Chesterfield County, Virginia	Richmond	5/31/78

Section 4

Applicant	Bank(s)	Nonbanking Company (or activity)	Reserve Bank	Effective date
Chemical New York Corporation, New York, New York		Reinsurance of Credit Life, Accident and Health Insurance	New York	5/18/78

Pending cases involving the Board of Governors
are listed on the following page

PENDING CASES INVOLVING THE BOARD OF GOVERNORS*

Ellis Banking Corporation v. *Board of Governors*, filed May 1978, U.S.C.A. for the Fifth Circuit.

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

Hawkeye Bancorporation v. *Board of Governors*, filed April 1978, U.S.C.A. for the Eighth Circuit.

Dakota Bankshares, Inc. v. *Board of Governors*, filed April 1978, U.S.C.A. for the Eighth Circuit.

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.

Gelfand v. *Board of Governors*, filed December 1977, U.S.C.A. for the Fifth Circuit.

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, U.S.D.C. for the Eastern District of Wisconsin.

Corbin v. *Federal Reserve Bank of New York, Board of Governors, et. al.*, filed October 1977, U.S.D.C. for the Southern District of New York.

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.C.A. for the District of Columbia.

Plaza Bank of West Port v. *Board of Governors*, filed September 1977, U.S.C.A. for the Eighth Circuit.

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.

Central Wisconsin Bankshares, Inc. v. *Board of Governors*, filed June 1976, U.S.C.A. for the Seventh Circuit.

Memphis Trust Company v. *Board of Governors*, filed February 1976, U.S.D.C. for the Western District of Tennessee.

First Lincolnwood Corporation v. *Board of Governors*, filed February 1976, U.S.C.A. for the Seventh Circuit.

Roberts Farms, Inc. v. *Comptroller of the Currency, et. al.*, filed November 1976, 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.

*This list of pending cases does not include suits against the Federal Reserve Banks in which the Board of Governors is not named a party.

Announcements

COUNTRY EXPOSURE LENDING SURVEY

The results of a survey of foreign lending by large U.S. banks as of December 31, 1977, were made public on June 8, 1978, by the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Board of Governors of the Federal Reserve System.

The data are compiled from semiannual reports that were begun on an experimental basis by the bank regulatory agencies in June 1977 and that have since been made permanent. The survey is intended to increase the information available to the public on foreign lending by U.S. banks on a country-by-country basis.

The data for the survey for year-end 1977 cover claims on foreign residents held at all domestic and foreign offices of 124 U.S. banking organizations with significant foreign banking operations.[1]

Types of Loans

The information gathered in the survey concentrated on data concerning lending from a bank's offices in one country to residents of another country, or lending in a currency other than that of the borrower. These are known as cross-border or cross-currency loans.

Cross-border and cross-currency loans are those most closely associated with country risk; such claims totaled $194 billion on the reporting date. About 43 per cent of such foreign lending was accounted for by claims on residents of Switzerland and the Group of Ten (G-10) developed countries. Another 22 per cent represented loans to residents of "other developed countries" and "offshore banking centers." [2] Cross-border and cross-currency claims on residents of less-developed countries that are not oil exporters amounted to about $47 billion, or some 24 per cent of the total.

In addition, the banks reported $49 billion in local currency claims that were held by their offices in foreign countries on residents of the country in which the office was located. An example would be claims in marks on German residents held by the German branch of the reporting U.S. bank. To a large extent, these local currency claims were matched by $40 billion in local currency liabilities due to local residents. Approximately 73 per cent of these claims were on residents of Switzerland and the G-10 countries.

Maturities

About two-thirds of the reported cross-border and cross-currency claims had a maturity of less than 1 year. Only $12 billion in claims had a maturity in excess of 5 years. Short-term claims were especially prominent in the G-10 countries and the offshore banking centers where, combined, $85 billion of $107 billion in claims matured in less than 1 year. This heavy concentration of short-term claims reflects the large volume of interbank lending in these countries. Most such placements of deposits are for very short periods.

For most other groups of countries, short-term claims accounted for about one-half of total claims, although the proportion varied significantly among individual countries.

Type of Borrower

With regard to type of customer, business with other banks accounted for the largest amount, equaling $96 billion. This was followed by lending in the private nonbank sector totaling $60 billion and loans to the public sector amounting to $38 billion. This last category includes foreign central governments, their political subdivisions and agencies, foreign central banks, and commercial nonbank enterprises owned by government. This distribution varied significantly from country to

[1] The data referred to in this announcement are available in tabular form on request from Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

[2] Countries in which multinational banks conduct a large international money market business.

country. Here also, most of the claims on banks were on those located in the G-10 countries and the offshore banking centers.

Guarantees

Information was gathered on the cross-border and cross-currency claims that are guaranteed by residents of another country. Claims are reallocated from the country of residence of the borrower to another country in two major ways. First, claims on a bank branch located in one country, but whose head office is located in another country, are allocated to the country of the head office. Since a branch is legally a part of the parent, claims on a branch are treated as being guaranteed by the head office. Second, claims on a borrower in one country that are formally guaranteed by a resident of another country are allocated to the latter country. These reallocations are thought to provide a better approximation of country exposure in the banks' portfolios than the unadjusted figures.

Most of the shifts are accounted for by the transfer of claims on branches (and, where guaranteed, subsidiaries) of banks to their head offices—$36 billion out of a total of $46 billion in claims guaranteed by residents of other countries. In general, the reallocations primarily affected the offshore banking centers and some of the developed countries. For example, claims on the offshore banking centers decreased from $24 billion to $8 billion, and claims on the United Kingdom decreased from $31 billion to $18 billion.

For most less-developed countries, a relatively small portion of claims is externally guaranteed. The total shown for claims on foreigners by country of guarantor is about $174 billion or $20 billion less than the total for claims by country of borrower. This results from U.S. residents guaranteeing about $28 billion in claims on foreign residents and foreigners guaranteeing about $8 billion of claims on U.S. residents.

Commitments to Provide Funds for Foreigners

The survey also provided information on contingent claims on foreigners. The banks were asked to report such contingent claims only when the bank had a legal obligation to provide funds. The amounts reported total $52 billion, 75 per cent of which was in the private sector, including banks.

Use of the Data—Comparison with June 1977 Survey

The December 1977 survey is not fully comparable with the survey conducted in June 1977 for which data were released on January 16, 1978: A slightly different reporting panel was used for the December survey, adjustments were made to the form and its instructions, and certain deviations from the instructions that had been permitted in the June version of the form were not permitted in December.

Total claims as of December were about $30 billion larger than in June. However, the largest increase, $20 billion, was in claims on banks in the offshore banking centers and G-10 countries. It is believed that a large portion of this increase is due to better reporting. In June several banks had reported bank claims on a net basis after guarantees rather than reporting gross amounts initially. Some of the growth in this particular item may also be due to the fact that the June report included only bank placements in this category, while the December report included other claims on banks as well.

The change in reported amounts in other areas was more moderate and is probably more indicative of real growth in lending to these areas. For example, claims on less-developed countries that are not oil exporters, after adjustments for guarantees, showed an increase of about $3.5 billion, from $41.5 billion[3] to $45 billion.

OVERSEAS BRANCHES OF MEMBER BANKS: Assets and Liabilities

Combined assets of the overseas branches of member banks increased by $34.0 billion, or 17.6 per cent, during 1977, to a total of $227.9 billion, the Board of Governors announced on June 7, 1978. Excluding claims on other foreign branches of the same bank, combined assets were $205.0 billion at the end of December, still a 17.6 per cent increase from the prior year-end figure. Branches located in the financial centers of the United Kingdom and of the Caribbean accounted for 65 per cent of total foreign branch assets and represented 58 per cent of the $34 billion increase

[3] Includes amounts for "Other Latin America," "Other Africa," "Other Middle East," and "Other Asia/Pacific" that were not included in the total in June but are in the December data.

Assets and liabilities of overseas branches of member banks, end of year, 1976 and 1977

In millions of dollars, unless otherwise indicated

Item	United Kingdom and Ireland		Continental Europe		Bahama and Cayman Islands		Latin America		Far East		Near East and Africa		U.S. overseas areas and trust territories		Total	
	1976	1977	1976	1977	1976	1977	1976	1977	1976	1977	1976	1977	1976	1977	1976	1977
ASSETS																
Cash	35,667	37,422	12,617	14,400	17,200	19,172	1,184	1,452	3,551	4,918	1,031	2,187	86	331	71,337	79,882
Loans	19,891	24,812	9,383	12,125	34,855	40,529	5,293	6,232	15,635	19,255	2,440	3,598	2,404	2,584	89,901	109,135
Due from head offices and U.S. branches	2,177	3,508	138	69	186	274	114	148	444	316	79	46	82	67	3,220	4,431
Due from other overseas branches of own bank	12,520	13,983	3,188	3,464	843	2,640	72	127	2,354	1,906	307	742	165	51	19,449	22,913
Other	2,585	3,001	1,963	2,418	1,638	1,934	654	745	2,719	2,731	150	257	234	423	9,943	11,508
Total	**72,840**	**82,726**	**27,289**	**32,475**	**54,720**	**64,549**	**7,320**	**8,705**	**24,703**	**29,126**	**4,007**	**6,831**	**2,971**	**3,457**	**193,850**	**227,868**
LIABILITIES																
Deposits:																
Demand	2,983	4,453	2,268	2,313	361	804	1,194	1,131	1,886	2,047	724	1,121	594	618	10,010	12,487
Time	66,406	72,081	21,087	25,029	32,837	40,567	3,466	4,319	9,771	11,470	2,421	4,121	1,988	2,227	137,975	159,814
Due to head offices and U.S. branches	964	1,508	578	720	13,899	17,207	748	336	517	486	17	163	290	269	17,013	20,690
Due from other overseas branches of own bank	458	2,386	1,252	2,286	6,643	4,889	1,244	2,072	8,743	10,716	717	1,264	11	26	19,068	23,639
Other	2,029	2,298	2,104	2,126	979	1,083	669	845	3,787	4,407	129	161	88	316	9,784	11,238
Total	**72,840**	**82,726**	**27,289**	**32,475**	**54,720**	**64,549**	**7,320**	**8,705**	**24,703**	**29,126**	**4,007**	**6,831**	**2,971**	**3,457**	**193,850**	**227,868**
Number of branches	62	61	111	110	129	132	202	199	131	138	38	42	58	48	731	730

NOTE.—Data are from Board of Governors of the Federal Reserve System. Details may not add to totals due to rounding.

during 1977. The relatively large increase in assets in the Near East and Africa (70 per cent) reflected mostly the growth of Bahrain as an international financial center.

At year-end 1977 there were 730 branches in operation in foreign countries and overseas territories, reflecting a net decrease of one branch during the year. A distribution of these branches by geographic areas is provided in the table.

These data, which are derived from reports of condition filed at the end of the year with the Comptroller of the Currency and the Federal Reserve System, differ in certain respects from other statistical reports covering aspects of overseas branch operations. The assets and liabilities shown are denominated in U.S. dollars as well as in various foreign currencies.

REGULATION Z: Amendment

The Board of Governors has amended its Regulation Z (Truth in Lending) to require certain lenders to retain for more than 2 years all records of credit transactions in their possession.

The amendment was effective on May 22, 1978. It applies to all creditors and lessors under the supervision of the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board, and the National Credit Union Administration.

Last October these agencies jointly proposed a uniform statement of enforcement policy that would call for reimbursement to consumers for certain violations of Regulation Z. Such reimbursement may extend to violations that occurred more than 2 years before discovery. Before adoption of the new amendment, for which Consumer's Union petitioned the Board, Regulation Z had called for retention of credit transaction records for no more than 2 years.

The Board's action is intended to avoid possible destruction of records, under the 2-year record retention rule, that might show violations subject to reimbursement.

The amendment requires that creditors and lessors subject to the five Federal regulators retain credit transaction records until—

1. The agencies have taken final action on the proposed uniform statement of enforcement policy, and

2. One examination under those guidelines has been completed.

REDUCTION OF STATISTICAL REPORTING

The Board of Governors on June 2, 1978, approved two actions reducing the burden on commercial banks of statistical reporting to the Board.

The Board discontinued the annual collection of data from all of the Nation's 14,683 banks on their outstanding loans to customers other than dealers made for the purpose of buying or carrying securities (Form U-4A). It also discontinued monthly collection of data on such loans from a sample of 72 banks (Form U-4M). The Board found that these reports had little value since such bank credit did not vary much from year to year and other sources of relevant information are now available.

The Board further reduced bank statistical reporting by reducing from 12 to 4 times a year the reporting by some 240 member banks on interest rates charged on various types of consumer loans (FR 835b). These reports (now designated FR 2835) will be based on data for August, November, February, and May. The final monthly report—for June 1978—is scheduled to be published in July.

This consumer finance rate report was initiated in 1971 in response to a request from the President's Committee on Interest and Dividends (no longer in existence) as a means of monitoring consumer interest rates at banks. Recently the Board has collected the data from a volunteer sample of member banks—including most of the Nation's 150 largest banks—and has published these data monthly as statistical release 411 (formerly G.10). The report provides data for use in evaluating trends in consumer loan interest rates in relation to general credit flows. Consumer finance rate data for individual reporting banks are furnished upon request.

In order to provide the public with the information in this report on consumer interest rates and to preserve the analytical base of the report while minimizing the burden of statistical reporting by banks, the Board—

1. Reduced the frequency of the report from once a month to once every 3 months;
2. Released from the reporting panel six banks with less than $70 million in assets; and
3. Combined into one item separate reports on "other" loans for consumer goods and on personal expenditures.

The revision will reduce reporting by about one-third.

COMMERCIAL BANK LOANS AND INVESTMENTS: Revisions in Series

The seasonally adjusted series for bank credit and its major components, published regularly in the BULLETIN (page A-15), have been revised to take account of changes in seasonal factors and of adjustments to benchmarks for the latest available call report data, December 31, 1977. Revisions in seasonal factors affect the seasonally adjusted data from 1971 to date, with principal changes in the more recent years. The benchmark revisions affect data that are not seasonally adjusted for July 1977 through April 1978.

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

CONSUMER ADVISORY COUNCIL MEETING

The Board of Governors announced that its Consumer Advisory Council met at the Board's offices May 31 and June 1.

The Council advises the Board on the exercise of its responsibilities in the consumer credit field.

The agenda, chosen by the Council, included discussion of the following topics:

- Enforcement of consumer credit laws.
- Possible content of a regulation to implement the Community Reinvestment Act, which is designed to encourage financial institutions to help meet the credit needs of their communities.
- Exercise of the Board's responsibilities under the Federal Trade Commission Improvement Act, which in part prohibits unfair, deceptive, or abusive practices by banks.

PROPOSED ACTIONS

The Board of Governors has proposed for comment an amendment to an interpretation of Regulation Z (Truth in Lending) that would facilitate the computation of the annual percentage rate for graduated payment mortgages. The Board requested comment by June 26.

The Board of Governors has also invited comment on a part of its Regulation Y (Bank Holding Companies) authorizing bank holding companies to act as general insurance agents in towns with a population of less than 5,000. The Board asked for comment by June 23.

In addition, the Board has issued for comment a proposed policy statement on tax transactions between State member banks and their parent holding companies. The Board requested comment by June 23.

CHANGES IN BOARD STAFF

The Board of Governors has announced the promotion of Lorin S. Meeder to Assistant Director in the Division of Federal Reserve Bank Operations, effective May 22, 1978.

Prior to joining the Board's staff in 1973, Mr. Meeder was Assistant Vice President and Assistant Manager of the Denver Branch of the Federal Reserve Bank of Kansas City. He holds both a B.S. and an M.S. from the University of Denver.

The Board has also announced the temporary appointment of John M. Wallace, Assistant Vice President of the Federal Reserve Bank of Atlanta, as Assistant Secretary of the Board, effective about August 1.

Mr. Wallace will replace Ms. Cathy Minehan, who will return to her duties at the Federal Reserve Bank of New York.

ANNUAL REPORT: Publication

The Sixty-Fourth *Annual Report* of the Board of Governors of the Federal Reserve System, covering operations for the calendar year 1977, is available for distribution. Copies may be obtained upon request to Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

REGULATION Q: Ruling

The Board of Governors has announced that member banks will be permitted to pay up to 8 per cent interest on all individual retirement and Keogh accounts beginning June 1.

The Board had announced on May 11 that the ceiling rate of interest on IRA and Keogh accounts would be raised to 8 per cent on June 1 only for funds deposited on or after that date. The existing ceiling rate of 7¾ per cent was to continue to apply to IRA and Keogh deposits made before then.

Since that time the Board has received numerous comments indicating that a "split" rate for IRA and Keogh accounts would cause substantial and costly operational problems for member banks with no offsetting benefits to either consumers or the banks.

In view of these problems, the Board will permit payment of the higher 8 per cent rate, effective June 1, for both new and outstanding time deposits held in IRA and Keogh accounts.

The Board said its action should not be regarded as a precedent for any possible future changes in ceiling rates on outstanding IRA/Keogh accounts.

SYSTEM MEMBERSHIP: Admission of State Banks

The following banks were admitted to membership in the Federal Reserve System during the period April 16, 1978, through June 15, 1978:

Colorado

Denver ....International Bank

Minnesota

Minnetonka ....Ridgedale State Bank of Minnetonka

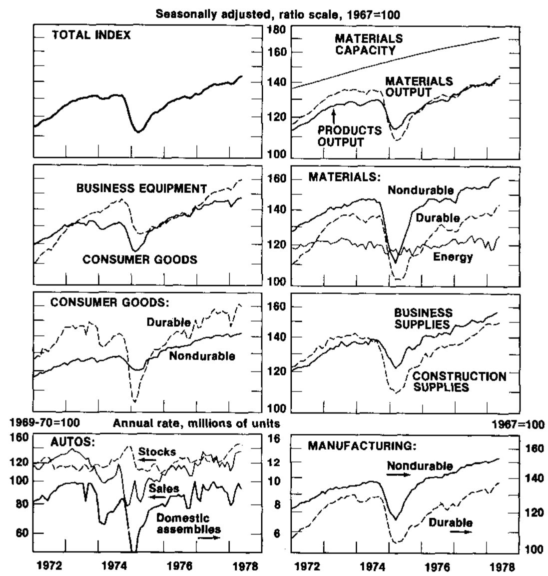
Industrial Production

Released for publication June 15

Industrial production increased an estimated 0.6 per cent in May to 143.7 per cent of the 1967 average. This advance followed 2 months of exceptional increases—revised to 1.4 per cent in April and to 1.2 per cent in March, both of which included rebound effects from the weather- and strike-reduced production in early 1978. More than half of the May increase was in output of materials. Auto and truck production declined after substantial increases in the three preceding months but remained at a high level. Moderate increases occurred in output of most other products. Industrial production in May was almost 5 per cent higher than a year earlier.

Output of total consumer goods was unchanged in May, despite moderate increases in production of home goods and nondurable consumer goods. Auto and utility vehicle production was reduced, as auto assemblies declined 4 per cent to an annual rate of 9.4 million units; production schedules had earlier been stepped up to recoup output lost in the first quarter. Output of business equipment advanced 0.6 per cent further in May, reflecting widespread increases for industrial, commercial, and transit equipment.

Output of materials rose sharply again in May. Large increases occurred in production of durable goods materials, such as steel and equipment parts, and in energy materials. A more moderate increase was recorded in output of nondurable materials, reflecting gains for containers, textiles, and paper.



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

Industrial production	1967 = 100*		Percentage change from preceding month to—						Percentage change 5/77 to 5/78
	1978		1977	1978					
	Apr.[p]	May[e]	Dec.	Jan.	Feb.	Mar.	Apr.	May	
Total	**142.9**	**143.7**	**.3**	**−.6**	**.3**	**1.2**	**1.4**	**.6**	**4.9**
Products, total	142.8	143.1	.6	−1.3	.8	1.4	.9	.2	4.8
Final products	140.0	140.2	.4	−2.0	1.1	1.7	.9	.1	4.1
Consumer goods	147.3	147.3	.4	−2.7	1.4	1.5	.9	.0	2.9
Durable	161.8	160.3	.4	−6.0	3.2	4.2	2.7	−.9	5.3
Nondurable	141.6	142.3	.4	−1.3	.6	.4	.1	.5	2.0
Business equipment	159.0	159.9	.3	−.9	1.0	2.1	1.0	.6	7.4
Intermediate products	152.6	153.5	1.3	.8	−.1	.3	.5	.6	7.0
Construction supplies	148.8	149.5	1.2	.6	−.4	−.1	.3	.5	7.8
Materials	143.1	144.6	−.1	.3	−.4	1.0	2.2	1.0	4.9

*Seasonally adjusted. [p] Preliminary. [e] Estimated.

Financial and Business Statistics

CONTENTS

1.10 MONETARY AGGREGATES AND INTEREST RATES

Item	1977 Q2	1977 Q3	1977 Q4	1978 Q1	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.	1978 Apr.
	Monetary and credit aggregates (annual rates of change, seasonally adjusted in per cent)[12]								
Member bank reserves									
1 Total	2.9	7.3	6.1	8.5	5.9	15.2	10.9	r−8.6	9.4
2 Required	3.5	6.8	6.3	8.3	8.0	12.7	11.8	r−7.3	11.1
3 Nonborrowed	1.8	1.7	3.5	14.5	16.1	18.3	13.7	−6.2	1.9
Concepts of money [1]									
4 *M*-1	8.1	8.1	7.2	5.0	7.2	9.6	−1.1	3.5	18.7
5 *M*-2	9.0	9.9	8.0	6.4	5.7	8.9	4.4	5.3	11.1
6 *M*-3	10.2	11.9	10.6	7.4	7.6	r8.8	5.5	r6.2	9.6
Time and savings deposits									
Commercial banks:									
7 Total	8.3	10.3	13.0	13.1	10.9	12.3	13.7	11.4	8.1
8 Other than large CD's	9.7	11.2	8.5	7.5	4.6	8.4	8.4	6.5	5.7
9 Thrift institutions [2]	11.9	15.0	14.4	r8.9	r10.5	r8.7	6.9	r7.7	7.1
10 Total loans and investments at commercial banks [3]	13.3	9.8	9.3	8.5	−0.7	12.1	10.1	9.1	21.5

Item	1977 Q2	1977 Q3	1977 Q4	1978 Q1	1978 Jan.	1978 Feb.	1978 Mar.	1978 Apr.	1978 May
	Interest rates (levels, per cent per annum)								
Short-term rates									
11 Federal funds [4]	5.16	5.82	6.51	6.76	6.70	6.78	6.79	6.89	7.36
12 Federal Reserve discount [5]	5.25	5.42	5.93	6.46	6.37	6.50	6.50	6.50	6.84
13 Treasury bills (3-month market yield) [6]	4.84	5.50	6.11	6.39	6.44	6.45	6.29	6.29	6.41
14 Commercial paper (90- to 119-day) [7]	5.15	5.74	6.56	6.76	6.75	6.76	6.75	6.82	7.06
Long-term rates									
Bonds:									
15 U.S. Govt.[8]	7.68	7.60	7.78	8.19	8.14	8.22	8.21	8.32	8.44
16 State and local government [9]	5.70	5.59	5.57	5.65	5.71	5.62	5.61	5.80	6.03
17 Aaa utility (new issue) [10]	8.21	8.09	8.27	8.70	8.68	8.69	8.71	8.90	8.95
18 Conventional mortgages [11]	8.95	9.00	9.05	9.23	9.15	9.25	9.30	9.40	9.60

1 *M*-1 equals currency plus private demand deposits adjusted.
M-2 equals *M*-1 plus bank time and savings deposits other than large negotiable certificates of deposit (CD's).
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 rate 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			1978						
	Mar.	Apr.	May[p]	Apr. 19	Apr. 26	May 3	May 10	May 17	May 24[p]	May 31[p]
SUPPLYING RESERVE FUNDS										
1 **Reserve Bank credit outstanding**	**114,848**	**116,784**	**119,705**	**116,440**	**118,477**	**121,240**	**122,933**	**119,885**	**117,216**	**116,819**
2 *U.S. Govt. securities*[1]	*99,573*	*101,345*	*103,143*	*101,451*	*102,452*	*103,800*	*104,891*	*103,141*	*102,374*	*101,685*
3 Bought outright	98,436	100,851	102,431	101,451	102,228	102,844	103,509	101,951	102,374	101,623
4 Held under repurchase agreement	1,137	494	712	....	224	956	1,382	1,190	....	62
5 *Federal agency securities*	*8,217*	*8,013*	*8,171*	*7,929*	*7,967*	*8,160*	*8,400*	*8,442*	*7,895*	*7,899*
6 Bought outright	7,948	7,929	7,907	7,929	7,929	7,929	7,929	7,900	7,895	7,895
7 Held under repurchase agreement	269	84	264	....	38	231	471	542	....	4
8 Acceptances	279	137	204	....	31	250	376	411	....	39
9 Loans	344	539	1,227	238	809	1,664	1,688	866	701	1,399
10 Float	4,261	3,997	4,221	4,085	4,222	4,198	4,271	4,366	3,998	3,355
11 Other Federal Reserve assets	2,174	2,753	2,739	2,737	2,997	3,168	3,307	2,658	2,247	2,442
12 Gold stock	11,718	11,718	11,718	11,718	11,718	11,718	11,718	11,718	11,718	11,718
13 Special Drawing Rights certificate account	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
14 Treasury currency outstanding	11,460	11,496	11,538	11,497	11,512	11,503	11,532	11,537	11,540	11,553
ABSORBING RESERVE FUNDS										
15 Currency in circulation	102,017	103,256	104,389	103,555	103,251	103,401	104,144	104,515	104,368	104,818
16 Treasury cash holdings	394	391	383	390	388	383	383	382	382	386
Deposits, other than member bank reserves with F.R. Banks:										
17 Treasury	4,705	5,001	6,514	3,412	6,321	8,118	10,358	6,589	4,412	3,291
18 Foreign	303	345	341	333	339	471	436	283	253	348
19 Other[2]	740	738	639	701	772	730	641	615	603	638
20 Other F.R. liabilities and capital	3,962	3,741	3,954	3,724	3,794	4,008	3,883	3,882	3,946	4,110
21 Member bank reserves with F.R. Banks	27,155	27,776	27,992	28,790	28,093	28,600	27,589	28,124	27,760	27,751

	End-of-month figures			Wednesday figures						
	1978			1978						
	Mar.	Apr.	May[p]	Apr. 19	Apr. 26	May 3	May 10	May 17	May 24[p]	May 31[p]
SUPPLYING RESERVE FUNDS										
22 **Reserve Bank credit outstanding**	**115,932**	**119,782**	**118,644**	**118,064**	**121,535**	**126,520**	**122,867**	**116,577**	**119,503**	**118,644**
23 *U.S. Govt. securities*[1]	*101,577*	*103,500*	*102,826*	*101,168*	*103,923*	*105,356*	*104,881*	*99,319*	*103,535*	*102,826*
24 Bought outright	99,890	102,768	102,395	101,168	102,357	102,514	102,467	99,319	103,535	102,395
25 Held under repurchase agreement	1,687	732	431	....	1,566	2,842	2,414	....	....	431
26 *Federal agency securities*	*8,193*	*8,064*	*7,921*	*7,929*	*8,192*	*8,793*	*8,918*	*7,895*	*7,895*	*7,921*
27 Bought outright	7,929	7,929	7,895	7,929	7,929	7,929	7,929	7,895	7,895	7,895
28 Held under repurchase agreement	264	135	26	....	263	864	989	....	....	26
29 Acceptances	770	290	274	....	216	464	638	....	....	274
30 Loans	332	1,750	1,167	556	1,764	2,836	1,187	1,422	764	1,167
31 Float	2,732	3,017	3,870	5,529	4,457	5,919	4,330	5,805	4,996	3,870
32 Other Federal Reserve assets	2,328	3,161	2,586	2,882	2,983	3,152	2,913	2,136	2,313	2,586
33 Gold stock	11,718	11,718	11,718	11,718	11,718	11,718	11,718	11,718	11,718	11,718
34 Special Drawing Rights certificate account	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
35 Treasury currency outstanding	11,441	11,482	11,557	11,497	11,516	11,520	11,532	11,539	11,543	11,557
ABSORBING RESERVE FUNDS										
36 Currency in circulation	102,392	103,114	105,468	103,649	103,520	103,969	104,704	104,694	104,675	105,468
37 Treasury cash holdings	393	376	368	388	386	385	387	386	378	368
Deposits, other than member bank reserves with F.R. Banks:										
38 Treasury	4,705	7,177	2,398	6,625	8,729	10,247	7,931	4,505	4,558	2,398
39 Foreign	352	481	454	249	460	468	584	232	219	454
40 Other[2]	740	684	660	709	796	712	685	577	619	660
41 Other F.R. liabilities and capital	3,860	4,080	4,235	3,760	3,879	3,632	3,821	3,805	4,021	4,235
42 Member bank reserves with F.R. Banks	27,900	28,321	29,586	27,149	28,250	31,595	29,256	26,886	29,544	29,586

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	1976	1977				1978				
		Monthly averages of daily figures									
		Dec.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May[p]
	All member banks										
	Reserves:										
1	At F.R. Banks	26,430	26,152	26,933	26,783	27,057	28,129	27,337	27,155	27,776	27,992
2	Currency and coin	8,548	8,887	8,820	8,932	9,351	9,980	9,320	8,992	9,028	9,153
3	*Total held*[1]	*35,136*	*35,156*	*35,860*	*35,782*	*36,471*	*38,185*	*36,738*	*36,231*	*36,880*	*37,219*
4	Required	34,964	34,965	35,521	35,647	36,297	37,880	36,605	35,925	36,816	36,877
5	Excess[1]	172	191	339	135	174	305	133	306	64	342
	Borrowings at F.R. Banks:[2]										
6	Total	62	634	1,319	840	558	481	405	344	539	1,227
7	Seasonal	12	112	114	83	54	32	52	47	43	93
	Large banks in New York City										
8	*Reserves held*	*6,520*	*6,025*	*6,175*	*6,181*	*6,244*	*6,804*	*6,563*	*6,276*	*6,247*	*6,305*
9	Required	6,602	6,022	6,120	6,175	6,279	6,775	6,584	6,193	6,320	6,236
10	Excess	−82	3	55	6	−35	29	−21	83	−73	69
11	Borrowings[2]	15	75	133	132	48	77	12	21	61	113
	Large banks in Chicago										
12	*Reserves held*	*1,632*	*1,655*	*1,666*	*1,607*	*1,593*	*1,733*	*1,623*	*1,629*	*1,670*	*1,684*
13	Required	1,641	1,634	1,656	1,609	1,613	1,684	1,633	1,620	1,686	1,669
14	Excess	−9	21	10	−2	−20	49	−10	9	−16	15
15	Borrowings[2]	4	12	24	23	26	14	....	11	11	19
	Other large banks										
16	*Reserves held*	*13,117*	*13,362*	*13,711*	*13,607*	*13,993*	*14,487*	*13,867*	*13,729*	*14,135*	*14,035*
17	Required	13,053	13,355	13,598	13,602	13,931	14,504	13,861	13,662	14,077	14,073
18	Excess	64	7	113	5	62	−17	6	67	58	−38
19	Borrowings[2]	14	183	681	355	243	164	150	92	249	502
	All other banks										
20	*Reserves held*	*13,867*	*14,114*	*14,308*	*14,387*	*14,641*	*15,161*	*14,685*	*14,597*	*14,828*	*14,964*
21	Required	13,668	13,954	14,147	14,261	14,474	14,917	14,527	14,450	14,733	14,899
22	Excess	199	160	161	126	167	244	158	147	95	65
23	Borrowings[2]	29	364	481	330	241	226	243	220	218	593

	Reserve classification	1978									
		Weekly averages of daily figures for weeks ending—									
		Mar. 29	Apr. 5	Apr. 12	Apr. 19	Apr. 26	May 3	May 10	May 17	May 24[p]	May 31[p]
	All member banks										
	Reserves:										
24	At F.R. Banks	27,539	27,552	26,471	28,790	28,093	28,600	27,589	28,124	27,760	27,751
25	Currency and coin	8,842	8,935	9,356	8,874	8,794	9,247	9,515	9,192	8,641	9,214
26	*Total held*[1]	*36,463*	*36,566*	*35,904*	*37,740*	*36,963*	*37,923*	*37,183*	*37,395*	*36,471*	*37,038*
27	Required	36,215	36,291	35,916	37,435	37,020	37,608	37,000	37,389	36,234	36,551
28	Excess[1]	248	275	−12	305	−57	315	183	6	237	487
	Borrowings at F.R. Banks:[2]										
29	Total	385	304	171	238	809	1,664	1,688	866	701	1,399
30	Seasonal	52	45	37	35	49	61	74	93	104	114
	Large banks in New York City										
31	*Reserves held*	*6,258*	*6,220*	*6,168*	*6,654*	*6,210*	*6,393*	*6,184*	*6,530*	*6,084*	*6,192*
32	Required	6,199	6,241	6,114	6,700	6,173	6,370	6,157	6,596	5,972	6,161
33	Excess	59	−21	54	−46	37	23	27	−66	112	31
34	Borrowings[2]	....	....	....	....	59	301	150	37	....	214
	Large banks in Chicago										
35	*Reserves held*	*1,712*	*1,683*	*1,638*	*1,787*	*1,633*	*1,706*	*1,685*	*1,747*	*1,608*	*1,590*
36	Required	1,648	1,660	1,650	1,785	1,631	1,702	1,656	1,754	1,613	1,638
37	Excess	64	23	−12	2	2	4	29	−7	−5	−48
38	Borrowings[2]	....	....	....	41	1	81	9	....	....	....
	Other large banks										
39	*Reserves held*	*13,845*	*13,956*	*13,620*	*14,500*	*14,015*	*14,530*	*14,208*	*14,152*	*13,991*	*13,766*
40	Required	13,830	13,827	13,766	14,293	14,173	14,391	14,179	14,201	13,835	13,953
41	Excess	15	129	−146	207	−158	139	29	−49	156	−187
42	Borrowings[2]	128	79	55	62	521	714	828	327	186	537
	All other banks										
43	*Reserves held*	*14,648*	*14,707*	*14,478*	*14,799*	*15,105*	*15,294*	*15,106*	*14,966*	*14,827*	*14,923*
44	Required	14,538	14,563	14,386	14,657	15,043	15,145	15,008	14,838	14,814	14,799
45	Excess	110	144	92	142	62	149	98	128	13	124
46	Borrowings[2]	257	225	116	135	228	568	701	502	515	648

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—								
		April 5	April 12	April 19	April 26	May 3	May 10	May 17	May 24	May 31
		Total, 46 banks								
	Basic reserve position									
1	Excess reserves[1]	282	36	107	−24	73	153	−17	166	231
	LESS:									
2	Borrowings at F.R. Banks	16	7	41	300	517	373	255	10	580
3	Net interbank Federal funds transactions	17,322	22,855	20,233	17,699	15,412	16,842	16,017	15,489	13,660
	EQUALS: Net surplus, or deficit (−):									
4	Amount	−17,056	−22,826	−20,167	−18,023	−15,856	−17,062	−16,290	−15,333	−14,009
5	*Per cent of average required reserves*	*112.0*	*150.2*	*124.4*	*117.0*	*100.5*	*110.9*	*102.2*	*102.6*	*91.8*
	Interbank Federal funds transactions									
	Gross transactions:									
6	Purchases	25,649	29,580	27,442	24,398	23,201	23,772	23,281	22,940	22,915
7	Sales	8,327	6,726	7,209	6,699	7,789	6,931	7,264	7,451	9,256
8	Two-way transactions[2]	6,011	5,734	5,547	5,310	5,900	5,124	5,264	4,914	6,090
	Net transactions:									
9	Purchases of net buying banks	19,638	23,846	21,895	19,088	17,300	18,649	18,018	18,026	16,825
10	Sales of net selling banks	2,316	992	1,662	1,389	1,888	1,807	2,001	2,538	3,166
	Related transactions with U.S. Govt. securities dealers									
11	Loans to dealers[3]	3,360	4,095	3,508	3,371	3,047	2,834	3,510	4,064	4,220
12	Borrowing from dealers[4]	2,428	2,014	2,049	2,575	2,776	3,493	3,189	2,881	1,782
13	Net loans	932	2,081	1,458	796	272	−659	321	1,183	2,438
		8 banks in New York City								
	Basic reserve position									
14	Excess reserves[1]	16	72	8	37	32	72	−29	91	−121
	LESS:									
15	Borrowings at F.R. Banks	....	....	....	59	258	107	37	....	214
16	Net interbank Federal funds transactions	6,399	8,296	6,343	5,334	3,415	4,849	4,291	3,693	3,387
	EQUALS: Net surplus, or deficit (−):									
17	Amount	−6,383	−8,224	−6,336	−5,356	−3,641	−4,884	−4,357	−3,602	−3,480
18	*Per cent of average required reserves*	*112.5*	*148.2*	*103.8*	*95.6*	*62.9*	*87.6*	*72.9*	*67.1*	*62.5*
	Interbank Federal funds transactions									
	Gross transactions:									
19	Purchases	7,360	8,993	7,585	6,132	5,010	5,895	5,389	4,826	4,778
20	Sales	961	698	1,242	798	1,595	1,047	1,098	1,133	1,391
21	Two-way transactions[2]	953	698	673	798	1,556	1,047	1,099	1,133	1,391
	Net transactions:									
22	Purchases of net buying banks	6,408	8,296	6,912	5,334	3,454	4,849	4,290	3,693	3,387
23	Sales of net selling banks	8	....	569	....	39	....	....	....	....
	Related transactions with U.S. Govt. securities dealers									
24	Loans to dealers[3]	1,920	2,831	2,345	2,032	1,858	1,548	1,781	2,414	2,421
25	Borrowing from dealers[4]	1,198	1,419	1,496	1,514	1,488	1,699	1,864	2,043	746
26	Net loans	722	1,412	848	518	370	−152	−84	372	1,675
		38 banks outside New York City								
	Basic reserve position									
27	Excess reserves[1]	266	−36	100	−61	41	81	11	74	110
	LESS:									
28	Borrowings at F.R. Banks	16	7	41	241	259	266	218	10	366
29	Net interbank Federal funds transactions	10,923	14,559	13,890	12,356	11,997	11,993	11,727	11,796	10,273
	EQUALS: Net surplus, or deficit (−):									
30	Amount	−10,673	−14,602	−13,831	−12,667	−12,215	−12,179	−11,933	−11,731	−10,529
31	*Per cent of average required reserves*	*111.6*	*151.4*	*136.9*	*129.2*	*122.4*	*124.2*	*119.7*	*122.5*	*108.6*
	Interbank Federal funds transactions									
	Gross transactions:									
32	Purchases	18,289	20,587	19,857	18,266	18,191	17,877	17,892	18,114	18,138
33	Sales	7,366	6,028	5,967	5,901	6,194	5,884	6,166	6,319	7,865
34	Two-way transactions[2]	5,058	5,037	4,874	4,512	4,344	4,077	4,165	3,781	4,699
	Net transactions:									
35	Purchases of net buying banks	13,231	15,550	14,983	13,755	13,846	13,800	13,727	14,333	13,438
36	Sales of net selling banks	2,308	992	1,093	1,389	1,849	1,807	2,001	2,538	3,166
	Related transactions with U.S. Govt. securities dealers									
37	Loans to dealers[3]	1,439	1,264	1,163	1,339	1,189	1,286	1,729	1,650	1,798
38	Borrowing from dealers[4]	1,229	596	553	1,061	1,288	1,793	1,325	838	1,036
39	Net loans	210	668	610	278	−98	−507	405	811	763

For notes see end of table.

1.13 Continued

	Type	April 5	April 12	April 19	April 26	May 3	May 10	May 17	May 24	May 31
		1978, week ending—								
		5 banks in City of Chicago								
	Basic reserve position									
40	Excess reserves[1]	61	...	1	3	6	36	17	15	16
	LESS:									
41	Borrowings at F.R. Banks	...	...	41	...	71	...	...	...	...
42	Net interbank Federal funds transactions	5,658	6,815	6,425	5,654	5,075	5,389	5,479	5,446	5,830
	EQUALS: Net surplus, or deficit (−):									
43	Amount	−5,597	−6,814	−6,464	−5,651	−5,140	−5,353	−5,462	−5,431	−5,814
44	*Per cent of average required reserves*	*361.0*	*442.5*	*386.6*	*371.6*	*323.2*	*346.7*	*332.4*	*360.8*	*379.4*
	Interbank Federal funds transactions									
	Gross transactions:									
45	Purchases	6,705	7,541	7,332	6,729	6,238	6,475	6,848	6,550	7,126
46	Sales	1,047	726	907	1,075	1,163	1,086	1,369	1,104	1,296
47	Two-way transactions[2]	1,047	726	907	1,075	1,163	1,086	1,369	1,103	1,295
	Net transactions:									
48	Purchases of net buying banks	5,658	6,815	6,425	5,654	5,076	5,389	5,479	5,446	5,831
49	Sales of net selling banks	...	...	...	...	...	...	...	...	...
	Related transactions with U.S. Govt. securities dealers									
50	Loans to dealers[3]	499	393	285	193	185	245	456	452	488
51	Borrowing from dealers[4]	159	58	61	220	446	583	310	141	75
52	Net loans	339	336	224	−27	−262	−338	146	311	414
		33 other banks								
	Basic reserve position									
53	Excess reserves[1]	206	−37	98	−64	35	45	−6	59	93
	LESS:									
54	Borrowings at F.R. Banks	16	7	...	241	188	266	218	10	366
55	Net interbank Federal funds transactions	5,265	7,744	7,465	6,711	6,921	6,604	6,248	6,350	4,442
	EQUALS: Net surplus, or deficit (−):									
56	Amount	−5,075	−7,788	−7,367	−7,016	−7,075	−6,825	−6,472	−6,301	−4,715
57	*Per cent of average required reserves*	*63.4*	*96.1*	*87.4*	*84.7*	*84.3*	*82.6*	*77.7*	*78.0*	*57.7*
	Interbank Federal funds transactions									
	Gross transactions:									
58	Purchases	11,584	13,046	12,525	11,537	11,953	11,402	11,045	11,565	11,012
59	Sales	6,319	5,302	5,060	4,826	5,031	4,798	4,797	5,215	6,569
60	Two-way transactions[2]	4,011	4,311	r3,967	3,436	3,182	2,991	2,796	2,678	3,404
	Net transactions:									
61	Purchases of net buying banks	7,573	8,736	8,558	8,101	8,771	8,411	8,249	8,887	7,608
62	Sales of net selling banks	2,308	992	1,093	1,389	1,849	1,807	2,001	2,538	3,166
	Related transactions with U.S. Govt. securities dealers									
63	Loans to dealers[3]	941	871	878	1,147	1,005	1,041	1,274	1,198	1,310
64	Borrowing from dealers[4]	1,070	538	492	841	841	1,210	1,015	698	961
65	Net loans	−129	333	386	305	163	−169	258	500	349

1 Based on reserve balances, including adjustments to include waivers of penalties 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 5/31/78	Effective date	Previous rate	Rate on 5/31/78	Effective date	Previous rate	Rate on 5/31/78	Effective date	Previous rate	Rate on 5/31/78	Effective date	Previous rate
Boston	7	5/12/78	6½	7½	5/12/78	7	8	5/12/78	7½	10	5/12/78	9½
New York	7	5/11/78	6½	7½	5/11/78	7	8	5/11/78	7½	10	5/11/78	9½
Philadelphia	7	5/11/78	6½	7½	5/11/78	7	8	5/11/78	7½	10	5/11/78	9½
Cleveland	7	5/11/78	6½	7½	5/11/78	7	8	5/11/78	7½	10	5/11/78	9½
Richmond	7	5/11/78	6½	7½	5/11/78	7	8	5/11/78	7½	10	5/11/78	9½
Atlanta	7	5/11/78	6½	7½	5/11/78	7	8	5/11/78	7½	10	5/11/78	9½
Chicago	7	5/11/78	6½	7½	5/11/78	7	8	5/11/78	7½	10	5/11/78	9½
St. Louis	7	5/11/78	6½	7½	5/11/78	7	8	5/11/78	7½	10	5/11/78	9½
Minneapolis	7	5/11/78	6½	7½	5/11/78	7	8	5/11/78	7½	10	5/11/78	9½
Kansas City	7	5/11/78	6½	7½	5/11/78	7	8	5/11/78	7½	10	5/11/78	9½
Dallas	7	5/12/78	6½	7½	5/12/78	7	8	5/12/78	7½	10	5/12/78	9½
San Francisco	7	5/11/78	6½	7½	5/11/78	7	8	5/11/78	7½	10	5/11/78	9½

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

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1973—Apr. 23	5½–5¾	5½
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

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1975—Mar. 10	6¼–6¾	6¼
14	6¼	6¼
May 16	6–6¼	6
23	6	6
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
In effect May 31, 1978	7	7

1 Discounts of eligible paper and advances secured by such paper or by U.S. Govt. obligations or any other obligations eligible for F.R. Bank purchase.

2 Advances secured to the satisfaction of the F.R. 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. Govt. 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*, and *Annual Statistical Digest, 1972–76*.

1.15 MEMBER BANK RESERVE REQUIREMENTS[1]

Per cent of deposits

Type of deposit, and deposit interval in millions of dollars	Requirements in effect May 31, 1978		Previous requirements	
	Per cent	Effective date	Per cent	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]				
Savings	3	3/16/67	3½	3/2/67
Other time:				
0–5, maturing in—				
30–179 days	3	3/16/67	3½	3/2/67
180 days to 4 years	[4] 2½	1/8/76	3	3/16/67
4 years or more	[4] 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	[4] 2½	1/8/76	3	12/12/74
4 years or more	[4] 1	10/30/75	3	12/12/74

	Legal limits, May 31, 1978	
	Minimum	Maximum
Net demand:		
Reserve city banks	10	22
Other banks	7	14
Time	3	10

[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 F.R. 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) The Board's Regulation M requires a 4 per cent reserve against net balances due from domestic banks to their foreign branches and to foreign banks abroad. Effective Dec. 1, 1977, a 1 per cent reserve is required against deposits that foreign branches of U.S. banks use for lending to U.S. residents. Loans aggregating $100,000 or less to any U.S. resident are excluded from computations, as are total loans of a bank to U.S. residents if not exceeding $1 million. Regulation D imposes a similar reserve requirement on borrowings from foreign banks by domestic offices of a member bank.

[3] Negotiable orders 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 of reserves on savings and other time deposits must be at least 3 per cent, the minimum specified by law.

NOTE.—Required reserves must be held in the form of deposits with F.R. Banks or vault cash.

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

Per cent per annum

Type and maturity of deposit	Commercial banks				Savings and loan associations and mutual savings banks			
	In effect May 31, 1978		Previous maximum		In effect May 31, 1978		Previous maximum	
	Per cent	Effective date	Per cent	Effective date	Per cent	Effective date	Per cent	Effective date
1 Savings	5	7/1/73	4½	1/21/70	5¼	(6)	5	(7)
2 Negotiable orders of withdrawal (NOW) accounts [1]	5	1/1/74	....	....	5	1/1/74	....	....
Time (multiple- and single-maturity unless otherwise indicated): [2]								
30–89 days:								
3 Multiple-maturity	5	7/1/73	4½	1/21/70	(8)	....	(8)	....
4 Single-maturity			5	9/26/66				
90 days to 1 year:								
5 Multiple-maturity	5½	7/1/73	5	7/20/66	[3] 5¾	(6)	5¼	1/21/70
6 Single-maturity				9/26/66				
7 1 to 2 years [3]	6	7/1/73	5½	1/21/70	6½	(6)	5¾	1/21/70
8 2 to 2½ years [3]			5¾	1/21/70			6	1/21/70
9 2½ to 4 years [3]	6½	7/1/73	5¾	1/21/70	6¾	(6)	6	1/21/70
10 4 to 6 years [4]	7¼	11/1/73	(9)	....	7½	11/1/73	(9)	....
11 6 years or more [4]	7½	12/23/74	7¼	11/1/73	7¾	12/23/74	7½	11/1/73
12 Governmental units (all maturities)	7¾	12/23/74	7½	11/27/74	7¾	12/23/74	7½	11/27/74
13 Individual retirement accounts and Keogh (H.R. 10) plans [5]	7¾	7/6/77	(8)	....	7¾	7/6/77	(8)	....

[1] For authorized States only. Federally insured commercial banks, savings and loan associations, cooperative banks, and mutual savings banks were first permitted to offer NOW accounts on Jan. 1, 1974. Authorization to issue NOW accounts was extended to similar institutions throughout New England on Feb. 27, 1976.

[2] 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).

[3] 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.

[4] $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.

[5] 3-year minimum maturity.

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

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

[8] No separate account category.

[9] 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 per cent 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 per cent ceiling on time deposits maturing in 2½ years or more.

Effective Nov. 1, 1973, the present ceilings were imposed 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.

1.161 MARGIN REQUIREMENTS

Per cent of market value; effective dates shown.

Type of security on sale	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
1 Margin stocks	70	80	65	55	65	50
2 Convertible bonds	50	60	50	50	50	50
3 Short sales	70	80	65	55	65	50

NOTE.—Regulations G, T, and U of the Federal Reserve Board of Governors, prescribed in accordance with the Securities Exchange Act of 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 per cent) 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.

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS

Millions of dollars

	Type of transaction	1975	1976	1977	1977 Oct.	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.	1978 Apr.
	U.S. GOVT. SECURITIES										
	Outright transactions (excl. matched sale-purchase transactions)										
	Treasury bills:										
1	Gross purchases	11,562	14,343	13,738	....	....	3,109	696	379	748	1,670
2	Gross sales	5,599	8,462	7,241	1,877	436	311	1,323	1,974	50	....
3	Redemptions	[2] 6,431	[2] 5,017	2,136	....	300	....	....	1,100	31	....
	Others within 1 year:[1]										
4	Gross purchases	3,886	472	3,017	....	....	99	56	....	288	100
5	Gross sales	....	....	....	....	....	....	....	....	....	....
6	Exchange, or maturity shift	−4	792	4,499	−45	1,352	623	−511	−653	261	−292
7	Redemptions	3,549	....	2,500	2,500	....	....	....	....	....	....
	1 to 5 years:										
8	Gross purchases	[2] 3,284	[2] 3,202	2,833	....	....	628	311	....	813	235
9	Gross sales	....	177	....	....	....	....	....	....	....	....
10	Exchange, or maturity shift	3,854	−2,588	−6,649	45	−1,267	−623	511	1,109	−261	292
	5 to 10 years:										
11	Gross purchases	1,510	1,048	758	....	....	166	89	....	370	191
12	Gross sales	....	....	....	....	....	....	....	....	....	....
13	Exchange, or maturity shift	−4,697	1,572	584	....	−325	....	....	−906	....	....
	Over 10 years:										
14	Gross purchases	1,070	642	553	....	....	108	100	....	147	145
15	Gross sales	....	....	....	....	....	....	....	....	....	....
16	Exchange, or maturity shift	848	225	1,565	....	240	....	....	450	....	....
	All maturities:[1]										
17	Gross purchases	[2] 21,313	[2] 19,707	20,898	....	....	4,110	1,252	379	2,367	2,341
18	Gross sales	5,599	8,639	7,241	1,877	436	311	1,323	1,974	50	....
19	Redemptions	[2] 9,980	[2] 5,017	4,636	2,500	300	....	....	1,100	31	....
	Matched sale-purchase transactions										
20	Gross sales	151,205	196,078	425,214	48,204	56,899	32,320	54,859	40,128	44,976	42,262
21	Gross purchases	152,132	196,579	423,841	44,772	57,477	35,001	51,016	44,270	44,129	42,799
	Repurchase agreements										
22	Gross purchases	140,311	232,891	178,683	9,578	6,472	18,071	10,229	16,057	13,155	8,044
23	Gross sales	139,538	230,355	180,535	11,889	4,433	18,208	12,130	16,057	11,468	8,999
24	Net change in U.S. Govt. securities	7,434	9,087	5,798	−10,118	1,880	6,342	−5,815	1,447	3,127	1,923
	FEDERAL AGENCY OBLIGATIONS										
	Outright transactions:										
25	Gross purchases	1,616	891	1,433	....	....	707	....	....	....	....
26	Gross sales	....	....	....	....	....	....	....	....	....	....
27	Redemptions	246	169	223	....	*	32	*	22	53	....
	Repurchase agreements:										
28	Gross purchases	15,179	10,520	13,811	741	615	2,712	1,680	1,966	2,638	1,282
29	Gross sales	15,566	10,360	13,638	1,051	484	2,392	2,131	1,966	2,374	1,410
	BANKERS ACCEPTANCES										
30	Outright transactions, net	163	−545	−196	−4	....	....	....	....	....	....
31	Repurchase agreements, net	−35	410	159	−478	248	705	−954	....	770	−480
32	**Net change in total System Account**	8,539	9,833	7,143	−10,910	2,260	8,042	−7,220	1,425	4,107	1,315

[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 1978					End of month 1978		
		May 3	May 10	May 17	May 24p	May 31p	Mar.	Apr.	Mayp
		Consolidated condition statement							
	ASSETS								
1	Gold certificate account	11,718	11,718	11,718	11,718	11,718	11,718	11,718	11,718
2	Special Drawing Rights certificate account	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
3	Coin	311	303	296	296	291	323	324	291
	Loans:								
4	Member bank borrowings	2,836	1,187	1,422	764	1,167	332	1,750	1,167
5	Other	...	...	...	...	...	...	...	...
	Acceptances:								
6	Bought outright	...	...	...	...	...	...	...	...
7	Held under repurchase agreements	464	638	...	...	274	770	290	274
	Federal agency obligations:								
8	Bought outright	7,929	7,929	7,895	7,895	7,895	7,929	7,929	7,895
9	Held under repurchase agreements	864	989	...	...	26	264	135	26
	U.S. Govt. securities								
	Bought outright:								
10	Bills	40,311	40,264	36,597	40,813	39,673	38,358	40,565	39,673
11	Certificates—Special	...	...	...	...	...	...	...	...
12	Other	...	...	...	...	...	...	...	...
13	Notes	52,510	52,510	52,055	52,055	52,055	51,984	52,510	52,055
14	Bonds	9,693	9,693	10,667	10,667	10,667	9,548	9,693	10,667
15	Total[1]	102,514	102,467	99,319	103,535	102,395	99,890	102,768	102,395
16	Held under repurchase agreements	2,842	2,414	...	...	431	1,687	732	431
17	**Total U.S. Govt. securities**	**105,356**	**104,881**	**99,319**	**103,535**	**102,826**	**101,577**	**103,500**	**102,826**
18	**Total loans and securities**	**117,449**	**115,624**	**108,636**	**112,194**	**112,188**	**110,872**	**113,604**	**112,188**
19	Cash items in process of collection	12,861	10,303	12,839	10,963	11,305	8,354	9,206	11,305
20	Bank premises	387	387	388	388	388	385	387	388
	Other assets:								
21	Denominated in foreign currencies	104	74	65	62	121	80	54	121
22	All other	2,661	2,452	1,683	1,863	2,077	1,863	2,720	2,077
23	**Total assets**	**146,741**	**142,111**	**136,875**	**138,734**	**139,338**	**134,845**	**139,263**	**139,338**
	LIABILITIES								
24	F.R. notes	93,145	93,861	93,836	93,806	94,570	91,666	92,331	94,570
	Deposits:								
25	Member bank reserves	31,595	29,256	26,886	29,544	29,586	27,900	28,321	29,586
26	U.S. Treasury—General account	10,247	7,931	4,505	4,558	2,398	4,705	7,177	2,398
27	Foreign	468	584	232	219	454	352	481	454
28	Other[2]	712	685	577	619	660	740	684	660
29	**Total deposits**	**43,022**	**38,456**	**32,200**	**34,940**	**33,098**	**33,697**	**36,663**	**33,098**
30	Deferred availability cash items	6,942	5,973	7,034	5,967	7,435	5,622	6,189	7,435
31	Other liabilities and accrued dividends	1,463	1,507	1,348	1,436	1,514	1,234	1,420	1,514
32	**Total liabilities**	**144,572**	**139,797**	**134,418**	**136,149**	**136,617**	**132,219**	**136,603**	**136,617**
	CAPITAL ACCOUNTS								
33	Capital paid in	1,049	1,050	1,051	1,053	1,053	1,047	1,050	1,053
34	Surplus	1,029	1,029	1,029	1,029	1,029	1,029	1,029	1,029
35	Other capital accounts	91	235	377	503	639	550	581	639
36	**Total liabilities and capital accounts**	**146,741**	**142,111**	**136,875**	**138,734**	**139,338**	**134,845**	**139,263**	**139,338**
37	MEMO: Marketable U.S. Govt. securities held in custody for foreign and intl. account	85,185	85,264	85,770	85,112	84,854	88,965	85,141	84,854
		Federal Reserve note statement							
38	F.R. notes outstanding (issued to Bank)	104,242	104,390	104,617	104,849	105,008	103,427	104,164	105,008
	Collateral held against notes outstanding:								
39	Gold certificate account	11,717	11,717	11,717	11,717	11,718	11,718	11,717	11,718
40	Special Drawing Rights certificate account	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
41	Eligible paper	2,354	1,136	1,390	725	1,107	309	1,580	1,107
42	U.S. Govt. securities	88,921	90,287	90,260	91,157	90,933	90,150	89,617	90,933
43	**Total collateral**	**104,242**	**104,390**	**104,617**	**104,849**	**105,008**	**103,427**	**104,164**	**105,008**

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 domestic nonmember banks and foreign-owned banking institutions voluntarily held with member banks and redeposited in full with F.R. Banks.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings

Millions of dollars

Type and maturity	Wednesday					End of month		
	1978					1978		
	May 3	May 10	May 17	May 24	May 31	Mar. 31	Apr. 30	May 31
1 **Loans**	2,836	1,186	1,419	764	1,167	331	1,751	1,167
2 Within 15 days	2,805	1,132	1,405	743	1,120	315	1,731	1,120
3 16 days to 90 days	31	54	14	21	47	16	20	47
4 91 days to 1 year	....	....	....	....	....	....	....	....
5 **Acceptances**	464	638	....	....	274	770	290	274
6 Within 15 days	464	638	....	....	274	770	290	274
7 16 days to 90 days	....	....	....	....	....	....	....	....
8 91 days to 1 year	....	....	....	....	....	....	....	....
9 **U.S. Govt. securities**	105,356	104,881	99,319	103,535	102,826	101,577	103,500	102,826
10 Within 15 days[1]	8,054	7,659	3,434	4,638	2,956	4,642	3,710	2,956
11 16 days to 90 days	17,895	17,562	16,368	20,338	20,129	19,400	21,381	20,129
12 91 days to 1 year	31,462	31,716	29,160	28,203	29,416	30,454	30,757	29,416
13 Over 1 year to 5 years	29,904	29,903	29,719	29,718	29,687	29,376	29,611	29,687
14 Over 5 years to 10 years	10,132	10,132	11,760	11,760	11,760	9,941	10,132	11,760
15 Over 10 years	7,909	7,909	8,878	8,878	8,878	7,764	7,909	8,878
16 **Federal agency obligations**	8,793	8,918	7,895	7,895	7,921	8,193	8,064	7,921
17 Within 15 days[1]	898	1,053	75	75	168	305	189	168
18 16 days to 90 days	271	241	200	200	105	233	231	105
19 91 days to 1 year	1,162	1,162	1,158	1,158	1,347	1,110	1,152	1,347
20 Over 1 year to 5 years	3,961	3,961	3,961	3,961	3,817	4,044	3,991	3,817
21 Over 5 years to 10 years	1,644	1,644	1,654	1,654	1,637	1,624	1,644	1,637
22 Over 10 years	857	857	847	847	847	877	857	847

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. Monthly data are at annual rates.

Bank group, or type of customer	1974	1975	1976	1977	1978			
				Dec.	Jan.	Feb.[r]	Mar.	Apr.
	Debits to demand deposits[2] (seasonally adjusted)							
1 All commercial banks	22,937.8	25,028.5	29,180.4	36,427.2	36,923.3	36,357.7	36,883.0	39,131.1
2 Major New York City banks	8,434.8	9,670.7	11,467.2	14,651.4	14,432.0	13,480.2	13,701.6	15,231.8
3 Other banks	14,503.0	15,357.8	17,713.2	21,775.8	22,491.3	22,877.5	23,181.3	23,899.3
	Debits to savings deposits[3] (not seasonally adjusted)							
4 All customers	....	....	....	353.8	392.6	323.9	r382.8	430.0
5 Business[1]	....	....	....	49.5	48.7	40.2	r49.8	47.5
6 Others	....	....	....	304.3	343.8	283.7	333.0	382.5
	Demand deposit turnover[2] (seasonally adjusted)							
7 All commercial banks	99.0	105.3	116.8	131.0	131.5	130.2	132.7	137.0
8 Major New York City banks	321.6	356.9	411.6	539.9	512.2	496.3	521.5	551.7
9 Other banks	70.6	72.9	79.8	86.8	89.0	90.7	92.1	92.6
	Savings deposit turnover[3] (not seasonally adjusted)							
10 All customers	....	....	....	1.6	1.8	1.5	1.7	1.9
11 Business[1]	....	....	....	4.6	4.7	3.9	4.8	4.6
12 Others	....	....	....	1.5	1.7	1.4	1.6	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 orders 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 SMSA's, 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.C. 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	1974 Dec.	1975 Dec.	1976 Dec.	1977 Dec.	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.	1978 Apr.
	Seasonally adjusted									
MEASURES[1]										
1 *M*-1	r282.9	294.5	312.6	336.7	334.7	336.7	339.4	339.1	340.1	345.4
2 *M*-2	r612.2	664.1	739.6	807.6	803.8	807.6	813.6	816.6	820.2	827.8
3 *M*-3	981.2	1,091.8	1,235.6	r1,374.2	1,365.5	r1,374.2	r1,384.3	r1,390.6	r1,397.8	1,409.0
4 *M*-4	r701.2	745.4	802.3	881.6	874.6	881.6	889.9	896.0	902.2	911.3
5 *M*-5	r1,070.3	1,173.2	1,298.3	r1,448.2	1,436.4	r1,448.2	r1,460.6	r1,469.9	r1,479.9	1,492.4
COMPONENTS										
6 Currency	67.8	73.7	80.7	88.5	87.7	88.5	89.3	90.0	90.6	91.2
Commercial bank deposits:										
7 Demand	215.1	220.8	231.9	248.2	247.0	248.2	250.1	249.1	249.5	254.3
8 *Time and savings*	*418.3*	*450.9*	*489.7*	*544.9*	*540.0*	*544.9*	*550.5*	*556.8*	*562.1*	*565.9*
9 Negotiable CD's[2]	89.0	81.3	62.7	74.0	70.9	74.0	76.3	79.4	82.0	83.4
10 Other	329.3	369.6	427.0	470.9	469.1	470.9	474.2	477.5	480.1	482.4
11 Nonbank thrift institutions[3]	369.1	427.8	496.0	r566.6	561.7	r566.6	r570.7	r574.0	r577.7	581.1
	Not seasonally adjusted									
MEASURES[1]										
12 *M*-1	r291.3	303.2	321.7	346.4	336.8	346.4	345.2	333.3	335.4	347.8
13 *M*-2	617.5	669.3	744.8	813.0	801.2	813.0	818.3	r811.4	818.7	834.1
14 *M*-3	983.8	1,094.3	1,237.5	1,375.5	1,358.5	1,375.5	r1,386.6	r1,383.5	r1,397.8	1,418.7
15 *M*-4	r708.0	752.8	809.1	888.9	872.8	888.9	894.6	888.3	899.0	915.5
16 *M*-5	r1,074.3	1,177.7	1,301.8	1,451.5	1,430.1	r1,451.5	r1,463.0	r1,460.4	r1,478.1	1,500.1
COMPONENTS										
17 Currency	69.0	75.1	82.1	90.0	88.4	90.0	88.6	88.9	89.9	91.0
Commercial bank deposits:										
18 *Demand*	*222.2*	*228.1*	*239.5*	*256.4*	*248.4*	*256.4*	*256.6*	*244.4*	*245.5*	*256.8*
19 Member	159.7	162.1	168.5	176.3	170.3	176.3	175.9	167.4	168.5	175.7
20 Domestic nonmember	58.5	62.6	67.5	75.8	73.8	75.8	76.3	72.8	73.0	76.9
21 *Time and savings*	*416.7*	*449.6*	*487.4*	*542.5*	*536.0*	*542.5*	*549.4*	*555.0*	*563.6*	*567.7*
22 Negotiable CD's[2]	90.5	83.5	64.3	75.9	71.6	75.9	76.4	76.9	80.2	81.4
23 Other	326.3	366.2	423.1	466.6	464.4	466.6	473.0	478.1	483.4	486.3
24 Nonbank thrift institutions[3]	366.3	424.9	492.7	562.5	557.3	562.5	r568.4	r572.1	r579.1	584.6
25 U.S. Govt. deposits (all commercial banks)	4.9	4.1	4.4	5.1	3.5	5.1	4.2	4.2	4.6	4.8

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. Govt., less cash items in process of collection and F.R. float; (2) foreign demand balances at F.R. Banks; and (3) currency outside the Treasury, F.R. Banks, and vaults of commercial banks.

M-2: *M*-1 plus savings deposits, time deposits open account, and time certificates of deposit (CD's) other than negotiable CD's 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 CD's.

M-5: *M*-3 plus large negotiable CD's.

For a description of the latest revisions in the money stock measures see "Money Stock Measures: Revision" in the April 1978 BULLETIN, pp. 338 and 339.

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

2 Negotiable time CD's 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.

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 "Commercial 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	1974 Dec.	1975 Dec.	1976 Dec.	1977 Aug.	1977 Sept.	1977 Oct.	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.	1978 Apr.
	Seasonally adjusted											
1 Reserves[1]	36.57	34.68	34.93	35.50	35.52	35.81	35.96	36.14	36.60	36.93	36.67	36.95
2 Nonborrowed	35.84	34.55	34.89	34.44	34.89	34.50	35.10	35.57	36.12	36.53	36.34	36.40
3 Required	36.31	34.42	34.29	35.30	35.31	35.60	35.71	35.95	36.33	36.69	36.47	36.81
4 Deposits subject to reserve requirements[2]	486.1	504.6	528.9	550.5	553.0	558.5	564.4	569.1	575.7	577.8	582.2	586.1
5 Time and savings	322.1	337.1	354.3	370.8	373.0	377.1	383.5	387.0	390.5	395.4	399.2	400.7
Demand:												
6 Private	160.6	164.5	171.4	176.5	176.7	178.3	178.0	178.5	182.1	179.5	179.6	182.0
7 U.S. Govt	3.3	2.9	3.2	3.2	3.3	3.1	3.0	3.6	3.1	3.0	3.4	3.3
	Not seasonally adjusted											
8 Deposits subject to reserve requirements[2]	491.8	510.9	534.8	548.3	552.1	558.2	562.1	575.3	581.3	572.5	579.4	588.6
9 Time ans savings	321.7	337.2	353.6	371.7	373.0	377.5	380.7	386.4	390.3	393.2	399.3	401.2
Demand:												
10 Private	166.6	170.7	177.9	174.1	175.2	178.0	178.7	185.1	187.9	176.1	176.6	183.8
11 U.S. Govt	3.4	3.1	3.3	2.5	3.8	2.7	2.6	3.8	3.1	3.1	3.5	3.6

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 Nov. 30	1977 Dec. 31	1978 Jan. 25[p]	1978 Feb. 22[p]	1978 Mar. 29[p]	1978 Apr. 26[p]	1978 May 31[p]
	Seasonally adjusted									
1 Loans and investments[1]	690.4	721.1	784.4	866.2	870.6	880.6	886.6	892.2	906.0	917.9
2 Including loans sold outright[2]	695.2	725.5	788.2	870.9	875.5	885.4	891.2	896.7	910.5	922.4
Loans:										
3 Total	500.2	496.9	538.9	611.6	617.0	624.9	628.2	636.5	646.3	657.9
4 Including loans sold outright[2]	505.0	501.3	542.7	616.3	621.9	629.7	632.8	641.0	650.8	662.4
5 Commercial and industrial	183.3	176.0	[4]179.5	200.2	[5]201.6	203.9	206.1	210.3	213.3	219.2
6 Including loans sold outright[2]	186.0	178.5	[4]181.9	202.8	[5]204.4	206.4	208.4	212.5	215.6	221.5
Investments:										
7 U.S. Treasury	50.4	79.4	97.3	96.3	95.6	96.3	99.0	95.6	97.6	97.1
8 Other	139.8	144.8	148.2	158.3	158.0	159.4	159.4	160.1	162.1	162.9
	Not seasonally adjusted									
9 Loans and investments[1]	705.6	737.0	801.6	869.3	888.9	876.1	878.4	889.7	904.9	917.0
10 Including loans sold outright[2]	710.4	741.4	805.4	874.0	893.8	880.8	883.0	894.2	909.4	921.5
Loans:										
11 Total[1]	510.7	507.4	550.2	612.1	629.9	619.3	620.3	631.6	642.3	657.1
12 Including loans sold outright[2]	515.5	511.8	554.0	616.8	634.8	624.1	624.9	636.1	646.8	661.6
13 Commercial and industrial	186.8	179.3	[4]182.9	200.2	[5]205.0	201.7	204.2	210.0	213.8	219.2
14 Including loans sold outright[2]	189.5	181.8	[4]185.3	202.8	[5]207.8	204.2	206.5	212.2	216.1	221.5
Investments:										
15 U.S. Treasury	54.5	84.1	102.5	98.5	100.2	97.9	99.6	98.6	99.6	96.6
16 Other	140.5	145.5	148.9	158.8	158.8	158.8	158.5	159.6	163.1	163.4

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	1976	1977[3]					1978[3]				
		Dec.[3]	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[p]	Feb.[p]	Mar.[p]	Apr.[p]	May.[p]
		All commercial										
1	**Loans and investments**	846.4	887.4	892.3	898.9	916.5	939.1	921.6	926.0	936.0	947.7	967.4
2	Loans, gross	594.9	632.5	637.4	643.4	659.3	680.1	664.9	668.0	677.8	685.0	707.4
	Investments:											
3	U.S. Treasury securities	102.5	99.7	98.8	98.2	98.5	100.2	97.9	99.6	98.6	99.6	96.6
4	Other	148.9	155.3	156.1	157.3	158.8	158.8	158.8	158.5	159.6	163.1	163.4
5	**Cash assets**	136.1	135.5	128.6	129.3	138.6	168.7	126.9	145.2	131.5	134.1	162.7
6	Currency and coin	12.1	13.6	13.9	13.8	14.6	13.9	14.0	13.8	14.3	14.1	14.3
7	Reserves with F.R. Banks	26.1	28.2	30.0	28.3	26.3	29.3	26.6	31.0	30.2	27.6	30.3
8	Balances with banks	49.6	45.3	42.7	44.4	46.8	59.0	42.4	46.9	44.1	44.7	53.3
9	Cash items in process of collection	48.4	48.3	42.1	42.8	50.9	66.4	43.9	53.5	43.0	47.6	64.7
10	**Total assets/total liabilities and capital**[1]	1,030.7	1,080.4	1,077.8	1,085.2	1,119.3	1,166.0	1,113.7	1,136.4	1,136.7	1,151.2	1,199.5
11	**Deposits**	838.2	859.0	854.1	861.5	887.2	939.4	883.6	899.7	896.2	910.3	946.1
	Demand:											
12	Interbank	45.4	39.5	37.1	37.4	41.7	51.7	37.1	42.6	37.4	38.8	50.7
13	U.S. Govt.	3.0	2.5	8.1	3.6	4.8	7.3	4.5	5.8	4.8	6.1	3.2
14	Other	288.4	285.3	272.9	280.0	294.0	323.9	284.2	288.6	280.2	292.0	310.6
	Time:											
15	Interbank	9.2	8.1	8.5	8.6	9.0	9.8	9.1	8.7	9.0	9.0	9.4
16	Other	492.2	523.6	527.6	531.9	537.8	546.6	548.8	554.0	564.8	564.4	572.2
17	Borrowings	80.2	94.2	95.6	95.6	99.4	96.2	99.9	103.7	105.7	104.5	111.4
18	**Total capital accounts**[2]	78.1	79.7	80.1	80.7	81.6	85.8	82.4	82.8	83.3	83.7	84.6
19	MEMO: Number of banks	14,671	14,713	14,724	14,718	14,718	14,707	14,703	14,682	14,689	14,697	14,697
		Member										
20	**Loans and investments**	620.5	637.9	640.8	645.2	658.6	675.5	659.5	661.8	668.6	676.8	693.8
21	Loans, gross	442.9	459.9	463.0	467.1	479.0	494.9	481.8	483.1	490.5	495.3	514.3
	Investments:											
22	U.S. Treasury securities	74.6	70.5	69.6	68.9	69.2	70.4	67.7	69.2	68.2	68.8	66.9
23	Other	103.1	107.5	108.3	109.3	110.3	110.1	110.0	109.5	109.9	112.7	112.7
24	**Cash assets, total**	108.9	108.6	103.1	102.3	110.6	134.4	102.2	117.2	104.8	106.5	130.7
25	Currency and coin	9.1	10.0	10.2	10.2	10.8	10.4	10.4	10.2	10.6	10.5	10.6
26	Reserves with F.R. Banks	26.0	28.2	30.0	28.3	26.3	29.3	26.6	31.0	30.2	27.6	30.3
27	Balances with banks	27.4	24.0	22.5	22.8	24.7	30.8	23.0	24.6	22.9	22.7	28.1
28	Cash items in process of collection	46.5	46.4	40.4	41.0	48.9	63.9	42.2	51.4	41.2	45.7	61.7
29	**Total assets/total liabilities and capital**[1]	772.9	796.3	793.2	796.5	823.9	861.8	818.0	835.3	833.2	843.3	884.7
30	**Deposits**	618.7	622.2	617.0	620.9	641.8	683.5	636.8	649.2	645.1	655.1	686.7
	Demand:											
31	Interbank	42.4	36.6	34.3	34.6	38.7	48.0	34.4	39.5	34.7	36.0	47.5
32	U.S. Govt.	2.1	1.7	6.4	2.6	3.6	5.4	3.4	4.4	3.7	4.5	2.2
33	Other	215.5	211.0	200.3	205.3	216.4	239.4	208.4	211.8	205.1	213.4	229.1
	Time:											
34	Interbank	7.2	6.0	6.3	6.5	6.8	7.8	7.1	6.7	7.0	6.9	7.3
35	Other	351.5	366.9	369.6	372.0	376.2	382.9	383.5	386.9	394.7	394.3	400.5
36	Borrowings	71.7	82.5	84.0	83.8	87.8	84.9	88.0	90.8	91.8	91.1	96.9
37	**Total capital accounts**[2]	58.6	59.9	60.2	60.6	61.2	63.7	61.8	62.1	62.4	62.7	63.3
38	MEMO: Number of banks	5,759	5,676	5,692	5,686	5,680	5,669	5,659	5,659	5,654	5,645	5,645

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, but excluding one national bank in Puerto Rico and one in the Virgin Islands.

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: 1974—June, 2; December, 3; 1975—June and December, 4; 1976 (beginning month shown)—July, 5; December, 7; 1977–January, 8.

1.25 COMMERCIAL BANK ASSETS AND LIABILITIES Call-Date Series

Millions of dollars except for number of banks

	Account	1976 June 30	1976 Dec. 31	1977 June 30	1977 Dec. 31	1976 June 30	1976 Dec. 31 r	1977 June 30	1977 Dec. 31
		Total insured				National (all insured)			
1	**Loans and investments, gross**	**773,701**	**r827,696**	**r854,734**	**914,783**	**443,959**	**476,610**	**488,240**	**523,000**
	Loans:								
2	Gross	539,021	r578,734	r601,112	657,513	315,628	340,691	351,311	384,722
3	Net	520,976	r560,076	r581,134	636,323	305,280	329,971	339,955	372,702
	Investments:								
4	U.S. Treasury securities	90,947	r101,461	r200,568	99,333	49,688	55,727	r153,345	52,244
5	Other	143,731	r147,500	r53,053	157,937	78,642	80,191	r−16,416	86,033
6	Cash assets	124,072	r129,562	r130,726	159,264	75,488	76,072	74,641	92,050
7	**Total assets/total liabilities** [1]	**942,519**	**r1,003,969**	**r1,040,945**	**1,129,711**	**548,702**	**583,304**	**599,743**	**651,360**
8	**Deposits**	**776,957**	**r825,003**	**r847,372**	**922,664**	**444,251**	**469,377**	**476,381**	**520,167**
	Demand:								
9	U.S. Govt	4,622	r3,022	2,817	7,310	2,858	1,676	1,632	4,172
10	Interbank	37,502	r44,064	44,965	49,849	20,329	23,149	22,876	25,646
11	Other	265,671	r285,200	284,544	319,873	152,383	163,346	161,358	181,821
	Time:								
12	Interbank	9,406	r8,248	7,721	8,731	5,532	4,907	4,599	5,730
13	Other	459,753	r484,467	r507,324	536,899	263,147	276,296	285,915	302,795
14	Borrowings	63,828	r75,291	r81,137	89,332	45,187	54,421	57,283	63,218
15	**Total capital accounts**	**68,988**	**r72,061**	**75,503**	**79,084**	**39,501**	**41,319**	**43,142**	**44,994**
16	MEMO: Number of banks	14,373	14,397	14,425	14,397	4,747	4,735	4,701	4,654
		State member (all insured)				Insured nonmember			
17	**Loans and investments, gross**	**136,915**	**144,000**	**144,597**	**152,518**	**192,825**	**207,085**	**r221,896**	**239,265**
	Loans:								
18	Gross	98,889	102,277	r102,117	110,247	124,503	135,766	r147,684	162,543
19	Net	96,037	99,474	r99,173	107,210	119,658	130,630	r142,006	156,411
	Investments:								
20	U.S. Treasury securities	16,323	18,849	19,296	18,179	24,934	26,884	r27,926	28,909
21	Other	21,702	r22,874	r23,183	24,091	43,387	44,434	r46,285	47,812
22	Cash assets	30,422	32,859	35,918	42,305	18,161	20,631	r20,166	24,908
23	**Total assets/total liabilities**	**179,649**	**189,578**	**r195,452**	**210,441**	**214,167**	**231,086**	**r245,749**	**267,910**
24	**Deposits**	**142,061**	**149,491**	**r152,472**	**163,443**	**190,644**	**206,134**	**218,519**	**239,053**
	Demand:								
25	U.S. Govt	869	429	371	1,241	894	917	813	1,896
26	Interbank	15,833	19,295	20,568	22,353	1,339	1,619	1,520	1,849
27	Other	49,659	52,204	r52,570	57,605	63,629	69,648	70,615	80,445
	Time:								
28	Interbank	3,074	2,384	2,134	2,026	799	956	988	973
29	Other	72,624	75,178	r76,827	80,216	123,980	132,993	144,581	153,887
30	Borrowings	15,300	17,310	r19,697	21,729	3,339	3,559	4,155	4,384
31	**Total capital accounts**	**12,791**	**13,199**	**13,441**	**14,184**	**16,696**	**17,542**	**18,919**	**19,905**
32	MEMO: Number of banks	1,029	1,023	1,019	1,014	8,597	8,639	8,705	8,729
		Noninsured nonmember				Total nonmember			
33	**Loans and investments, gross**	**15,905**	**18,819**	**22,940**	**24,415**	**208,730**	**225,904**	**r244,837**	**263,681**
	Loans:								
34	Gross	13,209	16,336	20,865	22,686	137,712	152,103	r168,549	185,230
35	Net	13,092	16,209	20,679	22,484	132,751	146,840	r162,685	178,896
	Investments:								
36	U.S. Treasury securities	472	1,054	993	879	25,407	27,938	r28,919	29,788
37	Other	2,223	1,428	1,081	849	45,610	45,863	r47,367	48,662
38	Cash assets	4,362	6,496	8,330	9,458	22,524	27,127	r28,496	34,367
39	**Total assets/total liabilities**	**21,271**	**26,790**	**33,390**	**36,433**	**235,439**	**257,877**	**r279,139**	**304,343**
40	**Deposits**	**11,735**	**13,325**	**14,658**	**16,844**	**202,380**	**219,460**	**233,177**	**255,898**
	Demand:								
41	U.S. Govt	4	4	8	10	899	921	822	1,907
42	Interbank	1,006	1,277	1,504	1,868	2,346	2,896	3,025	3,718
43	Other	2,555	3,236	3,588	4,073	66,184	72,884	74,203	84,518
	Time:								
44	Interbank	1,292	1,041	1,164	1,089	2,092	1,997	2,152	2,063
45	Other	6,876	7,766	8,392	9,802	130,857	140,760	152,974	163,690
46	Borrowings	3,372	4,842	7,056	6,908	6,711	8,401	11,212	11,293
47	**Total capital accounts**	**663**	**818**	**893**	**917**	**17,359**	**18,360**	**r19,812**	**20,823**
48	MEMO: Number of banks	270	275	293	310	8,867	8,914	8,998	9,039

1 Includes items not shown separately.
2 Not available.

For Note see Table 1.24.

1.26 COMMERCIAL BANK ASSETS AND LIABILITIES Detailed Balance Sheet, December 31, 1977

Asset and liability items are shown in millions of dollars.

	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**	**168,723**	**159,264**	**134,355**	**39,317**	**5,664**	**48,457**	**40,918**	**34,368**
2	Currency and coin	13,925	13,916	10,379	1,004	231	3,551	5,592	3,546
3	Reserves with F.R. Banks	29,338	29,338	29,338	5,073	1,476	11,549	11,240	*
4	Demand balances with banks in United States	44,654	39,075	22,984	8,925	387	3,530	10,142	21,671
5	Other balances with banks in United States	7,050	5,722	3,264	407	14	1,075	1,768	3,786
6	Balances with banks in foreign countries	7,324	4,932	4,526	786	169	2,146	1,424	2,798
7	Cash items in process of collection	66,432	66,281	63,866	23,123	3,387	26,605	10,751	2,566
8	**Total securities held—Book value**	**257,353**	**255,660**	**179,183**	**21,786**	**8,487**	**57,684**	**91,227**	**78,170**
9	U.S. Treasury	100,213	99,333	70,424	10,959	3,458	23,017	32,990	29,789
10	Other U.S. Govt. agencies	36,689	36,389	23,049	1,639	928	6,458	14,025	13,639
11	States and political subdivisions	113,834	113,587	81,386	8,829	3,811	26,912	41,835	32,447
12	All other securities	6,520	6,254	4,259	360	290	1,271	2,338	2,261
13	Unclassified total	98	97	64	*	....	26	38	34
14	*Trading-account securities*	*6,404*	*6,403*	*6,266*	*2,938*	*838*	*2,261*	*230*	*138*
15	U.S. Treasury	3,871	3,871	3,859	2,204	487	1,110	58	11
16	Other U.S. Govt. agencies	629	629	625	220	72	283	50	3
17	States and political subdivisions	1,211	1,211	1,191	392	151	565	83	19
18	All other trading acct. securities	597	597	526	121	129	276	1	71
19	Unclassified	98	97	64	*	....	26	38	34
20	*Bank investment portfolios*	*250,949*	*249,257*	*172,917*	*18,848*	*7,648*	*55,423*	*90,997*	*78,032*
21	U.S. Treasury	96,342	95,463	66,565	8,755	2,971	21,906	32,933	29,777
22	Other U.S. Govt. agencies	36,060	35,760	22,424	1,418	856	6,175	13,975	13,636
23	States and political subdivisions	112,623	112,377	80,195	8,437	3,660	26,347	41,751	32,428
24	All other portfolio securities	5,923	5,657	3,733	238	162	995	2,337	2,190
25	F.R. stock and corporate stock	1,647	1,610	1,366	305	103	502	456	281
26	**Federal funds sold and securities resale agreement**	**53,854**	**49,690**	**38,889**	**3,359**	**1,354**	**20,136**	**14,040**	**14,964**
27	Commercial banks	44,988	41,177	30,701	1,315	1,180	15,328	12,877	14,287
28	Brokers and dealers	5,451	5,443	5,232	1,186	122	2,947	977	220
29	Others	3,415	3,069	2,957	859	52	1,861	186	458
30	**Other loans, gross**	**626,347**	**607,824**	**456,080**	**78,064**	**23,869**	**169,778**	**184,368**	**170,266**
31	LESS: Unearned income on loans	14,619	14,564	9,801	602	97	3,171	5,930	4,818
32	Reserves for loan loss	6,773	6,626	5,257	1,197	312	1,977	1,772	1,517
33	Other loans, net	604,955	586,634	441,023	76,266	23,461	164,630	176,666	163,932
	Other loans, gross, by category								
34	*Real estate loans*	*177,172*	*176,916*	*122,044*	*9,482*	*2,360*	*44,851*	*65,351*	*55,128*
35	Construction and land development	20,724	20,709	15,640	2,206	492	7,569	5,373	5,084
36	Secured by farmland	7,750	7,731	3,330	19	8	335	2,968	4,420
37	Secured by residential	100,996	100,847	70,852	4,668	1,263	26,393	38,528	30,144
38	*1- to 4-family residences*	*96,102*	*95,961*	*67,318*	*4,133*	*1,159*	*25,099*	*36,926*	*28,785*
39	FHA-insured or VA-guaranteed	7,657	7,601	6,612	564	51	3,514	2,483	1,045
40	Conventional	88,445	88,361	60,705	3,569	1,108	21,585	34,443	27,740
41	*Multifamily residences*	*4,894*	*4,886*	*3,535*	*536*	*104*	*1,294*	*1,601*	*1,359*
42	FHA-insured	408	401	336	129	23	99	85	72
43	Conventional	4,486	4,485	3,199	407	81	1,195	1,517	1,287
44	Secured by other properties	47,701	47,630	32,221	2,588	596	10,555	18,482	15,480
45	*Loans to financial institutions*	*43,663*	*36,703*	*34,585*	*12,292*	*4,242*	*15,035*	*3,016*	*9,079*
46	To REIT's and mortgage companies	9,050	9,036	8,684	2,547	923	4,520	694	366
47	To domestic commercial banks	5,200	3,149	2,500	838	111	1,324	228	2,700
48	To banks in foreign countries	11,408	7,244	6,995	3,254	348	2,783	610	4,414
49	To other depository institutions	1,935	1,747	1,595	224	31	1,044	295	340
50	To other financial institutions	16,069	15,527	14,811	5,428	2,829	5,365	1,189	1,258
51	Loans to security brokers and dealers	13,060	12,781	12,440	7,760	1,791	2,561	328	620
52	Other loans to purch./carry securities	4,350	4,329	3,596	440	349	1,815	992	754
53	Loans to farmers—except real estate	25,730	25,704	14,183	169	149	3,365	10,500	11,548
54	Commercial and industrial loans	205,014	195,455	158,823	38,763	11,613	61,462	46,985	46,191
55	Loans to individuals	140,392	140,273	97,074	6,479	2,159	34,723	53,714	43,317
56	*Instalment loans*	*112,439*	*112,370*	*77,717*	*4,804*	*1,380*	*28,330*	*43,203*	*34,722*
57	Passenger automobiles	49,586	49,571	31,708	893	156	9,362	21,297	17,878
58	Residential-repair/modernize	7,283	7,283	4,846	296	67	1,768	2,715	2,437
59	Credit cards and related plans	18,375	18,367	16,187	2,119	975	8,840	4,253	2,188
60	Charge-account credit cards	14,608	14,608	13,064	1,419	935	7,319	3,391	1,544
61	Check and revolving credit plans	3,767	3,758	3,123	700	40	1,521	861	644
62	Other retail consumer goods	17,449	17,443	11,871	367	55	4,383	7,067	5,578
63	Mobile homes	9,125	9,125	6,401	176	22	2,343	3,860	2,724
64	Other	8,324	8,319	5,471	191	33	2,039	3,207	2,853
65	Other instalment loans	19,745	19,706	13,105	1,129	127	3,977	7,872	6,641
66	Single-payment loans to individuals	27,953	27,903	19,357	1,675	778	6,393	10,511	8,596
67	All other loans	16,965	15,661	13,335	2,678	1,207	5,967	3,482	3,630
68	**Total loans and securities, net**	**917,808**	**893,594**	**660,461**	**101,716**	**33,405**	**242,951**	**282,389**	**257,347**
69	Direct lease financing	5,807	5,807	5,458	1,002	139	3,379	937	349
70	Fixed assets—Buildings, furniture, real estate	21,359	21,241	15,817	2,308	762	5,941	6,807	5,541
71	Investment in unconsolidated subsidiaries	2,972	2,958	2,918	1,397	245	1,185	91	54
72	Customer acceptances outstanding	12,549	11,486	11,018	5,141	750	4,817	310	1,532
73	Other assets	36,928	35,362	31,775	13,166	1,021	13,103	4,485	5,153
74	**Total assets**	**1,166,146**	**1,129,712**	**861,803**	**164,045**	**41,986**	**319,834**	**335,937**	**304,344**

For notes see opposite page.

1.26 Continued

Liability or capital account	All commercial banks	Insured commercial banks	Member banks[1] Total	Member banks[1] Large banks New York City	Member banks[1] Large banks City of Chicago	Member banks[1] Large banks Other[2] large	Member banks[1] All other	Non-member banks[1]
75 **Demand deposits**	**382,987**	**377,034**	**292,842**	**68,192**	**11,825**	**104,931**	**107,895**	**90,145**
76 Mutual savings banks	1,646	1,382	1,203	564	3	276	361	443
77 Other individuals, partnerships, and corporations	286,551	285,167	213,875	34,768	8,481	82,096	88,530	72,676
78 U.S. Govt	7,322	7,311	5,415	600	173	2,085	2,557	1,907
79 States and political subdivisions	19,026	18,948	12,922	702	247	3,824	8,149	6,104
80 Foreign governments, central banks, etc	2,228	1,724	1,684	1,379	34	239	32	544
81 Commercial banks in United States	41,394	40,535	39,097	19,760	2,293	12,170	4,873	2,298
82 Banks in foreign countries	8,678	7,932	7,700	6,306	219	1,031	143	978
83 Certified and officers' checks, etc	16,141	14,034	10,946	4,112	376	3,209	3,249	5,195
84 **Time deposits**	**337,137**	**326,837**	**238,124**	**35,766**	**13,922**	**85,562**	**102,874**	**99,013**
85 Accumulated for personal loan payments	100	100	78	....	....	1	77	23
86 Mutual savings banks	334	319	310	120	84	84	21	24
87 Other individuals, partnerships, and corporations	262,918	256,880	185,763	26,922	10,417	64,962	83,462	77,155
88 U.S. Govt	820	820	681	37	30	390	225	139
89 States and political subdivisions	52,396	52,123	35,922	1,679	1,038	15,307	17,898	16,474
90 Foreign governments, central banks, etc	11,088	8,189	7,927	4,666	1,456	1,756	49	3,161
91 Commercial banks in United States	7,419	6,789	6,002	1,580	822	2,830	770	1,417
92 Banks in foreign countries	2,061	1,617	1,442	762	76	232	371	620
93 **Savings deposits**	**219,386**	**218,793**	**152,645**	**11,070**	**2,945**	**55,225**	**83,405**	**66,741**
94 Individuals and nonprofit organizations	203,790	203,232	141,948	10,276	2,768	51,442	77,463	61,842
95 Corporations and other profit organizations	10,723	10,705	7,540	542	168	3,128	3,703	3,183
96 U.S. Government	58	58	48	4	....	18	27	10
97 States and political subdivisions	4,786	4,770	3,083	234	9	629	2,211	1,703
98 All other	29	29	26	14	*	8	3	4
99 **Total deposits**	**939,509**	**922,665**	**683,611**	**115,027**	**28,692**	**245,718**	**294,174**	**255,898**
100 **Federal funds purchased and securities sold under agreements to repurchase**	**86,171**	82,772	78,691	21,219	8,385	38,034	11,054	7,480
101 Commercial banks	46,893	44,242	42,640	8,837	6,137	22,569	5,096	4,253
102 Brokers and dealers	7,772	7,759	7,384	1,364	1,029	4,035	956	388
103 Others	31,507	30,772	28,667	11,018	1,218	11,430	5,002	2,839
104 Other liabilities for borrowed money[3]	10,070	6,560	6,257	2,597	111	2,646	902	3,813
105 Mortgage indebtedness[3]	1,021	1,014	747	203	16	317	212	274
106 Bank acceptances outstanding	13,146	12,078	11,610	5,716	754	4,828	312	1,537
107 Other liabilities	30,452	19,827	17,231	5,919	1,148	6,481	3,684	13,220
108 **Total liabilities**	**1,080,370**	**1,044,917**	**798,148**	**150,681**	**39,105**	**298,024**	**310,337**	**282,222**
109 Subordinated notes and debentures	5,774	5,711	4,475	1,110	81	2,013	1,271	1,299
110 **Equity capital**	**80,002**	**79,084**	**59,179**	**12,254**	**2,800**	**19,797**	**24,328**	**20,823**
111 Preferred stock	85	79	32	....	....	2	30	53
112 Common stock	17,276	17,177	12,503	2,645	570	3,895	5,394	4,773
113 Surplus	31,495	30,994	22,570	4,517	1,404	7,951	8,697	8,925
114 Undivided profits	29,327	29,084	22,840	4,959	773	7,569	9,539	6,487
115 Other capital reserves	1,820	1,750	1,234	132	53	380	669	586
116 **Total liabilities and equity capital**	**1,166,146**	**1,129,712**	**861,802**	**164,045**	**41,986**	**319,834**	**335,937**	**304,344**
MEMO ITEMS:								
117 Demand deposits adjusted[4]	267,839	262,907	184,465	24,709	5,973	64,070	89,712	83,374
Average for last 15 or 30 days:								
118 Cash and due from bank	146,725	139,805	119,239	33,743	5,401	44,467	35,627	27,486
119 Federal funds sold and securities purchased under agreements to resell	55,860	50,507	39,035	4,308	1,666	18,803	14,259	16,825
120 Total loans	620,399	601,938	438,957	75,204	23,171	163,726	176,856	181,442
121 Time deposits of $100,000 or more	161,461	153,976	126,665	30,220	11,333	52,845	32,268	34,796
122 Total deposits	901,295	884,377	651,801	104,506	26,934	234,120	286,242	249,494
123 Federal funds purchased and securities sold under agreements to repurchase	93,688	89,925	85,687	23,974	9,971	39,994	11,748	8,001
124 Other liabilities for borrowed money	10,736	6,930	6,572	2,885	150	2,889	648	4,165
125 Standby letters of credit outstanding	16,889	16,008	15,100	8,759	1,130	4,165	1,046	1,788
126 Time deposits of $100,000 or more	165,793	158,867	130,705	30,344	11,606	55,555	33,200	35,088
127 Certificates of deposit	139,596	134,850	110,418	25,951	9,885	46,062	28,520	29,177
128 Other time deposits	26,198	24,016	20,287	4,393	1,721	9,493	4,680	5,911
129 Number of banks	14,707	14,397	5,668	12	9	153	5,494	9,039

1 Member banks exclude and nonmember banks include 11 noninsured trust companies that are members of the Federal Reserve System, and member banks exclude 2 national banks outside the continental United States.

2 Data for one large national bank have been estimated.

3 Note for Dec. 31, 1977, reporting only, national banks reported capitalized lease balances under "Other liabilities for borrowed money" while State member and nonmember banks reported these balances under "Mortgage indebtedness."

4 Demand deposits adjusted are demand deposits other than domestic commercial interbank and U.S. Govt., 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. Holdings by type of security will be reported as soon as they become available.

Back data in lesser detail were shown in previous BULLETINS. Details may not add to totals because of rounding.

1.27 ALL LARGE WEEKLY REPORTING COMMERCIAL BANKS Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1978								
	Apr. 5	Apr. 12	Apr. 19	Apr. 26	May 3p	May 10p	May 17p	May 24p	May 31p
1 **Total loans and investments**	**459,338**	**455,098**	**460,972**	**453,174**	**456,314**	**456,152**	**459,618**	**456,724**	**467,187**
Loans:									
2 *Federal funds sold*[1]	*30,143*	*25,933*	*28,076*	*23,590*	*24,822*	*24,861*	*27,310*	*25,122*	*30,475*
3 To commercial banks	21,292	19,363	21,556	17,829	19,265	19,062	19,670	18,821	24,053
To brokers and dealers involving—									
4 U.S. Treasury securities	4,944	3,703	3,856	3,017	2,717	2,965	4,575	3,534	3,390
5 Other securities	691	647	662	658	607	547	585	603	496
6 To others	3,216	2,220	2,002	2,086	2,233	2,287	2,480	2,164	2,536
7 *Other, gross*	*326,445*	*325,344*	*327,749*	*326,523*	*328,888*	*328,735*	*331,396*	*331,077*	*335,479*
8 Commercial and industrial	129,564	130,027	130,731	130,611	131,654	132,147	132,339	132,431	134,546
9 Agricultural	4,740	4,746	4,777	4,820	4,856	4,906	4,944	4,994	5,005
For purchasing or carrying securities:									
To brokers and dealers:									
10 U.S. Treasury securities	2,363	1,558	2,000	1,354	1,060	1,038	1,769	1,338	1,257
11 Other securities	9,176	8,905	9,446	8,499	8,701	7,980	8,422	8,324	8,217
To others:									
12 U.S. Treasury securities	101	101	100	101	101	103	101	99	105
13 Other securities	2,584	2,583	2,597	2,613	2,619	2,633	2,618	2,646	2,695
To nonbank financial institutions:									
14 Personal and sales finance cos., etc.	7,685	7,566	7,524	7,606	7,897	7,726	7,993	7,599	7,935
15 Other	15,282	15,156	15,055	15,016	15,034	15,083	15,126	14,899	15,086
16 Real estate	76,937	77,239	77,562	77,600	77,946	78,241	78,647	78,940	79,106
To commercial banks:									
17 Domestic	2,098	1,969	1,956	2,088	2,194	1,961	2,015	2,245	2,402
18 Foreign	6,244	5,998	5,717	5,614	5,611	5,705	5,791	5,816	6,322
19 Consumer instalment	47,382	47,558	47,845	48,166	48,327	48,395	48,576	48,889	49,184
20 Foreign govts., official institutions, etc.	1,686	1,630	1,594	1,639	1,541	1,562	1,558	1,538	1,565
21 All other loans	20,603	20,308	20,845	20,796	21,347	21,255	21,497	21,319	22,054
22 LESS: Loan loss reserve and unearned income on loans	9,587	9,676	9,746	9,764	9,813	9,893	9,971	10,054	10,038
23 *Other loans, net*	*316,858*	*315,668*	*318,003*	*316,759*	*319,075*	*318,842*	*321,425*	*321,023*	*325,441*
Investments:									
24 *U.S. Treasury securities*	*46,405*	*46,698*	*46,071*	*44,510*	*44,335*	*44,265*	*43,342*	*43,113*	*43,432*
25 Bills	7,743	7,726	7,385	5,654	4,811	4,879	4,727	4,615	4,920
Notes and bonds, by maturity:									
26 Within 1 year	8,310	8,476	8,433	8,438	8,475	8,443	7,760	7,752	7,563
27 1 to 5 years	25,746	25,556	25,505	25,615	26,297	26,163	25,929	25,669	25,943
28 After 5 years	4,606	4,940	4,748	4,803	4,752	4,780	4,926	5,077	5,006
29 *Other securities*	*65,932*	*66,799*	*68,822*	*68,315*	*68,082*	*68,184*	*67,541*	*67,466*	*67,839*
Obligations of States and political subdivisions:									
30 Tax warrants, short-term notes, and bills	6,533	6,878	8,401	8,123	7,949	7,873	7,233	7,110	7,023
31 All other	43,424	43,773	44,325	44,383	44,313	44,548	44,441	44,477	44,604
Other bonds, corporate stocks, and securities:									
32 Certificates of participation[2]	2,738	2,739	2,815	2,802	2,864	2,873	2,864	2,873	2,888
33 All other, including corporate stocks	13,237	13,409	13,281	13,007	12,956	12,890	13,003	13,006	13,324
34 Cash items in process of collection	46,461	42,153	42,055	41,602	45,419	41,634	44,172	39,931	54,966
35 Reserves with F.R. Banks	18,499	19,737	20,459	20,223	23,809	22,398	19,513	22,301	22,825
36 Currency and coin	5,659	6,285	6,314	6,456	5,830	6,174	6,235	6,517	6,530
37 Balances with domestic banks	15,290	13,204	14,043	13,532	14,011	14,546	13,916	13,759	17,607
38 Investments in subsidiaries not consolidated	3,109	3,142	3,132	3,173	3,187	3,173	3,182	3,160	3,194
39 Other assets	66,497	66,617	64,248	64,049	63,995	64,212	62,486	61,994	64,547
40 **Total assets/total liabilities**	**614,853**	**606,236**	**611,223**	**602,209**	**612,565**	**608,289**	**609,122**	**604,386**	**636,856**
Deposits:									
41 *Demand deposits*	*193,949*	*185,761*	*189,474*	*184,136*	*188,146*	*181,401*	*183,770*	*177,638*	*205,367*
42 Individuals, partnerships, and corps.	135,717	136,758	135,814	132,643	133,580	128,823	133,641	129,085	143,913
43 States and political subdivisions	5,738	5,767	5,743	6,090	6,510	5,928	5,748	5,503	6,080
44 U.S. Govt.	3,281	1,783	4,662	2,814	3,714	2,121	1,643	1,198	1,305
Domestic interbank:									
45 Commercial	29,496	25,450	27,114	25,912	26,886	27,931	26,939	25,733	35,743
46 Mutual savings	1,057	893	872	853	998	828	778	758	891
Foreign:									
47 Governments, official institutions, etc.	1,652	1,629	1,198	1,382	1,167	1,029	993	1,137	1,640
48 Commerial banks	6,568	6,391	6,537	6,874	6,568	6,905	6,628	6,905	7,783
49 Certified and officers' checks	10,440	7,090	7,534	7,568	8,723	7,836	7,400	7,319	8,012
50 *Time and savings deposits*[3]	*259,556*	*259,080*	*258,866*	*260,080*	*261,462*	*262,787*	*263,278*	*265,714*	*265,208*
51 Savings[4]	94,494	94,057	93,351	93,148	93,199	93,248	93,382	93,475	93,397
52 Time:	165,062	165,023	165,515	166,932	168,263	169,539	169,896	172,239	171,811
53 Individuals, partnerships, and corps.	125,898	125,884	125,747	126,747	128,299	129,148	129,735	131,652	131,698
54 States and political subdivisions	24,648	24,804	25,363	25,650	25,503	25,746	25,699	26,002	25,702
55 Domestic interbank	5,218	5,143	5,201	5,319	5,458	5,657	5,611	5,743	5,692
56 Foreign govts., official institutions, etc.	7,841	7,690	7,618	7,555	7,375	7,310	7,304	7,326	7,202
57 Federal funds purchased, etc.[5]	81,651	81,389	82,974	76,564	79,294	81,445	77,710	77,425	82,339
Borrowings from:									
58 F.R. Banks	29	68	435	1,450	2,345	691	1,024	242	660
59 Others	5,812	5,783	5,673	5,952	5,914	5,698	6,170	6,255	6,144
60 Other liabilities, etc.[6]	28,469	28,648	28,412	28,454	29,640	30,485	31,490	31,295	31,198
61 Total equity capital and subordinated notes/debentures[7]	45,387	45,507	45,389	45,573	45,764	45,782	45,680	45,817	45,940

1 Includes securities purchased under agreements to resell.
2 Federal agencies only.
3 Includes time deposits of U.S. Govt. and of foreign banks, which are not shown separately.
4 For amounts of these deposits by ownership categories, see Table 1.30.
5 Includes securities sold under agreements to repurchase.
6 Includes minority interest in consolidated subsidiaries and deferred tax portion of reserves for loans.
7 Includes reserves for securities and contingency portion of reserves for loans.

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

Millions of dollars, Wednesday figures

Account	1978								
	Apr. 5	April 12	Apr. 19	Apr. 26	May 3p	May 10p	May 17p	May 24p	May 31p
1 **Total loans and investments**	**94,070**	**93,178**	**94,706**	**92,394**	**92,099**	**91,859**	**93,456**	**92,567**	**96,108**
Loans:									
2 *Federal funds sold*[1]	*4,427*	*4,560*	*4,388*	*5,028*	*5,101*	*5,114*	*5,404*	*5,235*	*6,240*
3 To commercial banks	2,080	2,652	1,859	2,801	3,025	2,771	3,016	3,039	3,717
To brokers and dealers involving—									
4 U.S. treasury securities	1,231	1,480	2,119	1,751	1,535	1,693	1,893	1,683	1,666
5 Other securities	4	1	1	1	1	13	12	13	13
6 To others	1,112	427	409	475	540	637	483	500	844
7 *Other gross*	*70,334*	*68,706*	*69,236*	*67,846*	*68,105*	*67,693*	*69,251*	*68,671*	*70,830*
8 Commercial and industrial	34,552	34,508	34,391	33,951	34,277	34,284	34,463	34,472	35,705
9 Agricultural	164	156	155	157	158	171	179	191	188
For purchasing or carrying securities:									
To brokers and dealers:									
10 U.S. Treasury securities	2,200	1,388	1,729	1,189	873	875	1,521	1,205	1,141
11 Other securities	4,777	4,562	4,873	4,467	4,314	4,069	4,395	4,330	4,226
To others:									
12 U.S. Treasury securities	25	25	25	25	26	25	25	25	25
13 Other securities	342	344	355	356	348	351	352	352	354
To nonbank financial institutions:									
14 Personal and sales finance cos., etc.	2,513	2,387	2,415	2,501	2,748	2,612	2,787	2,528	2,691
15 Other	4,895	4,869	4,851	4,801	4,750	4,786	4,755	4,685	4,744
16 Real estate	8,986	8,976	8,982	8,998	9,008	9,017	9,025	9,066	9,014
To commercial banks:									
17 Domestic	669	571	589	637	738	638	635	749	872
18 Foreign	2,765	2,645	2,461	2,456	2,385	2,442	2,563	2,503	2,848
19 Consumer instalment	4,345	4,355	4,394	4,409	4,418	4,434	4,457	4,475	4,485
20 Foreign govts. official institutions, etc.	323	289	223	294	217	239	230	244	249
21 All other loans	3,778	3,631	3,793	3,605	3,845	3,750	3,864	3,846	4,288
22 LESS: Loan loss reserve and unearned income on loans	1,645	1,685	1,686	1,686	1,697	1,712	1,728	1,762	1,754
23 *Other loans, net*	*68,689*	*67,021*	*67,550*	*66,160*	*66,408*	*65,981*	*67,523*	*66,909*	*69,076*
Investments:									
24 *U.S. Treasury securities*	*11,106*	*11,481*	*11,240*	*10,178*	*9,596*	*9,742*	*9,572*	*9,621*	*9,856*
25 Bills	2,251	2,497	2,522	1,682	1,156	1,512	1,280	1,416	1,592
Notes and bonds, by maturity:									
26 Within 1 year	1,199	1,239	1,206	1,178	1,188	1,241	1,158	1,116	1,089
27 1 to 5 years	6,569	6,468	6,446	6,350	6,403	6,171	6,166	5,912	6,024
28 After 5 years	1,087	1,277	1,066	968	849	818	968	1,177	1,151
29 *Other securities*	*9,848*	*10,116*	*11,528*	*11,028*	*10,994*	*11,022*	*10,957*	*10,802*	*10,936*
Obligations of States and political subdivisions:									
30 Tax warrants, short-term notes, and bills	745	940	2,238	1,967	1,840	1,779	1,604	1,513	1,508
31 All other	6,996	7,074	7,271	7,208	7,254	7,233	7,250	7,123	7,173
Other bonds, corporate stocks, and securities:									
32 Certificates of participation[2]	425	425	449	452	468	468	488	451	451
33 All other, including corporate stocks	1,682	1,677	1,570	1,401	1,432	1,542	1,615	1,715	1,804
34 Cash items in process of collection	16,670	13,100	13,032	14,144	14,286	14,902	13,877	12,892	18,791
35 Reserves with F.R. Banks	4,154	5,023	5,454	3,755	6,524	5,345	4,639	5,959	8,025
36 Currency and coin	955	972	960	952	898	929	916	930	950
37 Balances with domestic banks	8,037	6,413	6,894	6,719	6,793	7,598	7,179	6,785	9,008
38 Investments in subsidiaries not consolidated	1,591	1,602	1,613	1,619	1,625	1,628	1,635	1,627	1,641
39 Other assets	27,228	26,841	25,766	25,198	25,342	25,243	23,783	23,991	25,803
40 **Total assets/total liabilities**	**152,705**	**147,129**	**148,425**	**144,781**	**147,567**	**147,504**	**145,485**	**144,751**	**160,326**
Deposits:									
41 *Demand deposits*	*55,996*	*50,091*	*50,971*	*51,109*	*52,048*	*51,393*	*49,882*	*49,066*	*63,243*
42 Individuals, partnerships, and corps.	27,645	27,610	26,662	27,403	27,412	26,024	26,960	26,231	31,909
43 States and political subdivisions	442	451	478	518	552	428	524	564	533
44 U.S. Govt.	656	342	784	581	667	380	142	132	146
Domestic interbank:									
45 Commercial	14,084	11,809	13,081	12,313	12,610	14,150	12,618	12,190	19,130
46 Mutual savings	586	473	445	446	517	426	396	389	483
Foreign:									
47 Governments, official institutions, etc.	1,401	1,416	999	1,151	925	830	779	917	1,407
48 Commercial banks	5,040	4,887	5,038	5,230	4,875	5,262	5,085	5,206	5,963
49 Certified and officers' checks	6,142	3,103	3,484	3,467	4,490	3,893	3,378	3,437	3,672
50 *Time and savings deposits*[3]	*45,289*	*45,416*	*45,641*	*45,702*	*46,190*	*46,267*	*46,213*	*46,831*	*46,566*
51 Savings[4]	10,012	10,000	9,947	9,934	9,965	9,943	9,990	9,975	9,908
52 Time	35,277	35,416	35,694	35,768	36,225	36,324	36,223	36,856	36,658
53 Individuals, partnerships and corps.	26,859	26,949	27,230	27,338	27,789	27,820	27,790	28,215	28,083
54 States and political subdivisions	1,690	1,672	1,724	1,744	1,765	1,791	1,880	1,880	1,871
55 Domestic interbank	1,444	1,496	1,543	1,572	1,734	1,804	1,799	2,362	1,869
56 Foreign govts., official institutions, etc.	4,600	4,583	4,392	4,295	4,130	4,100	4,067	4,129	4,125
57 Federal funds purchased, etc.[5]	23,335	23,472	23,780	19,485	19,842	20,854	19,463	19,312	21,264
Borrowings from:									
58 F.R. Banks	....	....	....	410	695	....	262	....	....
59 Others	2,893	2,943	2,910	2,836	2,918	2,761	2,928	2,946	2,823
60 Other liabilities, etc.[6]	12,262	12,248	12,179	12,284	12,870	13,203	13,702	13,562	13,355
61 Total equity capital and subordinated notes/debentures[7]	12,930	12,959	12,944	12,955	13,004	13,026	13,035	13,034	13,075

1 Includes securities purchased under agreements to resell.
2 Federal agencies only.
3 Includes time deposits of U.S. Govt. and of foreign banks, which are not shown separately.
4 For amounts of these deposits by ownership categories, see Table 1.30.
5 Includes securities sold under agreements to repurchase.
6 Includes minority interest in consolidated subsidiaries and deferred tax portion of reserves for loans.
7 Includes reserves for securities and contingency portion of reserves for loans.

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

Millions of dollars, Wednesday figures

Account	1978								
	Apr. 5	Apr. 12	Apr. 19	Apr. 26	May 3p	May 10p	May 17p	May 24p	May 31p
1 **Total loans and investments**	**365,268**	**361,920**	**366,266**	**360,780**	**364,215**	**364,293**	**366,162**	**364,157**	**371,079**
Loans:									
2 *Federal funds sold*[1]	*25,716*	*21,373*	*23,688*	*18,562*	*19,721*	*19,747*	*21,906*	*19,887*	*24,235*
3 To commercial banks	19,212	16,711	19,697	15,028	16,240	16,291	16,654	15,782	20,336
To brokers and dealers involving—									
4 U.S. treasury securities	3,713	2,223	1,737	1,266	1,182	1,272	2,682	1,851	1,724
5 Other securities	687	646	661	657	606	534	573	590	483
6 To others	2,104	1,793	1,593	1,611	1,693	1,650	1,997	1,664	1,692
7 *Other, gross*	*256,111*	*256,638*	*258,513*	*258,677*	*260,783*	*261,042*	*262,145*	*262,406*	*264,649*
8 Commercial and industrial	95,012	95,519	96,340	96,660	97,377	97,863	97,876	97,959	98,841
9 Agricultural	4,576	4,590	4,622	4,663	4,698	4,735	4,765	4,803	4,817
For purchasing or carrying securities:									
To brokers and dealers:									
10 U.S. treasury securities	163	170	271	165	187	163	248	133	116
11 Other securities	4,399	4,343	4,573	4,032	4,387	3,911	4,027	3,994	3,991
To others:									
12 U.S. Treasury securities	76	76	75	76	75	78	76	74	80
13 Other securities	2,242	2,239	2,242	2,257	2,271	2,282	2,266	2,294	2,341
To nonbank financial institutions:									
14 Personal and sales finance cos., etc.	5,172	5,179	5,109	5,105	5,149	5,114	5,206	5,071	5,244
15 Other	10,387	10,287	10,204	10,215	10,284	10,297	10,371	10,214	10,342
16 Real estate	67,951	68,263	68,580	68,602	68,938	69,224	69,622	69,874	70,092
To commercial banks:									
17 Domestic	1,429	1,398	1,367	1,451	1,456	1,323	1,380	1,496	1,530
18 Foreign	3,479	3,353	3,256	3,158	3,226	3,263	3,228	3,313	3,474
19 Consumer instalment	43,037	43,203	43,451	43,757	43,909	43,961	44,119	44,414	44,699
20 Foreign govts., official institutions, etc.	1,363	1,341	1,371	1,345	1,324	1,323	1,328	1,294	1,316
21 All other loans	16,825	16,677	17,052	17,191	17,502	17,505	17,633	17,473	17,766
22 Less: Loan reserve and unearned income on loans	7,942	7,991	8,060	8,078	8,116	8,181	8,243	8,292	8,284
23 *Other loans, net*	*248,169*	*248,647*	*250,453*	*250,599*	*252,667*	*252,861*	*253,902*	*254,114*	*256,365*
Investments:									
24 *U.S. Treasury securities*	*35,299*	*35,217*	*34,831*	*34,332*	*34,739*	*34,523*	*33,770*	*33,492*	*33,576*
25 Bills	5,492	5,229	4,863	3,972	3,655	3,367	3,447	3,199	3,328
Notes and bonds, by maturity:									
26 Within 1 year	7,111	7,237	7,227	7,260	7,287	7,202	6,602	6,636	6,474
27 1 to 5 years	19,177	19,088	19,059	19,265	19,894	19,992	19,763	19,757	19,919
28 After 5 years	3,519	3,663	3,682	3,835	3,903	3,962	3,958	3,900	3,855
29 *Other securities*	*56,084*	*56,683*	*57,294*	*57,287*	*57,088*	*57,162*	*56,584*	*56,664*	*56,903*
Obligations of States and political subdivisions:									
30 Tax warrants, short-term notes, and bills	5,788	5,938	6,163	6,156	6,109	6,094	5,629	5,597	5,515
31 All other	36,428	36,699	37,054	37,175	37,059	37,315	37,191	37,354	37,431
Other bonds, corporate stocks, and securities:									
32 Certificates of participation[2]	2,313	2,314	2,366	2,350	2,396	2,405	2,376	2,422	2,437
33 All other, including corporate stocks	11,555	11,732	11,711	11,606	11,524	11,348	11,388	11,291	11,520
34 Cash items in process of collection	29,791	29,053	29,023	27,458	31,133	26,732	30,295	27,039	36,175
35 Reserves with F.R. Banks	14,345	14,714	15,005	16,468	17,285	17,053	14,874	16,342	14,800
36 Currency and coin	4,704	5,313	5,354	5,504	4,932	5,245	5,319	5,587	5,580
37 Balances with domestic banks	7,253	6,791	7,149	6,813	7,218	6,948	6,737	6,974	8,599
38 Investments in subsidiaries not consolidated	1,518	1,540	1,519	1,554	1,562	1,545	1,547	1,533	1,553
39 Other assets	39,269	39,776	38,482	38,851	38,653	38,969	38,703	38,003	38,744
40 **Total assets/total liabilities**	**462,148**	**459,107**	**462,798**	**457,428**	**464,998**	**460,785**	**463,637**	**459,635**	**476,530**
Deposits:									
41 *Demand deposits*	*137,953*	*135,670*	*138,503*	*133,027*	*136,098*	*130,008*	*133,888*	*128,572*	*142,124*
42 Individuals, partnerships, and corps.	108,072	109,148	109,152	105,240	106,168	102,799	106,681	102,854	112,004
43 States and political subdivisions	5,296	5,316	5,265	5,572	5,958	5,500	5,224	4,939	5,547
44 U.S. Govt.	2,625	1,441	3,878	2,233	3,047	1,741	1,501	1,066	1,159
Domestic interbank:									
45 Commercial	15,412	13,641	14,033	13,599	14,276	13,781	14,321	13,543	16,613
46 Mutual savings	471	420	427	407	481	402	382	369	408
Foreign:									
47 Governments, official institutions, etc.	251	213	199	231	242	199	214	220	233
48 Commercial banks	1,528	1,504	1,499	1,644	1,693	1,643	1,543	1,699	1,820
49 Certified and officers' checks	4,298	3,987	4,050	4,101	4,233	3,943	4,022	3,882	4,340
50 *Time and savings deposits*[3]	*214,267*	*213,664*	*213,225*	*214,378*	*215,272*	*216,520*	*217,065*	*218,883*	*218,642*
51 Savings[4]	84,482	84,057	83,404	83,214	83,234	83,305	83,392	83,500	83,489
52 Time	129,785	129,607	129,821	131,164	132,038	133,215	133,673	135,383	135,153
53 Individuals, partnerships, and corps.	99,039	98,935	98,517	99,409	100,510	101,328	101,945	103,437	103,615
54 States and political subdivisions	22,958	23,132	23,639	23,906	23,738	23,955	23,819	24,122	23,831
55 Domestic interbank	3,774	3,647	3,658	3,747	3,724	3,853	3,812	3,381	3,823
56 Foreign govts., official institutions, etc.	3,241	3,107	3,226	3,260	3,245	3,210	3,237	3,197	3,077
57 Federal funds purchased, etc.[5]	58,316	57,917	59,194	57,079	59,452	60,591	58,247	58,113	61,075
Borrowings from:									
58 F.R. Banks	29	68	435	1,040	1,650	691	762	242	660
59 Others	2,919	2,840	2,763	3,116	2,996	2,937	3,242	3,309	3,321
60 Other liabilities, etc.[6]	16,207	16,400	16,233	16,170	16,770	17,282	17,788	17,733	17,843
61 Total equity capital and subordinated notes/debentures[7]	32,457	32,548	32,445	32,618	32,760	32,756	32,645	32,783	32,865

1 Includes securities purchased under agreements to resell.
2 Federal agencies only.
3 Includes time deposits of U.S. Govt. and of foreign banks, which are not shown separately.
4 For amounts of these deposits by ownership categories, see Table 1.30.
5 Includes securities sold under agreements to repurchase.
6 Includes minority interest in consolidated subsidiaries and deferred tax portion of reserves for loans.
7 Includes reserves for securities and contingency portion of reserves for loans.

1.30 LARGE WEEKLY REPORTING COMMERCIAL BANKS Balance Sheet Memoranda

Millions of dollars, Wednesday figures

	Account	1978								
		Apr. 5	April 12	Apr. 19	Apr. 26	May 3p	May 10p	May 17p	May 24p	May 31p
	Total loans (gross) and investments adjusted[1]									
1	*Large Banks*	*445,535*	*443,442*	*447,206*	*443,021*	*444,668*	*445,022*	*447,904*	*445,712*	*450,770*
2	New York City banks	92,966	91,640	93,944	90,642	90,033	90,162	91,533	90,541	93,273
3	Banks outside New York City	352,569	351,802	353,262	352,379	354,635	354,860	356,371	355,171	357,497
	Total loans (gross), adjusted									
4	*Large banks*	*333,198*	*329,945*	*332,313*	*330,196*	*332,251*	*332,573*	*337,021*	*335,133*	*339,499*
5	New York City banks	72,012	70,043	71,176	69,436	69,443	69,398	71,004	70,118	72,481
6	Banks outside New York City	261,186	259,902	261,137	260,760	262,808	263,175	266,017	265,015	267,018
	Demand deposits, adjusted[2]									
7	*Large Banks*	*114,711*	*116,375*	*115,643*	*113,808*	*112,127*	*109,715*	*111,016*	*110,776*	*113,353*
8	New York City banks	24,586	24,840	24,074	24,071	24,485	21,961	23,245	23,852	25,176
9	Banks outside New York City	90,125	91,535	91,569	89,737	87,642	87,754	87,771	86,924	88,177
	Large negotiable time CD's included in time and savings deposits[3]									
	Total:									
10	**Large banks**	**80,977**	**81,059**	**80,756**	**81,864**	**82,990**	**84,003**	**84,498**	**86,476**	**86,007**
11	New York City	24,504	24,633	24,822	24,896	25,229	25,358	25,313	26,007	25,672
12	Banks outside New York City	56,473	56,426	55,934	56,968	57,761	58,645	59,185	60,469	60,335
	Issued to IPC's:									
13	*Large banks*	*55,884*	*56,180*	*55,836*	*56,738*	*58,034*	*58,702*	*59,066*	*60,795*	*60,646*
14	New York City Banks	17,444	17,576	17,855	17,992	18,292	18,372	18,263	18,723	18,457
15	Banks outside New York City	38,440	38,604	37,981	38,746	39,742	40,330	40,803	42,072	42,189
	Issued to others:									
16	*Large banks*	*25,093*	*24,879*	*24,920*	*25,126*	*24,956*	*25,301*	*25,432*	*25,681*	*25,361*
17	New York City banks	7,060	7,057	6,967	6,904	6,937	6,986	7,050	7,284	7,215
18	Banks outside New York City	18,033	17,822	17,953	18,222	18,019	18,315	18,382	18,397	18,146
	All other large time deposits[4]									
	Total:									
19	**Large banks**	**31,290**	**31,497**	**32,050**	**32,329**	**32,544**	**32,822**	**32,652**	**33,044**	**32,920**
20	New York City banks	5,828	5,906	5,970	5,977	6,102	6,171	6,141	6,176	6,229
21	Banks outside New York City	25,462	25,591	26,080	26,352	26,442	26,651	26,511	26,868	26,691
	Issued to IPC's:									
22	*Large banks*	*17,979*	*18,019*	*17,983*	*18,072*	*18,329*	*18,505*	*18,696*	*18,893*	*18,936*
23	New York City banks	4,625	4,648	4,642	4,627	4,757	4,807	4,910	4,965	5,013
24	Banks outside New York City	13,354	13,371	13,341	13,445	13,572	13,698	13,786	13,928	13,923
	Issued to others:									
25	*Large banks*	*13,311*	*13,478*	*14,067*	*14,257*	*14,215*	*14,317*	*13,956*	*14,151*	*13,984*
26	New York City banks	1,203	1,258	1,328	1,350	1,345	1,364	1,231	1,211	1,216
27	Banks outside New York City	12,108	12,220	12,739	12,907	12,870	12,953	12,725	12,940	12,768
	Savings deposits, by ownership category									
	Individuals and nonprofit organizations:									
28	*Large banks*	*88,087*	*87,707*	*86,947*	*86,755*	*86,836*	*86,881*	*86,970*	*87,045*	*86,965*
29	New York City banks	9,316	9,300	9,214	9,193	9,202	9,194	9,199	9,194	9,171
30	Banks outside New York City	78,771	78,407	77,733	77,562	77,634	77,687	77,771	77,851	77,794
	Partnerships and corporations for profit:[5]									
31	*Large banks*	*4,976*	*4,942*	*4,900*	*4,926*	*4,909*	*4,962*	*4,967*	*5,036*	*5,113*
32	New York City banks	485	478	470	473	473	476	480	485	486
33	Banks outside New York City	4,491	4,464	4,430	4,453	4,436	4,486	4,487	4,551	4,627
	Domestic governmental units:									
34	*Large banks*	*1,405*	*1,375*	*1,477*	*1,438*	*1,418*	*1,379*	*1,419*	*1,368*	*1,301*
35	New York City banks	200	205	252	254	269	260	295	281	244
36	Banks outside New York City	1,205	1,170	1,225	1,184	1,149	1,119	1,124	1,087	1,057
	All other:[6]									
37	*Large banks*	*26*	*33*	*27*	*29*	*36*	*26*	*26*	*26*	*18*
38	New York City banks	11	17	11	14	21	13	16	15	7
39	Banks outside New Yotk City	15	16	16	15	15	13	10	11	11
	Gross liabilities of banks to their foreign branches									
40	*Large banks*	*4,145*	*4,202*	*4,444*	*4,321*	*4,980*	*4,324*	*4,618*	*4,200*	*4,819*
41	New York City banks	2,195	2,253	2,435	2,290	2,535	2,265	2,438	2,158	2,785
42	Banks outside New York City	1,950	1,949	2,009	2,031	2,445	2,059	2,180	2,042	2,034
	Loans sold outright to selected institutions by all large banks[7]									
43	Commercial and industrial[8]	2,163	2,214	2,219	2,254	2,273	2,193	2,176	2,191	2,251
44	Real estate[8]	237	245	242	246	246	246	249	251	342
45	All other[8]	2,040	1,996	1,991	1,991	1,944	1,951	1,955	1,928	1,926

1 Exclusive of loans and Federal funds transactions with domestic commercial banks.
2 All demand deposits except U.S. Govt. and domestic commercial banks, less cash items in process of collection.
3 Certificates of deposit (CD's) issued in denominations of $100,000 or more.
4 All other time deposits issued in denominations of $100,000 or more not included in large negotiable (CD's).
5 Other than commercial banks.
6 Domestic and foreign commercial banks, and official international organizations.
7 To 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.
8 Data revised beginning July 7, 1977, due to reclassifications at one large bank.

1.31 LARGE WEEKLY REPORTING COMMERCIAL BANKS Commercial and Industrial Loans

Millions of dollars

Industry classification	Outstanding					Net change during—				
	1978					1977	1978	1978		
	May 3	May 10p	May 17p	May 24p	May 31p	Q4	Q1	Mar.	Apr.	Mayp
	Total loans classified[2]									
1 **Total**	**106,897**	**107,393**	**107,537**	**107,554**	**109,464**	**4,395**	**2,768**	**2,481**	**1,053**	**3,643**
Durable goods manufacturing:										
2 Primary metals	2,859	2,858	2,859	2,876	2,894	256	4	68	43	97
3 Machinery	5,367	5,414	5,446	5,406	5,454	−4	667	276	39	181
4 Transportation equipment	2,679	2,687	2,685	2,674	2,714	−89	426	168	−89	80
5 Other fabricated metal products	2,493	2,521	2,523	2,497	2,475	−26	323	193	182	21
6 Other durable goods	3,739	3,875	3,799	3,778	3,794	−231	32	145	82	179
Nondurable goods manufacturing:										
7 Food, liquor, and tobacco	3,821	3,795	3,898	3,871	4,125	324	73	76	12	260
8 Textiles, apparel, and leather	3,778	3,854	3,885	3,876	3,913	−663	215	231	120	221
9 Petroleum refining	2,487	2,472	2,476	2,540	2,588	235	−470	−181	89	21
10 Chemicals and rubber	3,618	3,599	3,476	3,398	3,477	−37	571	270	58	4
11 Other nondurable goods	2,191	2,205	2,213	2,236	2,249	74	−36	−33	−21	64
12 Mining, including crude petroleum and natural gas	9,899	9,903	10,010	10,089	10,157	537	757	395	335	296
Trade:										
13 Commodity dealers	2,252	2,231	2,179	2,107	2,521	502	425	78	−71	341
14 Other wholesale	8,801	8,775	8,749	8,776	8,794	439	1,187	487	208	100
15 Retail	7,983	8,050	8,096	8,222	8,214	−235	661	297	215	373
16 Transportation	5,287	5,323	5,314	5,325	5,326	17	617	326	−349	73
17 Communication	1,665	1,628	1,613	1,602	1,677	115	33	−96	149	112
18 Other public utilities	5,119	5,108	5,040	5,098	4,992	290	−359	−375	64	−43
19 Construction	4,833	4,878	4,977	5,021	5,377	−31	161	170	142	601
20 Services	12,776	12,894	12,873	13,017	13,085	286	1,005	263	356	425
21 All other domestic loans	7,845	7,931	7,965	7,694	7,812	419	−891	−174	368	−6
22 Bankers acceptances	2,810	2,781	2,863	2,881	3,119	2,455	−2,531	−114	−783	212
23 Foreign commercial and industrial loans	4,595	4,611	4,598	4,570	4,707	−238	−102	11	−96	31
MEMO ITEMS:										
24 Commercial paper included in total classified loans[1]	....	....	....	....	97	−75	−27	−5	−7	−27
25 Total commercial and industrial loans of all large weekly reporting banks	131,654	132,147	132,339	132,431	134,546	5,622	2,961	3,195	1,807	3,935
	1978					1977	1978	1978		
	Jan. 25	Feb. 22	Mar. 29	Apr. 26	May 31p	Q4	Q1	Mar.	April	Mayp
	"Term" loans classified[3]									
26 **Total**	**48,215**	**48,818**	**49,369**	**50,156**	**51,205**	**352**	**2,743**	**551**	**787**	**1,049**
Durable goods manufacturing:										
27 Primary metals	1,559	1,564	1,579	1,671	1,736	120	33	15	92	65
28 Machinery	2,403	2,473	2,529	2,542	2,622	−51	243	56	13	80
29 Transportation equipment	1,432	1,466	1,489	1,449	1,460	−112	172	23	−40	11
30 Other fabricated metal products	882	877	902	963	968	59	68	25	61	5
31 Other durable goods	1,630	1,602	1,572	1,603	1,625	−76	−126	−30	31	22
Nondurable goods manufacturing:										
32 Food, liquor, and tobacco	1,436	1,492	1,522	1,649	1,676	98	24	30	127	27
33 Textiles, apparel, and leather	973	983	1,038	1,083	1,097	−96	−20	55	45	14
34 Petroleum refining	2,136	2,000	1,873	1,850	1,962	271	−395	−127	−23	112
35 Chemicals and rubber	1,926	2,017	2,116	2,147	2,229	−18	389	99	31	82
36 Other nondurable goods	1,198	1,182	1,169	1,093	1,093	53	22	−13	−76	....
37 Mining, including crude petroleum and natural gas	6,569	6,811	7,084	7,443	7,604	217	583	273	359	161
Trade:										
38 Commodity dealers	294	262	254	244	254	42	18	−8	−10	10
39 Other wholesale	1,874	1,928	1,993	2,080	2,141	125	328	65	87	61
40 Retail	2,476	2,539	2,554	2,703	2,855	48	106	15	149	152
41 Transportation	3,726	3,747	3,885	3,627	3,702	−141	401	138	−258	75
42 Communication	901	908	924	965	980	54	84	16	41	15
43 Other public utilities	3,802	3,855	3,822	3,723	3,770	−36	556	−33	−99	47
44 Construction	2,002	1,973	2,066	2,085	2,101	−21	76	93	19	16
45 Services	5,746	5,807	5,880	6,040	6,300	85	514	73	160	260
46 All other domestic loans	2,627	2,750	2,457	2,576	2,526	184	−269	−293	119	−50
47 Foreign commercial and industrial loans	2,623	2,582	2,661	2,620	2,504	−453	−64	79	−41	−116

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									
	1973 Dec.	1974 Dec.	1975 Dec.	1976		1977				1978
				Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.
1 **All holders, IPC**	**220.1**	**225.0**	**236.9**	**236.1**	**250.1**	**242.3**	**253.8**	**252.7**	**274.4**	**262.5**
2 Financial business	19.1	19.0	20.1	19.7	22.3	21.6	25.9	23.7	25.0	24.5
3 Nonfinancial business	116.2	118.8	125.1	122.6	130.2	125.1	129.2	128.5	142.9	131.5
4 Consumer	70.1	73.3	78.0	80.0	82.6	81.6	84.1	86.2	91.0	91.8
5 Foreign	2.4	2.3	2.4	2.3	2.7	2.4	2.5	2.5	2.5	2.4
6 Other	12.4	11.7	11.3	11.5	12.4	11.6	12.2	11.8	12.9	12.3
	At weekly reporting banks									
	1974 Dec.	1975 Dec.	1976 Dec.	1977			1978			
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
7 **All holders, IPC**	**119.7**	**124.4**	**128.5**	**131.4**	**133.0**	**139.1**	**137.1**	**132.5**	**131.9**	**135.6**
8 Financial business	14.8	15.6	17.5	18.0	17.9	18.5	18.3	18.1	18.2	17.9
9 Nonfinancial business	66.9	69.9	69.7	72.1	72.2	76.3	73.8	70.7	68.9	70.9
10 Consumer	29.0	29.9	31.7	32.4	33.4	34.6	35.2	34.4	35.4	37.6
11 Foreign	2.2	2.3	2.6	2.3	2.5	2.4	2.4	2.4	2.3	2.2
12 Other	6.8	6.6	7.1	6.7	7.0	7.4	7.4	6.9	7.0	7.0

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.	1977			1978			
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
	Commercial paper (seasonally adjusted)									
1 **All issuers**	**48,459**	**53,025**	**65,112**	**62,724**	**62,753**	**65,112**	**65,488**	**65,477**	**67,354**	**70,183**
Financial companies:[1]										
Dealer-placed paper:[2]										
2 Total	6,202	7,250	8,871	8,540	8,497	8,871	9,018	8,918	8,889	9,670
3 Bank-related	1,762	1,900	2,132	1,961	1,980	2,132	2,035	1,997	1,993	2,078
Directly-placed paper:[3]										
4 Total	31,374	32,500	40,399	38,803	38,954	40,399	41,586	42,137	42,781	44,220
5 Bank-related	6,892	5,959	7,003	7,012	6,567	7,003	7,109	7,616	8,031	7,889
6 Nonfinancial companies[4]	10,883	13,275	15,842	15,381	15,302	15,842	14,884	14,422	15,684	16,293
	Dollar acceptances (not seasonally adjusted)									
7 **Total**	**18,727**	**22,523**	**25,654**	**23,908**	**24,088**	**25,654**	**25,252**	**25,411**	**26,181**	**26,256**
Held by:										
8 *Accepting banks*	*7,333*	*10,442*	*10,434*	*8,673*	*8,952*	*10,434*	*7,785*	*7,513*	*7,375*	*7,091*
9 Own bills	5,899	8,769	8,915	7,248	7,702	8,915	6,772	6,583	6,375	6,117
10 Bills bought	1,435	1,673	1,519	1,424	1,251	1,519	1,013	931	1,000	974
F.R. Banks:										
11 Own account	1,126	991	954	....	248	954	....	....	1	....
12 Foreign correspondents	293	375	362	422	392	362	371	456	522	550
13 Others	9,975	10,715	13,904	14,813	14,495	13,904	17,096	17,442	18,283	18,614
Based on:										
14 Imports into United States	3,726	4,992	6,532	5,886	5,973	6,532	6,637	6,842	6,979	7,108
15 Exports from United States	4,001	4,818	5,895	5,584	5,803	5,895	5,840	5,739	6,034	6,216
16 All other	11,000	12,713	13,227	12,438	12,312	13,227	12,774	13,026	13,168	12,932

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
1976—Aug. 2	7	1977—Aug. 22	7	1976—Oct.	r6.77	1977—Aug.	6.83
				Nov.	6.50	Sept.	7.13
Oct. 4	6¾	Sept. 16	7¼	Dec.	6.35	Oct.	7.52
						Nov.	7.75
Nov. 1	6½	Oct. 7	7½	1977—Jan.	6.25	Dec.	7.75
		Oct. 24	7¾	Feb.	6.25		
Dec. 13	6¼			Mar.	6.25	1978—Jan.	7.93
		1978—Jan. 10	8	Apr.	6.25	Feb.	8.00
1977—May 13	6½			May	6.41	Mar.	8.00
31	6¾	May 5	8¼	June	6.75	Apr.	8.00
		May 26	8½	July	6.75	May	8.27

1.35 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, Feb. 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)	7,401,695	1,095,609	689,553	729,562	1,984,349	530,499	2,372,123
2 Number of loans	200,127	154,809	20,931	11,570	11,080	859	878
3 Weighted-average maturity (months)	3.1	3.2	3.3	2.6	3.0	2.8	3.1
4 Weighted-average interest rate (per cent per annum)	8.95	9.65	9.44	9.26	9.03	8.78	8.34
5 Interquartile range [1]	8.24–9.60	8.77–10.47	8.50–10.01	8.50–10.00	8.27–9.84	8.24–9.25	8.00–8.75
Percentage of amount of loans:							
6 With floating rate	51.5	34.9	40.8	40.6	60.3	46.9	59.3
7 Made under commitment	37.9	14.9	20.3	25.9	38.0	59.1	52.7
Long-term commercial and industrial loans							
8 Amount of loans (thousands of dollars)	1,311,928		361,327		420,109	69,872	460,620
9 Number of loans	31,161		28,547		2,364	105	144
10 Weighted-average maturity (months)	40.0		28.6		39.0	45.5	49.1
11 Weighted-average interest rate (per cent per annum)	9.19		9.54		9.37	8.87	8.81
12 Interquartile range [1]	8.50–9.92		8.50–10.47		9.00–9.92	8.00–9.61	8.00–9.20
Percentage of amount of loans:							
13 With floating rate	42.3		15.6		30.2	72.4	69.6
14 Made under commitment	54.7		18.6		74.1	53.5	65.6
Construction and land development loans							
15 Amount of loans (thousands of dollars)	803,264	82,792	126,435	222,919	127,991	112,423	
16 Number of loans	20,791	13,375	3,737	2,901	637	141	
17 Weighted-average maturity (months)	10.6	6.5	20.5	3.2	10.6	13.8	
18 Weighted-average interest rate (per cent per annum)	9.69	9.67	9.62	9.33	9.70	10.07	
19 Interquartile range [1]	9.00–10.34	9.20–10.34	9.20–9.92	8.36–10.00	9.17–10.29	9.27–10.78	
Percentage of amount of loans:							
20 With floating rate	38.7	18.4	11.3	8.0	53.8	80.2	
21 Secured by real estate	92.1	85.7	87.3	97.3	87.8	94.3	
22 Made under commitment	42.8	56.3	17.8	27.3	65.6	53.4	
23 Type of construction: 1- to 4-family	38.7	61.6	54.6	55.1	31.7	11.5	
24 Multifamily	6.4	5.8	2.1	2.2	12.0	9.6	
25 Nonresidential	54.9	32.6	43.3	42.7	56.3	78.9	

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)	796,500	162,130	168,848	135,149	83,650	117,118	129,604
27 Number of loans	64,797	46,784	11,355	4,219	1,224	942	272
28 Weighted-average maturity (months)	10.0	7.8	11.3	13.0	9.0	10.9	8.4
29 Weighted-average interest rate (per cent per annum)	9.16	9.13	9.16	9.11	9.26	9.22	9.15
30 Interquartile range [1]	8.75–9.50	8.68–9.40	8.68–9.50	8.75–9.46	9.00–9.50	8.91–9.38	8.50–9.69
By purpose of loan:							
31 Feeder livestock	9.17	9.09	8.97	8.89	9.39	9.31	9.77
32 Other livestock	9.07	9.07	9.37	8.73	9.53	9.12	8.92
33 Other current operating expenses	9.14	9.03	9.26	9.24	9.17	9.15	9.06
34 Farm machinery and equipment	9.31	9.40	9.35	9.47	9.44	(2)	(2)
35 Other	9.16	9.29	9.01	9.20	9.27	9.43	8.96

1 Interest rate range that covers the middle 50 per cent of the total dollar amount of loans made.

2 Fewer than three sample loans.

NOTE.—For more detail, see the Board's G.14 statistical release.

1.36 INTEREST RATES Money and Capital Markets

Averages, per cent per annum

Instrument	1975	1976	1977	1978 Feb.	1978 Mar.	1978 Apr.	1978 May	1978, week ending— May 6	May 13	May 20	May 27	June 3
	Money market rates											
1 Federal funds [1]	5.82	5.05	5.54	6.78	6.79	6.89	7.36	7.27	7.32	7.34	7.43	7.36
Prime commercial paper [2]												
2 90- to 119-day	6.26	5.24	5.54	6.76	6.75	6.82	7.06	6.94	6.99	7.11	7.15	7.28
3 4- to 6-month	6.33	5.35	5.60	6.80	6.80	6.86	7.11	6.99	7.05	7.15	7.21	7.31
4 Finance company paper, directly placed, 3- to 6-month [3]	6.16	5.22	5.49	6.74	6.73	6.74	6.98	6.83	6.94	7.02	7.09	7.23
5 Prime bankers acceptances, 90-day [4]	6.30	5.19	5.59	6.82	6.79	6.92	7.32	7.18	7.27	7.35	7.45	7.48
Large negotiable certificates of deposit												
6 3-month, secondary market [5]	6.43	5.26	5.58	6.89	6.85	7.04	7.42	7.24	7.27	7.45	7.48	7.52
7 3-month, primary market [6]	....	5.15	5.52	6.77	6.75	r6.85	7.24	7.05	7.14	7.20	7.40	7.40
8 Euro-dollar deposits, 3-month [7]	6.97	5.57	6.05	7.28	7.27	7.38	7.82	7.63	7.73	7.84	7.86	8.03
U.S. Govt. securities												
Bills: [8]												
Market yields:												
9 3-month	5.80	4.98	5.27	6.45	6.29	6.29	6.41	6.38	6.37	6.32	6.51	6.62
10 6-month	6.11	5.26	5.53	6.74	6.63	6.73	7.02	6.90	6.99	7.03	7.13	7.14
11 1-year	6.30	5.52	5.71	6.86	6.82	6.96	7.28	7.16	7.25	7.32	7.38	7.37
Rates on new issue: [9]												
12 3-month	5.838	4.989	5.265	6.457	6.319	6.306	6.430	6.460	6.464	6.318	6.476	6.658
13 6-month	6.122	5.266	5.510	6.740	6.644	6.700	7.019	6.935	6.986	7.014	7.141	7.160
Constant maturities: [10]												
14 1-year	6.76	5.88	6.09	7.34	7.31	7.45	7.82	7.68	7.78	7.86	7.93	7.92
	Capital market rates											
Government notes and bonds												
U.S. Treasury												
Constant maturities: [10]												
15 2-year	....	....	6.45	7.57	7.58	7.74	8.01	7.92	7.99	8.01	8.09	8.11
16 3-year	7.49	6.77	6.69	7.67	7.70	7.85	8.07	7.99	8.06	8.07	8.15	8.19
17 5-year	7.77	7.18	6.99	7.83	7.86	7.98	8.18	8.09	8.17	8.17	8.24	8.27
18 7-year	7.90	7.42	7.23	7.94	7.95	8.06	8.25	8.16	8.25	8.26	8.30	8.34
19 10-year	7.99	7.61	7.42	8.03	8.04	8.15	8.35	8.28	8.35	8.35	8.39	8.41
20 20-year	8.19	7.86	7.67	8.22	8.21	8.32	8.44	8.40	8.44	8.44	8.47	8.49
21 30-year	....	....	....	8.25	8.23	8.34	8.43	8.40	8.44	8.42	8.46	8.49
Notes and bonds maturing in — [11]												
22 3 to 5 years	7.55	6.94	6.85	7.76	7.76	7.90	8.10	8.02	8.09	8.10	8.16	8.19
23 Over 10 years (long-term)	6.98	6.78	7.06	7.60	7.63	7.74	7.87	7.82	7.87	7.87	7.90	7.91
State and local:												
Moody's series: [12]												
24 Aaa	6.42	5.66	5.20	5.24	5.11	5.41	5.57	5.45	5.55	5.55	5.75	5.75
25 Baa	7.62	7.49	6.12	5.82	5.85	5.88	6.14	6.10	6.05	6.10	6.30	6.30
26 *Bond Buyer* series [13]	7.05	6.64	5.68	5.62	5.61	5.80	6.03	5.98	5.99	5.98	6.16	6.19
Corporate bonds												
Seasoned issues [14]												
27 All industries	9.57	9.01	8.43	8.78	8.80	8.88	9.02	8.95	8.99	9.02	9.07	9.12
By rating groups:												
28 Aaa	8.83	8.43	8.02	8.47	8.47	8.56	8.69	8.62	8.65	8.69	8.76	8.79
29 Aa	9.17	8.75	8.24	8.65	8.66	8.73	8.84	8.79	8.83	8.85	8.87	8.94
30 A	9.65	9.09	8.49	8.79	8.83	8.93	9.05	9.00	9.01	9.04	9.11	9.15
31 Baa	10.61	9.75	8.97	9.20	9.22	9.32	9.49	9.41	9.46	9.50	9.54	9.60
Aaa utility bonds: [15]												
32 New issue	9.40	8.48	8.19	8.69	8.71	8.90	8.95	....	8.87	8.95	9.02	....
33 Recently offered issues	9.41	8.49	8.19	8.67	8.67	8.85	8.98	8.90	8.92	8.98	9.10	9.05
Dividend/price ratio												
34 Preferred stocks	8.38	7.97	7.60	7.99	8.07	8.06	8.11	7.97	8.12	8.13	8.17	8.14
35 Common stocks	4.31	3.77	4.56	5.49	5.68	5.42	5.20	5.23	5.25	5.07	5.21	5.22

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 Averages of the most representative daily offering rates published by finance companies for varying maturities in this range.

4 Beginning Aug. 15, 1974, the rate is the average of the midpoint of the range of daily dealer closing rates offered for domestic issues; prior data are averages of the most representative daily offering rate quoted by dealers.

5 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 April 5, 1978, weekly figures are simple averages of offering rates.

6 Posted rates, which are the annual interest rates most often quoted on new offerings of negotiable CD's in denominations of $100,000 or more by large New York City banks. Rates prior to 1976 not available. Weekly figures are for Wednesday dates.

7 Averages of daily quotations for the week ending Wednesday.

8 Except for new bill issues, yields are computed from daily closing bid prices. Yields for all bills are quoted on a bank-discount basis.

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	1975	1976	1977	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.	1978 Apr.	1978 May
	Prices and trading (averages of daily figures)									
Common stock prices										
1 New York Stock Exchange (Dec. 31, 1965 = 50)	45.73	54.45	53.67	51.87	51.83	49.89	49.41	49.50	51.75	54.49
2 Industrial	51.88	60.44	57.84	55.62	55.55	53.45	52.80	52.77	55.48	59.14
3 Transportation	30.73	39.57	41.07	39.30	39.75	39.15	38.90	38.95	41.19	44.21
4 Utility	31.45	36.97	40.91	40.33	40.36	39.09	39.02	39.26	39.69	39.47
5 Finance	46.62	52.94	55.23	54.04	53.85	50.91	50.60	51.44	55.04	57.95
6 Standard & Poor's Corporation (1941–43 = 10)[1]	85.17	102.01	98.18	94.28	93.82	90.28	88.98	88.82	92.71	97.41
7 American Stock Exchange (Aug. 31, 1973 = 100)	83.15	101.63	116.18	117.80	124.88	121.73	123.35	126.11	133.67	142.26
Volume of trading (thousands of shares)[2]										
8 New York Stock Exchange	18,568	21,189	20,936	23,557	21,475	20,388	19,400	22,617	34,780	35,261
9 American Stock Exchange	2,150	2,565	2,514	2,061	3,008	2,254	2,300	2,940	4,151	4,869
	Customer financing (end-of-period balances, in millions of dollars)									
10 Regulated margin credit at brokers/dealers and banks[3]	6,500	9,011	10,866	10,680	10,866	10,690	10,901	11,027	11,424	....
11 *Brokers, total*	*5,540*	*8,166*	*9,993*	*9,859*	*9,993*	*9,839*	*10,024*	*10,172*	*10,510*	....
12 Margin stock[4]	5,390	7,960	9,740	9,610	9,740	9,590	9,780	9,920	10,260	....
13 Convertible bonds	147	204	250	246	250	246	242	250	248	....
14 Subscription issues	3	2	3	3	3	3	2	2	2	....
15 *Banks, total*	*960*	*845*	*873*	*822*	*873*	*851*	*877*	*855*	*914*	....
16 Margin stocks	909	800	827	778	827	809	838	824	882	....
17 Convertible bonds	36	30	30	28	30	27	25	24	25	....
18 Subscription issues	15	15	16	16	16	15	14	7	7	....
19 Unregulated nonmargin stock credit at banks[5]	2,281	r2,283	2,568	2,604	2,568	2,565	2,544	2,544	2,560	....
MEMO: Free credit balances at brokers[6]										
20 Margin-account	475	585	640	630	640	660	635	630	715	....
21 Cash-account	1,525	1,855	2,060	1,845	2,060	1,925	1,875	r1,795	2,170	....
	Margin-account debt at brokers (percentage distribution, end of period)									
22 Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	....
By equity class (in per cent):[7]										
23 Under 40	24.0	12.0	18.0	17.0	19.0	25.0	25.0	21.0	15.0	....
24 40–49	28.8	23.0	36.0	33.0	34.0	34.0	34.0	33.0	35.0	....
25 50–59	22.3	35.0	23.0	26.0	24.0	20.0	20.0	24.0	24.0	....
26 60–69	11.6	15.0	11.0	12.0	11.0	10.0	10.0	11.0	13.0	....
27 70–79	6.9	8.7	6.0	7.0	7.0	6.0	6.0	6.0	7.0	....
28 80 or more	5.3	6.0	5.0	5.0	5.0	5.0	5.0	5.0	6.0	....
	Special miscellaneous-account balances at brokers (end of period)									
29 Total balances (millions of dollars)[8]	7,290	8,776	9,910	9,710	9,910	9,880	10,150	10,190	....	....
Distribution by equity status (per cent)										
30 Net credit status	43.8	41.3	43.4	41.8	43.4	42.4	42.0	42.6	....	....
Debit status, equity of—										
31 60 per cent or more	40.8	47.8	44.9	45.5	44.9	43.6	43.0	43.7	....	....
32 Less than 60 per cent	15.4	10.9	11.7	12.7	11.7	14.0	14.0	13.5	....	....

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 by brokers is end-of-month data for member firms of the New York Stock Exchange; June data for banks are universe totals; all other data for banks are estimates for all commercial banks based on data from a sample of reporting banks.

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 banks, loans to purchase or carry nonmargin stocks are unregulated; 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.

NOTE.—For table on "Margin Requirements" see p. A-10, Table 1.161.

1.38 SAVINGS INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1974	1975	1976	1977					1978			
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.p
	Savings and loan associations											
1 **Assets**	**295,545**	**338,233**	**391,907**	**440,101**	**444,383**	**450,563**	**455,644**	**459,282**	**464,279**	**469,726**	**475,320**	**480,968**
2 Mortgages	249,301	278,590	323,005	361,582	366,838	371,714	376,468	381,216	384,235	387,644	392,479	397,291
3 Cash and investment securities[1]	23,251	30,853	35,724	41,069	39,709	40,642	40,522	39,197	40,356	41,646	41,870	41,947
4 Other	22,993	28,790	33,178	37,450	37,836	38,207	38,654	38,869	39,688	40,436	40,971	41,730
5 **Liabilities and net worth**	**295,545**	**338,233**	**391,907**	**440,101**	**444,383**	**450,563**	**455,644**	**459,282**	**464,279**	**469,726**	**475,320**	**480,968**
6 Savings capital	242,974	285,743	335,912	371,247	377,208	379,604	381,333	386,875	389,620	391,917	399,070	399,588
7 *Borrowed money*	*24,780*	*20,634*	*19,083*	*r22,021*	*r22,912*	*r24,199*	*r25,540*	*r27,796*	*r27,899*	*r28,666*	*29,274*	*31,906*
8 FHLBB	21,508	17,524	15,708	r16,250	r16,900	r17,539	r18,275	r19,945	r20,129	r20,602	21,030	22,653
9 Other	3,272	3,110	3,375	5,771	6,012	6,660	7,265	7,851	7,770	8,064	8,244	9,253
10 Loans in process	3,244	5,128	6,840	9,662	9,741	9,856	9,924	9,932	9,849	9,924	10,435	10,987
11 Other	6,105	6,949	8,074	r13,058	r10,184	r12,233	r13,846	r9,498	r11,471	r13,456	10,511	12,122
12 Net worth[2]	18,442	19,779	21,998	24,113	24,338	24,671	25,001	25,181	25,440	25,763	26,030	26,365
13 MEMO: Mortgage loan commitments outstanding[3]	7,454	10,673	14,826	21,901	21,631	21,555	21,270	19,886	19,534	20,625	22,320	23,443
	Mutual savings banks											
14 **Assets**	**109,550**	**121,056**	**134,812**	**143,815**	**144,666**	**145,651**	**146,346**	**147,287**	**148,511**	**149,528**	**150,962**	....
Loans:												
15 Mortgage	74,891	77,221	81,630	85,419	86,079	86,769	87,333	88,195	88,905	89,247	89,800	....
16 Other	3,812	4,023	5,183	7,119	6,878	7,115	7,241	6,210	6,803	7,398	7,782	....
Securities:												
17 U.S. Govt	2,555	4,740	5,840	6,019	6,192	6,101	6,071	5,895	5,785	5,737	5,677	....
18 State and local government	930	1,545	2,417	2,762	2,777	2,808	2,809	2,828	2,886	2,808	2,850	....
19 Corporate and other[4]	22,550	27,992	33,793	36,878	36,927	37,073	37,221	37,918	38,360	38,605	38,964	....
20 Cash	2,167	2,330	2,355	1,857	1,992	2,011	1,887	2,401	1,889	1,838	1,990	....
21 Other assets	2,645	3,205	3,593	3,760	3,821	3,773	3,783	3,839	3,882	3,895	3,899	....
22 **Liabilities**	**109,550**	**121,056**	**134,812**	**143,815**	**144,666**	**145,651**	**146,346**	**147,287**	**148,511**	**149,528**	**150,962**	....
23 *Deposits*	*98,701*	*109,873*	*122,877*	*130,381*	*131,688*	*132,250*	*132,537*	*134,017*	*134,771*	*135,200*	*136,997*	....
24 Regular:[5]	98,221	109,291	121,961	129,030	130,230	130,913	131,319	132,744	133,370	133,846	135,558	....
25 Ordinary savings	64,286	69,653	74,535	77,163	77,640	77,503	77,460	78,005	77,754	77,837	78,783	....
26 Time and other	33,935	39,639	47,426	51,867	52,590	53,410	53,859	54,739	55,616	56,009	56,775	....
27 Other	480	582	916	1,351	1,458	1,337	1,208	1,272	1,401	1,354	1,439	....
28 Other liabilities	2,888	2,755	2,884	3,779	3,254	3,632	3,938	3,292	3,676	4,155	3,735	....
29 General reserve accounts	7,961	8,428	9,052	9,654	9,723	9,769	9,882	9,978	10,064	10,174	10,230	....
30 MEMO: Mortgage loan commitments outstanding[6]	2,040	1,803	2,439	4,198	4,254	4,423	4,458	4,066	3,998	4,027	4,185	....
	Life insurance companies											
31 **Assets**	**263,349**	**289,304**	**321,552**	**338,964**	**341,382**	**343,738**	**347,182**	**350,506**	**352,914**	**355,068**	....	....
Securities:												
32 *Government*	*10,900*	*13,758*	*17,942*	*19,174*	*19,515*	*19,519*	*19,681*	*19,508*	*19,579*	*19,677*	....	....
33 United States[7]	3,372	4,736	5,368	5,831	5,883	5,810	5,993	5,693	5,717	5,748	....	....
34 State and local	3,667	4,508	5,594	5,881	5,994	5,979	5,967	6,016	6,009	6,073	....	....
35 Foreign[8]	3,861	4,514	6,980	7,462	7,638	7,730	7,721	7,799	7,853	7,856	....	....
36 *Business*	*119,637*	*135,317*	*157,246*	*169,747*	*170,606*	*172,005*	*174,109*	*175,204*	*177,134*	*178,718*	....	....
37 Bonds	97,717	107,256	122,984	136,752	138,046	139,909	141,354	142,095	145,244	147,202	....	....
38 Stocks	21,920	28,061	34,262	32,995	32,560	32,096	32,755	33,109	31,890	31,516	....	....
39 Mortgages	86,234	89,167	91,552	93,326	94,070	94,684	95,110	96,765	97,171	97,475	....	....
40 Real estate	8,331	9,621	10,476	10,926	10,930	11,024	11,113	11,201	11,252	11,318	....	....
41 Policy loans	22,862	24,467	25,834	26,946	27,087	27,220	27,355	27,508	27,628	27,762	....	....
42 Other assets	15,385	16,971	18,502	18,845	19,174	19,286	19,814	20,320	20,150	20,118	....	....
	Credit unions											
43 **Total assets/liabilities and capital**	31,948	38,037	45,225	50,904	52,136	52,412	53,141	54,084	53,982	54,989	56,703	56,827
44 Federal	16,715	20,209	24,396	27,632	28,384	28,463	28,954	29,574	29,579	30,236	31,274	31,255
45 State	15,233	17,828	20,829	23,272	23,752	23,949	24,187	24,510	24,403	24,753	25,429	25,572
46 *Loans outstanding*	*24,432*	*28,169*	*34,384*	*39,711*	*40,573*	*40,865*	*41,427*	*42,055*	*41,876*	*42,331*	*43,379*	*44,133*
47 Federal	12,730	14,869	18,311	21,194	21,692	21,814	22,224	22,717	22,590	22,865	23,555	23,919
48 State	11,702	13,300	16,073	18,517	18,881	19,051	19,203	19,338	19,286	19,466	19,824	20,214
49 *Savings*	*27,518*	*33,013*	*39,173*	*43,982*	*45,103*	*45,441*	*45,977*	*46,832*	*47,317*	*48,093*	*49,706*	*49,931*
50 Federal (shares)	14,370	17,530	21,130	24,080	24,775	24,945	25,303	25,849	26,076	26,569	27,514	27,592
51 State (shares and deposits)	13,148	15,483	18,043	19,902	20,328	20,496	20,674	20,983	21,241	21,524	22,192	22,339

For notes see bottom of page A30.

1.39 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

	Type of account or operation	Fiscal year 1976	Transition quarter (July–Sept. 1976)	Fiscal year 1977	Calendar year					
					1976	1977		1978		
					H2	H1	H2	Feb.	Mar.	Apr.
	U.S. Budget									
1	Receipts [1]	299,197	81,687	356,861	157,868	189,410	175,787	26,795	24,879	42,342
2	Outlays [1,2,3]	365,643	94,657	401,902	193,629	199,482	216,747	33,787	40,004	35,724
3	*Surplus, or deficit* (–)	*–66,446*	*–12,970*	*–45,041*	*–35,761*	*–10,072*	*–40,961*	*–6,992*	*–15,125*	*6,618*
4	Trust funds	2,409	–1,952	7,833	–4,621	7,332	4,293	2,850	–1,147	–990
5	Federal funds [4]	–68,855	–11,018	–52,874	–31,140	–17,405	–45,254	–9,843	–13,978	7,608
	Off-budget entities surplus, or deficit (–)									
6	Federal Financing Bank outlays	–5,915	–2,575	–8,415	–5,176	–2,075	–6,663	–1,084	–1,149	–671
7	Other [2,5]	–1,355	793	–269	3,809	–2,086	428	–209	–16	102
	U.S. Budget plus off-budget, including Federal Financing Bank									
8	*Surplus, or deficit* (–)	*–73,716*	*–14,752*	*–53,725*	*–37,125*	*–14,233*	*–47,196*	*–8,285*	*–16,290*	*6,049*
	Financed by:									
9	Borrowing from the public [3]	82,922	18,027	53,516	35,457	16,480	40,284	5,108	9,656	–2,263
10	Cash and monetary assets (decrease, or increase (–))	–7,796	–2,899	–2,238	2,153	–4,666	4,317	5,171	993	–3,345
11	Other [6]	–1,396	–373	2,440	–485	2,420	2,597	–1,993	5,640	–442
	MEMO ITEMS:									
12	**Treasury operating balance (level, end of period)**	**14,836**	**17,418**	**19,104**	**11,670**	**16,255**	**12,274**	**7,391**	**6,407**	**9,281**
13	F.R. Banks	11,975	13,299	15,740	10,393	15,183	7,114	3,615	4,705	7,177
14	Tax and loan accounts	2,854	4,119	3,364	1,277	1,072	5,160	3,776	1,702	2,104
15	Other demand accounts [7]	7	....	....	....	....	....	....	....	....

1 Effective June 1977, earned income credit payments in excess of an individual's tax liability formerly treated as outlays, are classified as income tax refunds retroactive to January 1976.

2 Outlay totals reflect the reclassification of the Export-Import Bank, and the Housing for the Elderly and Handicapped Fund effective October 1978, from off-budget status to unified budget status.

3 Export-Import Bank certificates of beneficial interest (effective July 1, 1975) and loans to the Private Export Funding Corp. (PEFCO), a wholly owned subsidiary of the Export-Import Bank, are treated as debt rather than asset sales.

4 Half years calculated as a residual of total surplus/deficit and trust fund surplus/deficit.

5 Includes Pension Benefit Guaranty Corp.; Postal Service Fund, Rural Electrification; Telephone Revolving Fund, Rural Telephone Bank; and Housing for the Elderly or Handicapped Fund until October 1978.

6 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.

7 Excludes the gold balance but includes deposits in certain commercial depositories that have been converted from a time deposit to a demand deposit basis to permit greater flexibility in Treasury cash management.

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. Govt. 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 Assn. 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.

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 Institute 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 per cent 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	Fiscal year 1976	Transition quarter (July–Sept. 1976)	Fiscal year 1977	Calendar year 1976 H2	1977 H1	1977 H2	1978 Feb.	1978 Mar.	1978 Apr.
	Receipts									
1	**All sources** [1]	**299,197**	**81,687**	**356,861**	**157,868**	**189,410**	**175,787**	**26,795**	**24,879**	**42,343**
2	*Individual income taxes, net*	*130,794*	*38,715*	*156,725*	*75,899*	*77,948*	*82,877*	*10,620*	*5,258*	*18,833*
3	Withheld	123,408	32,949	144,820	68,023	73,303	75,480	12,811	14,469	13,095
4	Presidential Election Campaign Fund	34	1	37	1	37	1	6	9	10
5	Nonwithheld	35,528	6,809	42,062	8,426	32,959	9,397	905	2,537	13,611
6	Refunds [1]	28,175	1,043	30,194	1,541	28,350	2,001	3,102	11,756	7,883
7	*Corporation income taxes:*									
8	Gross receipts	46,783	9,808	60,057	20,706	37,133	25,121	1,521	8,682	9,342
9	Refunds	5,374	1,348	5,164	2,886	2,324	2,819	508	659	492
10	*Social insurance taxes and contributions, net*	*92,714*	*25,760*	*108,683*	*47,596*	*58,099*	*52,347*	*12,427*	*8,560*	*11,828*
11	Payroll employment taxes and contributions [2]	76,391	21,534	88,196	40,427	45,242	44,384	10,479	7,616	7,495
12	Self-employment taxes and contributions [3]	3,518	269	4,014	286	3,687	316	266	322	2,492
13	Unemployment insurance	8,054	2,698	11,312	4,379	6,575	4,936	1,192	144	1,393
14	Other net receipts [4]	4,752	1,259	5,162	2,504	2,595	2,711	490	478	448
15	Excise taxes	16,963	4,473	17,548	8,910	8,432	9,284	1,259	1,395	1,368
16	Customs	4,074	1,212	5,150	2,361	2,519	2,848	441	603	545
17	Estate and gift	5,216	1,455	7,327	2,943	4,332	2,837	434	462	296
18	Miscellaneous receipts [5]	8,026	1,612	6,536	3,236	3,269	3,292	602	577	622
	Outlays [9]									
19	**All types** [1, 6]	**365,643**	**94,657**	**401,902**	**193,629**	**199,482**	**216,747**	**33,787**	**40,004**	**35,724**
20	National defense	89,430	22,307	97,501	45,002	48,721	50,873	8,676	10,701	8,492
21	International affairs [6]	5,567	2,180	4,831	3,028	2,522	2,896	−110	−795	1,259
22	General science, space, and technology	4,370	1,161	4,677	2,377	2,108	2,318	392	433	379
23	Energy	3,127	794	4,172	...	...	...	319	542	165
24	Natural resources and environment	8,124	2,532	10,000	...	...	...	641	841	771
25	Agriculture	2,502	584	5,526	2,019	2,628	5,477	−57	680	23
26	Commerce and housing credit	3,795	1,391	−31	...	...	...	−626	52	−22
27	Transportation	13,438	3,306	14,636	...	...	...	1,076	991	1,153
28	Community and regional development	4,709	1,340	6,283	3,192	3,149	4,924	773	1,461	771
29	Education, training, employment, and social services	18,737	5,162	20,985	9,083	9,775	10,800	2,058	2,214	1,913
30	Health	33,448	8,720	38,785	19,329	18,654	19,422	3,635	3,895	3,589
31	Income security [1]	126,598	32,710	137,004	65,367	69,917	71,047	12,073	13,109	11,551
32	Veterans benefits and services	18,432	3,962	18,038	8,542	9,382	9,864	1,529	2,662	567
33	Administration of justice	3,320	859	3,600	1,839	1,783	1,723	326	290	340
34	General government	2,927	878	3,357	1,734	1,587	1,749	355	374	131
35	General-purpose fiscal assistance	7,235	2,092	9,499	4,729	4,333	4,926	52	43	2,050
36	Interest [7]	34,589	7,246	38,092	18,409	18,927	19,962	3,353	3,091	3,295
37	Undistributed offsetting receipts [7,8]	−14,704	−2,567	−15,053	−7,869	−6,803	−8,506	−677	−581	−703

1 Effective June 1977, earned income credit payments in excess of an individual's tax liability, formerly treated as outlays, are classified as income tax refunds 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 F.R. Banks and other miscellaneous receipts.

6 Outlay totals reflect the reclassification of the Export-Import Bank from off-budget status to unified budget status. Export-Import Bank certificates of beneficial interest (effective July 1, 1975) and loans to the Private Export Funding Corp. (PEFCO), a wholly owned subsidiary of the Export-Import Bank, are treated as debt rather than asset sales.

7 Effective September 1976, "Interest" and "Undistributed Offsetting Receipts" reflect the accounting conversion for the interest on special issues for U.S. Govt. accounts from an accrual basis to a cash basis.

8 Consists of interest received by trust funds, rents and royalties on the Outer Continental Shelf, and U.S. Govt. contributions for employee retirement.

9 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	1975		1976			1977			1978
	June 30	Dec. 31	June 30	Sept. 30	Dec. 31	June 30	Sept. 30	Dec. 31	Mar. 31
1 **Federal debt outstanding**	**544.1**	**587.6**	**631.9**	**[2]646.4**	**665.5**	**685.2**	**709.1**	**729.2**	**747.8**
2 *Public debt securities*	*533.7*	*576.6*	*620.4*	*634.7*	*653.5*	*674.4*	*698.8*	*718.9*	*738.0*
3 Held by public	387.9	437.3	470.8	488.6	506.4	523.2	543.4	564.1	585.2
4 Held by agencies	145.3	139.3	149.6	146.1	147.1	151.2	155.5	154.8	152.7
5 *Agency securities*	*10.9*	*10.9*	*11.5*	*11.6*	*12.0*	*10.8*	*10.3*	*10.2*	*9.9*
6 Held by public	9.0	8.9	9.5	[2]9.7	10.0	9.0	8.5	8.4	8.1
7 Held by agencies	1.9	2.0	2.0	1.9	1.9	1.8	1.8	1.8	1.8
8 **Debt subject to statutory limit**	534.2	577.8	621.6	635.8	654.7	675.6	700.0	720.1	737.7
9 Public debt securities	532.6	576.0	619.8	634.1	652.9	673.8	698.2	718.3	736.0
10 Other debt[1]	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.8
11 MEMO: Statutory debt limit	577.0	595.0	636.0	636.0	682.0	700.0	700.0	752.0	752.0

1 Includes guaranteed debt of Govt. 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 Dept.).

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				
					Jan.	Feb.	Mar.	Apr.	May
1 **Total gross public debt**	**492.7**	**576.6**	**653.5**	**718.9**	**721.6**	**729.8**	**738.0**	**736.6**	**741.6**
By type:									
2 **Interest-bearing debt**	491.6	575.7	652.5	715.2	720.6	728.5	736.9	733.1	740.6
3 *Marketable*	*282.9*	*363.2*	*421.3*	*459.9*	*466.8*	*470.8*	*478.3*	*472.2*	*473.7*
4 Bills	119.7	157.5	164.0	161.1	161.2	161.8	165.7	159.6	159.4
5 Notes	129.8	167.1	216.7	251.8	257.1	258.5	262.2	262.2	261.6
6 Bonds	33.4	38.6	40.6	47.0	48.5	50.5	50.4	50.4	52.7
7 *Nonmarketable*[1]	*208.7*	*212.5*	*231.2*	*255.3*	*253.8*	*257.7*	*258.7*	*260.9*	*266.9*
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 govt. series	.6	1.2	4.5	13.9	14.8	15.4	16.4	17.6	18.6
10 Foreign issues[3]	22.8	21.6	22.3	22.2	22.8	22.6	23.6	23.4	22.4
11 Savings bonds and notes	63.8	67.9	72.3	77.0	77.4	77.8	78.2	78.6	79.0
12 Govt. account series[4]	119.1	119.4	129.7	139.8	136.4	139.4	138.0	138.8	144.4
13 Non-interest-bearing debt	1.1	1.0	1.1	3.7	1.0	1.3	1.0	3.5	1.0
By holder:[5]									
14 U.S. Govt. agencies and trust funds	138.2	145.3	149.6	r154.8	151.5	154.2	152.7	....	....
15 F.R. Banks	80.5	84.7	94.4	r102.5	97.0	r98.5	101.7	....	....
16 **Private investors**	271.0	349.4	409.5	461.3	473.1	477.1	483.7	....	....
17 Commercial banks	55.6	85.1	103.8	102.4	102.2	103.5	102.3	....	....
18 Mutual savings banks	2.5	4.5	5.7	6.0	5.9	5.9	5.8	....	....
19 Insurance companies	6.2	9.5	12.5	r15.5	15.3	15.3	15.0	....	....
20 Other corporations	11.0	20.2	26.5	22.2	22.9	21.8	20.4	....	....
21 State and local governments	29.2	34.2	41.6	55.1	56.4	58.3	60.3	....	....
Individuals:									
22 Savings bonds	63.4	67.3	72.0	76.7	77.1	77.6	78.0	....	....
23 Other securities	21.5	24.0	28.8	28.6	29.0	29.1	28.9	....	....
24 Foreign and international[6]	58.8	66.5	78.1	109.6	112.5	r115.4	122.9	....	....
25 Other miscellaneous investors[7]	22.8	38.0	40.5	r45.1	51.7	r50.4	50.2	....	....

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 per cent, 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. Govt. agencies and trust funds.

5 Data for F.R. Banks and U.S. Govt. 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 Govt. deposit accounts, and Govt.-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 Dept.); 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 Mar.	1978 Apr.	1976	1977	1978 Mar.	1978 Apr.
	All maturities				1 to 5 years			
1 **All holders**	**421,276**	**459,927**	**478,252**	**472,193**	**141,132**	**151,264**	**167,661**	**165,671**
2 U.S. Govt. agencies and trust funds	16,485	14,420	13,982	13,977	6,141	4,788	4,774	4,772
3 F. R. Banks	96,971	101,191	101,576	103,072	31,249	27,012	30,386	30,015
4 *Private investors*	*307,820*	*344,315*	*362,693*	*355,144*	*103,742*	*119,464*	*132,581*	*130,884*
5 Commercial banks	78,262	75,363	73,852	73,207	40,005	38,691	41,251	41,553
6 Mutual savings banks	4,072	4,379	4,200	4,109	2,010	2,112	2,243	2,237
7 Insurance companies	10,284	12,378	11,902	11,832	3,885	4,729	5,063	5,168
8 Nonfinancial corporations	14,193	9,474	8,197	7,309	2,618	3,183	3,537	3,311
9 Savings and loan associations	4,576	4,817	5,014	4,786	2,360	2,368	2,495	2,586
10 State and local governments	12,252	15,495	16,564	15,848	2,543	3,875	4,911	4,769
11 All others	184,182	222,409	242,963	238,053	50,321	64,505	72,991	71,269
	Total, within 1 year				5 to 10 years			
12 **All holders**	**211,035**	**230,691**	**232,997**	**226,401**	**43,045**	**45,328**	**41,554**	**44,121**
13 U.S. Govt. agencies and trust funds	2,012	1,906	1,163	1,159	2,879	2,129	2,129	2,129
14 F. R. Banks	51,569	56,702	53,360	54,970	9,148	10,404	10,010	10,175
15 *Private investors*	*157,454*	*172,084*	*178,474*	*170,272*	*31,018*	*32,795*	*29,414*	*31,816*
16 Commercial banks	31,213	29,477	25,237	23,078	6,278	6,162	5,957	6,998
17 Mutual savings banks	1,214	1,400	1,162	1,057	567	584	507	533
18 Insurance companies	2,191	2,398	1,905	1,665	2,546	3,204	2,909	2,966
19 Nonfinancial corporations	11,009	5,770	4,168	3,511	370	307	267	300
20 Savings and loan associations	1,984	2,236	2,267	1,981	155	143	171	148
21 State and local governments	6,622	7,917	7,587	6,830	1,465	1,283	1,253	1,219
22 All others	103,220	122,885	136,148	132,151	19,637	21,112	18,350	19,652
	Bills, within 1 year				10 to 20 years			
23 **All holders**	**163,992**	**161,081**	**165,652**	**159,640**	**11,865**	**12,906**	**14,325**	**14,298**
24 U.S. Govt. agencies and trust funds	449	32	2	2	3,102	3,102	3,102	3,102
25 F. R. Banks	41,279	42,004	38,809	40,688	1,363	1,510	1,588	1,624
26 *Private investors*	*122,264*	*119,035*	*126,842*	*118,950*	*7,400*	*8,295*	*9,635*	*9,571*
27 Commercial banks	17,303	11,996	9,236	6,938	339	456	611	699
28 Mutual savings banks	454	484	327	269	139	137	135	137
29 Insurance companies	1,463	1,187	900	730	1,114	1,245	1,163	1,165
30 Nonfinancial corporations	9,939	4,329	2,628	2,078	142	133	148	126
31 Savings and loan associations	1,266	806	889	676	64	54	63	56
32 State and local governments	5,556	6,092	5,414	4,639	718	890	1,296	1,276
33 All others	86,282	94,152	107,448	103,621	4,884	5,380	6,217	6,112
	Other, within 1 year				Over 20 years			
34 **All holders**	**47,043**	**69,610**	**67,344**	**66,671**	**14,200**	**19,738**	**21,715**	**21,701**
35 U.S. Govt. agencies and trust funds	1,563	1,874	1,161	1,158	2,350	2,495	2,814	2,813
36 F. R. Banks	10,290	14,698	14,551	14,282	3,642	5,564	6,233	6,287
37 *Private investors*	*35,190*	*53,039*	*51,632*	*51,321*	*8,208*	*11,679*	*12,669*	*12,601*
38 Commercial banks	13,910	15,482	16,001	16,139	427	578	797	880
39 Mutual savings banks	760	916	835	788	143	146	152	145
40 Insurance companies	728	1,211	1,005	936	548	802	862	868
41 Nonfinancial corporations	1,070	1,441	1,540	1,433	55	81	76	61
42 Savings and loan associations	718	1,430	1,378	1,305	13	16	17	15
43 State and local governments	1,066	3,875	2,173	2,191	904	1,530	1,516	1,763
44 All others	16,938	28,733	28,700	28,530	6,120	8,526	9,248	8,868

NOTE.—Direct public issues only. Based on Treasury Survey of Ownership from *Treasury Bulletin* (U.S. Treasury Dept.).

Data complete for U.S. Govt. agencies and trust funds and F.R. 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 Apr. 30, 1978: (1) 5,483 commercial banks, 465 mutual savings banks, and 728 insurance companies, each about 90 per cent; (2) 436 nonfinancial corporations and 486 savings and loan assns., each about 50 per cent; and (3) 495 State and local govts., about 40 per cent.

"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—					
				Feb.	Mar.	April	Mar. 29	Apr. 5	Apr. 12	Apr. 19	Apr. 26	May 3
1 **U.S. Govt. securities**	**6,027**	**10,449**	**10,838**	**10,200**	**10,620**	**11,163**	**12,186**	**12,968**	**9,566**	**12,481**	**11,067**	**10,762**
By maturity:												
2 Bills	3,889	6,676	6,746	5,835	6,678	6,947	7,187	8,600	6,095	7,740	6,458	6,503
3 Other within 1 year	223	210	237	317	345	465	249	377	503	576	447	383
4 1–5 years	1,414	2,317	2,318	2,240	1,923	1,921	2,531	1,984	1,292	1,725	2,630	1,798
5 5–10 years	363	1,019	1,148	1,169	1,027	1,107	1,507	1,337	972	1,530	908	1,340
6 Over 10 years	138	229	388	640	648	724	712	669	705	910	624	736
By type of customer:												
7 U.S. Govt. securities dealers	885	1,360	1,267	1,509	1,320	1,346	1,402	1,666	1,325	1,462	1,186	1,152
8 U.S. Govt. securities brokers	1,750	3,407	3,709	2,962	3,324	3,882	4,029	4,119	3,073	4,400	4,088	3,811
9 Commercial banks	1,451	2,426	2,295	2,069	2,134	2,157	2,553	2,413	1,783	2,407	2,210	2,023
10 All others[1]	1,941	3,257	3,567	3,661	3,842	3,777	4,202	4,770	3,385	4,212	3,583	3,775
11 **Federal agency securities**	**1,043**	**1,548**	693	**1,668**	**1,847**	**1,603**	**1,862**	**1,732**	**1,208**	**2,215**	**1,681**	**1,218**

1 Includes—among others—all other dealers and brokers in commodities and securities, foreign banking agencies, and the F.R. System.

NOTE.—Averages for transactions are based on number of trading days in the period.

Transactions are market purchases and sales of U.S. Govt. securities dealers reporting to the F.R. Bank of New York. The figures exclude allotments of, and exchanges for, new U.S. Govt. 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—					
				Feb.	Mar.	April	Mar. 8	Mar. 15	Mar. 22	Mar. 29	Apr. 5	Apr. 12
	Positions[2]											
1 **U.S. Govt. securities**	**5,884**	**7,592**	**5,172**	**4,845**	**3,519**	**3,063**	**4,244**	[r]**3,909**	**3,174**	**2,554**	**4,418**	**3,808**
2 Bills	4,297	6,290	4,772	3,351	2,773	3,249	2,923	[r]3,018	2,725	2,168	4,416	4,118
3 Other within 1 year	265	188	99	68	226	239	193	221	283	266	222	206
4 1–5 years	886	515	60	792	460	−139	975	597	161	142	−150	−254
5 5–10 years	300	402	92	387	67	−166	133	53	29	15	7	−223
6 Over 10 years	136	198	149	248	−7	−121	21	20	−24	−36	−77	−40
7 **Federal agency securities**	943	729	693	622	794	749	801	[r]865	769	783	630	591
	Sources of financing[3]											
8 **All sources**	**6,666**	**8,715**	9,877	**9,695**	**9,586**	**9,099**	9,366	**10,431**	**9,973**	**9,144**	**8,663**	**9,733**
Commercial banks:												
9 New York City	1,621	1,896	1,313	533	777	698	1,010	1,189	1,048	213	−34	939
10 Outside New York City	1,466	1,660	1,987	2,377	2,067	2,106	2,005	2,522	1,949	1,822	2,061	2,323
11 Corporations[1]	842	1,479	2,358	2,299	2,406	2,190	2,334	2,565	2,280	2,554	2,429	2,507
12 All others	2,738	3,681	4,170	4,485	4,335	4,105	4,018	4,156	4,696	4,555	4,207	3,964

1 All business corporations except commercial banks and insurance companies.

2 Net 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. Govt. 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	1974	1975	1976	1977			1978		
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
1 **Federal and Federally sponsored agencies**	**89,381**	**97,680**	**103,325**	**109,046**	**109,427**	**110,409**	**111,520**	**112,945**	**114,371**
2 *Federal agencies*	*12,719*	*19,046*	*21,896*	*23,143*	*23,257*	*23,245*	*23,293*	*23,284*	*23,695*
3 Defense Department[1]	1,312	1,220	1,113	1,006	991	983	974	963	954
4 Export-Import Bank[2,3]	2,893	7,188	7,801	9,246	9,246	9,156	9,156	9,156	9,416
5 Federal Housing Administration[4]	440	564	575	583	585	581	599	602	607
6 Government National Mortgage Association participation certificates[5]	4,280	4,200	4,120	3,768	3,768	3,743	3,743	3,743	3,743
7 Postal Service[6]	721	1,750	2,998	2,431	2,431	2,431	2,431	2,431	2,431
8 Tennessee Valley Authority	3,070	3,915	5,185	5,785	5,905	6,015	6,045	6,045	6,195
9 United States Railway Association[6]	3	209	104	324	331	336	345	344	349
10 *Federally sponsored agencies*	*76,662*	*78,634*	*81,429*	*85,903*	*86,170*	*87,164*	*88,227*	*89,661*	*90,676*
11 Federal home loan banks	21,890	18,900	16,811	17,325	17,867	18,345	18,692	19,893	20,007
12 Federal Home Loan Mortgage Corporation	1,551	1,550	1,690	1,686	1,686	1,686	1,768	1,768	1,768
13 Federal National Mortgage Association	28,167	29,963	30,565	31,572	31,333	31,890	32,024	32,553	33,350
14 Federal land banks	12,653	15,000	17,127	19,118	19,118	19,118	19,498	19,350	19,350
15 Federal intermediate credit banks	8,589	9,254	10,494	11,623	11,421	11,174	11,103	10,958	10,881
16 Banks for cooperatives	3,589	3,655	4,330	4,052	4,208	4,434	4,625	4,622	4,728
17 Student Loan Marketing Association[7]	220	310	410	525	535	515	515	515	590
18 Other	3	2	2	2	2	2	2	2	2
MEMO ITEMS:									
19 **Federal Financing Bank debt[6,8]**	**4,474**	**17,154**	**28,711**	**36,722**	**37,095**	**38,580**	**39,522**	**40,605**	**42,169**
Lending to Federal and Federally sponsored agencies:									
20 Export-Import Bank[3]	....	4,595	5,208	5,924	5,924	5,834	5,834	5,834	6,094
21 Postal Service[6]	500	1,500	2,748	2,181	2,181	2,181	2,181	2,181	2,181
22 Student Loan Marketing Association[7]	220	310	410	525	535	515	515	515	590
23 Tennessee Valley Authority	895	1,840	3,110	3,960	4,080	4,190	4,220	4,220	4,370
24 United States Railway Association[6]	3	209	104	324	331	336	345	344	349
Other lending:[9]									
25 Farmers Home Administration	2,500	7,000	10,750	15,295	15,295	16,095	16,760	17,545	18,050
26 Rural Electrification Administration	....	566	1,415	2,467	2,535	2,647	2,809	2,947	3,124
27 Other	356	1,134	4,966	6,046	6,214	6,782	6,858	7,019	7,411

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	1975	1976	1977	1977 Oct.	1977 Nov.	1977 Dec.	1978 Jan.ʳ	1978 Feb.ʳ	1978 Mar.
1 **All issues, new and refunding** [1]	**30,607**	**35,313**	**46,769**	**3,816**	**3,338**	**3,655**	**3,288**	**2,728**	**4,538**
By type of issue:									
2 General obligation	16,020	18,040	18,042	1,521	982	1,372	1,875	1,018	1,408
3 Revenue	14,511	17,140	28,655	2,286	2,350	2,274	1,413	1,710	3,130
4 Housing Assistance Administration [2]	......	......	......	......	......	......	......	......	......
5 U.S. Govt. loans	76	133	72	9	6	9	......	......	......
By type of issuer:									
6 State	7,438	7,054	6,354	837	299	517	833	311	449
7 Special district and statutory authority	12,441	15,304	21,717	1,607	1,592	1,846	1,124	1,264	2,534
8 Municipalities, counties, townships, school districts	10,660	12,845	18,623	1,363	1,441	1,283	1,331	1,152	1,553
9 **Issues for new capital, total**	**29,495**	**32,108**	**36,189**	**3,082**	**2,514**	**2,343**	**2,907**	**1,990**	**3,023**
By use of proceeds:									
10 Education	4,689	4,900	5,076	352	381	348	560	414	345
11 Transportation	2,208	2,586	2,951	327	113	184	224	57	273
12 Utilities and conservation	7,209	9,594	8,119	402	474	525	484	365	933
13 Social welfare	4,392	6,566	8,274	1,069	691	659	855	509	680
14 Industrial aid	445	483	4,676	455	589	282	245	315	316
15 Other purposes	10,552	7,979	7,093	477	266	345	539	330	476

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	1977 Sept.	1977 Oct.	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.
1 **All issues** [1]	**53,619**	**53,488**	**54,205**	**4,177**	**4,221**	**5,331**	**6,531**	**3,013**	**2,657**
2 **Bonds**	**42,756**	**42,380**	**42,193**	**3,477**	**3,093**	**3,411**	**5,362**	**2,380**	**2,131**
By type of offering:									
3 Public	32,583	26,453	24,186	1,908	2,114	2,211	1,542	1,382	1,464
4 Private placement	10,172	15,927	18,007	1,569	979	1,200	3,820	998	667
By industry group:									
5 Manufacturing	16,980	13,264	12,510	795	648	726	2,375	268	716
6 Commercial and miscellaneous	2,750	4,372	5,887	672	571	546	753	280	87
7 Transportation	3,439	4,387	2,033	138	120	178	345	123	101
8 Public utility	9,658	8,297	8,261	1,023	854	851	476	284	205
9 Communication	3,464	2,787	3,059	319	8	288	189	519	9
10 Real estate and financial	6,469	9,274	10,438	530	892	821	1,223	907	1,012
11 **Stocks**	**10,863**	**11,108**	**12,013**	**700**	**1,128**	**1,920**	**1,169**	**633**	**526**
By type:									
12 Preferred	3,458	2,803	3,878	421	304	364	473	171	138
13 Common	7,405	8,305	8,135	279	824	1,556	696	462	388
By industry group:									
14 Manufacturing	1,670	2,237	1,265	38	83	56	166	5	......
15 Commercial and miscellaneous	1,470	1,183	1,838	86	325	122	124	138	91
16 Transportation	1	24	418	40	......	50	......	......	......
17 Public utility	6,235	6,121	6,058	478	583	878	604	360	260
18 Communication	1,002	776	1,379	3	......	725	110	......	25
19 Real estate and financial	488	771	1,054	55	137	88	165	130	150

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	1976	1977	1977 Oct.	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.	1978 Apr.
INVESTMENT COMPANIES excluding money market funds									
1 Sales of own shares[1]	4,226	6,401	542	511	557	638	451	613	625
2 Redemptions of own shares[2]	6,802	6,027	519	430	562	465	348	459	580
3 Net sales	−2,496	357	23	81	5	173	103	154	45
4 Assets[3]	47,537	45,049	43,435	45,050	45,049	43,000	42,747	r44,052	46,594
5 Cash position[4]	2,747	3,274	3,481	3,487	3,274	3,608	4,258	4,331	4,592
6 Other	44,790	41,775	39,954	41,563	41,775	39,392	38,489	39,721	42,002

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. Govt. 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	1976 Q2	1976 Q3	1976 Q4	1977 Q1	1977 Q2	1977 Q3	1977 Q4
1 Profits before tax	**123.5**	**156.9**	**171.7**	**159.2**	**159.9**	**154.8**	**161.7**	**174.0**	**172.8**	**178.3**
2 Profits tax liability	50.2	64.7	69.2	66.1	65.9	63.9	64.4	69.7	69.3	73.3
3 Profits after tax	73.3	92.2	102.5	93.1	94.0	90.9	97.3	104.3	103.5	105.0
4 Dividends	32.4	35.8	41.2	35.0	36.0	38.4	38.5	40.3	42.3	43.6
5 Undistributed profits	40.9	56.4	61.3	58.1	58.0	52.5	58.8	64.0	61.2	61.4
6 Capital consumption allowances	89.5	97.2	104.7	95.9	98.2	100.4	102.0	103.5	105.8	107.6
7 Net cash flow	130.4	153.6	166.0	154.0	156.2	152.9	160.8	167.5	167.0	169.0

SOURCE.—*Survey of Current Business* (U.S. Dept. of Commerce).

1.51 NONFINANCIAL CORPORATIONS Current Assets and Liabilities

Billions of dollars, end of period

Account	1972	1973	1974	1975	1976 Q2	1976 Q3	1976 Q4	1977 Q1	1977 Q2	1977 Q3
1 **Current assets**	**574.4**	**643.2**	**712.2**	**731.6**	**775.4**	**791.8**	**816.8**	**845.3**	**874.7**	**909.8**
2 Cash	57.5	61.6	62.7	68.1	70.8	71.1	77.0	75.0	77.9	79.1
3 U.S. Govt. securities	10.2	11.0	11.7	19.4	23.3	23.9	26.4	27.3	24.1	24.1
4 *Notes and accounts receivable*	*243.4*	*269.6*	*293.2*	*298.2*	*321.8*	*328.5*	*328.2*	*346.6*	*361.4*	*379.1*
5 U.S. Govt.[1]	3.4	3.5	3.5	3.6	3.7	4.3	4.3	4.7	4.8	5.3
6 Other	240.0	266.1	289.7	294.6	318.1	324.2	323.9	342.0	356.6	373.8
7 Inventories	215.2	246.7	288.0	285.8	295.6	302.1	315.4	322.1	332.5	343.1
8 Other	48.1	54.4	56.6	60.0	63.9	66.3	69.8	74.3	78.8	84.5
9 **Current liabilities**	**352.2**	**401.0**	**450.6**	**457.5**	**475.9**	**484.1**	**499.9**	**516.6**	**532.0**	**556.3**
10 *Notes and accounts payable*	*234.4*	*265.9*	*292.7*	*288.0*	*293.8*	*291.7*	*302.9*	*309.0*	*318.9*	*329.7*
11 U.S. Govt.[1]	4.0	4.3	5.2	6.4	6.8	7.0	7.0	6.8	5.7	6.2
12 Other	230.4	261.6	287.5	281.6	287.0	284.7	295.9	302.2	313.2	323.5
13 Accrued Federal income taxes	15.1	18.1	23.2	20.7	22.0	24.9	26.8	28.6	24.5	26.9
14 Other	102.6	117.0	134.8	148.8	160.1	167.5	170.2	179.0	188.6	199.7
15 **Net working capital**	**222.2**	**242.3**	**261.5**	**274.1**	**299.5**	**307.7**	**316.9**	**328.7**	**342.8**	**353.5**

1 Receivables from, and payables to, the U.S. Govt. exclude amounts offset against each other on corporations' books.

SOURCE.—Securities and Exchange Commission.

1.52 BUSINESS EXPENDITURES on New Plant and Equipment

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Industry	1976	1977	1976 Q3	1976 Q4	1977 Q1	1977 Q2	1977 Q3	1977 Q4	1978 Q1	1978 Q2[2]
1 **All industries**	**120.15**	**135.72**	**122.55**	**125.22**	**130.16**	**134.24**	**140.38**	**138.11**	**146.25**	**149.16**
Manufacturing										
2 Durable goods industries	23.57	27.75	24.59	25.50	26.30	27.26	29.23	28.19	29.81	31.01
3 Nondurable goods industries	28.70	32.33	30.20	28.93	30.13	32.19	33.79	33.22	33.18	34.81
Nonmanufacturing										
4 Mining	4.00	4.49	4.21	4.13	4.24	4.49	4.74	4.50	5.24	5.13
Transportation:										
5 Railroad	2.51	2.82	2.69	2.63	2.71	2.57	3.20	2.80	3.38	3.37
6 Air	1.29	1.63	1.12	1.41	1.62	1.43	1.69	1.76	2.42	2.04
7 Other	3.60	2.55	3.44	3.49	2.96	2.96	1.96	2.32	2.32	2.22
Public utilities:										
8 Electric	18.77	21.57	18.22	19.49	21.19	21.14	21.90	22.05	23.70	23.99
9 Gas and other	3.45	4.21	3.45	3.96	4.16	4.16	4.32	4.18	4.99	4.63
10 Communication	13.28	15.43	13.64	14.30	14.19	15.32	16.40	15.82	41.21	41.94
11 Commercial and other[1]	20.99	22.95	20.99	21.36	22.67	22.73	23.14	23.27		

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 Q1	1977 Q2	1977 Q3	1977 Q4	1978 Q1
ASSETS										
Accounts receivable, gross										
1 Consumer	31.9	35.4	36.1	36.0	38.6	39.2	40.7	42.3	44.0	44.5
2 Business	27.4	32.3	37.2	39.3	44.7	47.5	50.4	50.6	55.2	57.6
3 *Total*	*59.3*	*67.7*	*73.3*	*75.3*	*83.4*	*86.7*	*91.2*	*92.9*	*99.2*	*102.1*
4 LESS: Reserves for unearned income and losses	7.4	8.4	9.0	9.4	10.5	10.6	11.1	11.7	12.7	12.8
5 Accounts receivable, net	51.9	59.3	64.2	65.9	72.9	76.1	80.1	81.2	86.5	89.3
6 Cash and bank deposits	2.8	2.6	3.0	2.9	2.6	2.7	2.5	2.5	2.6	2.2
7 Securities	.9	.8	.4	1.0	1.1	1.0	1.2	1.8	.9	1.2
8 All other	10.0	10.6	12.0	11.8	12.6	13.0	13.7	14.2	14.3	15.0
9 **Total assets**	**65.6**	**73.2**	**79.6**	**81.6**	**89.2**	**92.8**	**97.5**	**99.6**	**104.3**	**107.7**
LIABILITIES										
10 Bank loans	5.6	7.2	9.7	8.0	6.3	6.1	5.7	5.4	5.9	5.8
11 Commercial paper	17.3	19.7	20.7	22.2	23.7	24.8	27.5	25.7	29.6	29.9
Debt:										
12 Short-term, n.e.c.	4.3	4.6	4.9	4.5	5.4	4.5	5.5	5.4	6.2	5.3
13 Long-term, n.e.c.	22.7	24.6	26.5	27.6	32.3	34.0	35.0	34.8	36.0	38.0
14 Other	4.8	5.6	5.5	6.8	8.1	9.5	9.4	13.7	11.5	12.9
15 Capital, surplus, and undivided profits	10.9	11.5	12.4	12.5	13.4	13.9	14.4	14.6	15.1	15.7
16 **Total liabilities and capital**	**65.6**	**73.2**	**79.6**	**81.6**	**89.2**	**92.8**	**97.5**	**99.6**	**104.3**	**107.7**

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 Mar. 31, 1978[1]	Changes in accounts receivable during— 1978 Jan.	Feb.	Mar.	Extensions 1978 Jan.	Feb.	Mar.	Repayments 1978 Jan.	Feb.	Mar.
1 **Total**	**57,620**	**777**	**461**	**810**	**12,707**	**13,468**	**14,318**	**11,930**	**13,007**	**13,508**
2 Retail automotive (commercial vehicles)	12,415	161	161	159	1,023	1,038	1,076	862	877	917
3 Wholesale automotive	12,956	285	86	273	5,141	5,436	5,951	4,856	5,350	5,678
4 Retail paper on business, industrial, and farm equipment	14,177	311	72	−112	1,004	1,258	981	693	1,186	1,093
5 Loans on commercial accounts receivable	3,971	−35	75	73	2,411	2,508	2,915	2,446	2,433	2,842
6 Factored commercial accounts receivable	2,300	−7	−2	34	1,591	1,694	1,666	1,598	1,696	1,632
7 All other business credit	11,801	62	69	383	1,537	1,534	1,729	1,475	1,465	1,346

1 Not seasonally adjusted.

1.53 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

	Item	1975	1976	1977	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.	1978 Apr.
		Terms and yields in primary and secondary markets								
	PRIMARY MARKETS									
	Conventional mortgages on new homes									
	Terms:[1]									
1	Purchase price (thous. dollars)	44.6	48.4	54.3	56.4	57.7	58.0	59.9	58.8	61.6
2	Amount of loan (thous. dollars)	33.3	35.9	40.5	42.0	42.6	43.3	44.0	43.5	45.1
3	Loan/price ratio (per cent)	74.7	74.2	76.3	76.5	75.5	76.4	75.3	75.5	76.1
4	Maturity (years)	26.8	27.2	27.9	28.2	28.0	28.3	27.3	27.4	28.4
5	Fees and charges (per cent of loan amount)[2]	1.54	1.44	1.33	1.38	1.32	1.41	1.32	1.37	1.44
6	Contract rate (per cent per annum)	8.75	8.76	8.80	8.85	8.87	8.93	8.96	9.03	9.07
	Yield (per cent per annum):									
7	FHLBB series[3]	9.01	8.99	9.01	9.07	9.09	9.15	9.18	9.26	9.30
8	HUD series[4]	9.10	8.99	8.95	9.05	9.10	9.15	9.25	9.30	9.40
	SECONDARY MARKETS									
	Yields (per cent per annum) on—									
9	FHA mortgages (HUD series)[5]	9.19	8.82	7.96	8.78	8.91	9.11	....	9.29	9.29
10	GNMA securities[6]	8.52	8.17	8.04	8.19	8.29	8.56	8.64	8.60	8.71
	FNMA auctions:[7]									
11	Government-underwritten loans	9.26	8.99	8.73	8.85	8.94	9.17	9.31	9.35	9.44
12	Conventional loans	9.37	9.11	8.98	9.16	9.19	9.32	9.49	9.61	9.72
		Activity in secondary markets								
	FEDERAL NATIONAL MORTGAGE ASSOCIATION									
	Mortgage holdings (end of period)									
13	Total	31,824	32,904	34,370	34,192	34,370	34,756	35,408	36,030	36,702
14	FHA-insured	19,732	18,916	18,457	18,535	18,457	18,500	18,664	18,759	19,792
15	VA-guaranteed	9,573	9,212	9,315	9,267	9,315	9,398	9,599	9,727	9,905
16	Conventional	2,519	4,776	6,597	6,389	6,597	6,858	7,146	7,543	7,846
	Mortgage transactions (during period)									
17	Purchases	4,263	3,606	4,780	352	497	636	879	891	937
18	Sales	2	86	67	....	....	5	....	4	....
	Mortgage commitments:[8]									
19	Contracted (during period)	6,106	6,247	9,729	975	1,333	1,810	1,942	1,563	2,119
20	Outstanding (end of period)	4,126	3,398	4,698	4,192	4,698	5,781	6,851	7,445	8,486
	Auction of 4-month commitments to buy—									
	Government-underwritten loans:									
21	Offered[9]	7,042.6	4,929.8	7,974.1	105.2	1,184.5	1,779.8	1,199.1	523.7	909.3
22	Accepted	3,848.3	2,787.2	4,846.2	152.7	794.0	970.9	623.1	334.9	529.2
	Conventional loans:									
23	Offered[9]	1,401.3	2,595.7	5,675.2	537.6	591.6	949.9	1,214.1	823.5	974.2
24	Accepted	765.0	1,879.2	3,917.8	386.3	359.4	449.6	566.0	512.5	578.1
	FEDERAL HOME LOAN MORTGAGE CORPORATION									
	Mortgage holdings (end of period)[10]									
25	Total	4,987	4,269	3,276	3,266	3,276	3,163	3,044	3,372	3,092
26	FHA/VA	1,824	1,618	1,395	1,406	1,395	1,382	1,381	1,388	1,373
27	Conventional	3,163	2,651	1,881	1,860	1,881	1,782	1,663	1,985	1,719
	Mortgage transactions (during period)									
28	Purchases	1,716	1,175	3,900	576	489	401	363	344	356
29	Sales	1,020	1,396	4,131	677	477	503	470	120	466
	Mortgage commitments:[11]									
30	Contracted (during period)	982	1,477	5,546	574	361	367	363	593	512
31	Outstanding (end of period)	111	333	1,063	1,233	1,063	961	1,021	1,233	1,346

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 Q2	1977 Q3	1977 Q4	1978 Q1[p]
1 **All holders**	**682,321**	**742,512**	**801,537**	**889,327**	**948,826**	**985,607**	**1,021,169**	**1,048,380**
2 1- to 4-family	416,211	449,371	490,761	556,557	600,262	627,770	652,405	671,050
3 Multifamily	93,132	99,976	100,601	104,516	107,094	108,957	111,286	113,137
4 Commercial	131,725	146,877	159,298	171,223	179,578	184,815	191,593	195,899
5 Farm	41,253	46,288	50,877	57,031	61,892	64,080	65,885	68,294
6 **Major financial institutions**	**505,400**	**542,560**	**581,193**	**647,650**	**690,340**	**717,365**	**742,763**	**761,276**
7 *Commercial banks*[1]	*119,068*	*132,105*	*136,186*	*151,326*	*162,778*	*170,378*	*176,678*	*181,178*
8 1- to 4-family	67,998	74,758	77,018	86,234	93,393	97,746	101,361	103,942
9 Multifamily	6,932	7,619	5,915	8,082	8,003	8,383	8,692	8,914
10 Commercial	38,696	43,679	46,882	50,289	54,038	56,565	58,657	60,151
11 Farm	5,442	6,049	6,371	6,721	7,344	7,684	7,968	8,171
12 *Mutual savings banks*	*73,230*	*74,920*	*77,249*	*81,639*	*84,076*	*86,079*	*88,104*	*89,687*
13 1- to 4-family	48,811	49,213	50,025	53,089	55,000	56,313	57,637	58,673
14 Multifamily	12,343	12,923	13,792	14,177	14,602	14,952	15,304	15,579
15 Commercial	12,012	12,722	13,373	14,313	14,422	14,762	15,110	15,381
16 Farm	64	62	59	60	52	52	53	54
17 *Savings and loan associations*	*231,733*	*249,301*	*278,590*	*323,130*	*350,632*	*366,838*	*381,216*	*392,438*
18 1- to 4-family	187,078	200,987	223,903	260,895	284,433	298,459	310,729	319,876
19 Multifamily	22,779	23,808	25,547	28,436	30,505	31,585	32,518	33,475
20 Commercial	21,876	24,506	29,140	33,799	35,694	36,794	37,969	39,087
21 *Life insurance companies*	*81,369*	*86,234*	*89,168*	*91,555*	*92,854*	*94,070*	*96,765*	*97,973*
22 1- to 4-family	20,426	19,026	17,590	16,088	15,418	15,022	14,727	14,427
23 Multifamily	18,451	19,625	19,629	19,178	18,891	18,831	18,807	18,857
24 Commercial	36,496	41,256	45,196	48,864	50,405	51,742	54,388	55,546
25 Farm	5,996	6,327	6,753	7,425	8,140	8,475	8,843	9,143
26 **Federal and related agencies**	**46,721**	**58,320**	**66,891**	66,753	**68,338**	**69,068**	**70,006**	**71,849**
27 *Government National Mortgage Assn.*	*4,029*	*4,846*	*7,438*	*4,241*	*3,912*	*3,599*	*3,660*	*3,342*
28 1- to 4-family	1,455	2,248	4,728	1,970	1,654	1,522	1,548	1,414
29 Multifamily	2,574	2,598	2,710	2,271	2,258	2,077	2,112	1,928
30 *Farmers Home Admin.*	*1,366*	*1,432*	*1,109*	*1,064*	*1,043*	*1,292*	*1,353*	*1,413*
31 1- to 4-family	743	759	208	454	410	548	626	654
32 Multifamily	29	167	215	218	97	192	275	287
33 Commercial	218	156	190	72	126	142	149	156
34 Farm	376	350	496	320	410	410	303	316
35 *Federal Housing and Veterans Admin.*	*3,476*	*4,015*	*4,970*	*5,150*	*5,259*	*5,130*	*5,212*	*5,212*
36 1- to 4-family	2,013	2,009	1,990	1,676	1,711	1,566	1,627	1,578
37 Multifamily	1,463	2,006	2,980	3,474	3,548	3,564	3,585	3,634
38 *Federal National Mortgage Assn.*	*24,175*	*29,578*	*31,824*	*32,904*	*33,918*	*34,148*	*34,369*	*36,029*
39 1- to 4-family	20,370	23,778	25,813	26,934	27,933	28,178	28,504	30,208
40 Multifamily	3,805	5,800	6,011	5,970	5,985	5,970	5,865	5,821
41 *Federal land banks*	*11,071*	*13,863*	*16,563*	*19,125*	*20,818*	*21,523*	*22,136*	*22,925*
42 1- to 4-family	123	406	549	601	628	649	670	691
43 Farm	10,948	13,457	16,014	18,524	20,190	20,874	21,466	22,234
44 *Federal Home Loan Mortgage Corp.*	*2,604*	*4,586*	*4,987*	*4,269*	*3,388*	*3,376*	*3,276*	*2,928*
45 1- to 4-family	2,446	4,217	4,588	3,889	2,901	2,818	2,738	2,447
46 Multifamily	158	369	399	380	487	558	538	481
47 **Mortgage pools or trusts**[2]	**18,040**	**23,799**	**34,138**	**49,801**	**58,748**	**64,667**	**70,289**	**73,557**
48 *Government National Mortgage Assn.*	*7,890*	*11,769*	*18,257*	*30,572*	*36,573*	*41,089*	*44,896*	*46,357*
49 1- to 4-family	7,561	11,249	17,538	29,583	35,467	39,865	43,555	44,906
50 Multifamily	329	520	719	989	1,106	1,224	1,341	1,451
51 *Federal Home Loan Mortgage Corp.*	*766*	*757*	*1,598*	*2,671*	*4,460*	*5,332*	*6,610*	*7,917*
52 1- to 4-family	617	608	1,349	2,282	3,938	4,642	5,621	6,733
53 Multifamily	149	149	249	389	522	690	989	1,184
54 *Farmers Home Admin.*	*9,384*	*11,273*	*14,283*	*16,558*	*17,715*	*18,426*	*18,783*	*19,283*
55 1- to 4-family	5,458	6,782	9,194	10,219	10,814	11,127	11,379	11,700
56 Multifamily	138	116	295	532	777	768	759	780
57 Commercial	1,124	1,473	1,948	2,440	2,680	2,824	2,945	3,024
58 Farm	2,664	2,902	2,846	3,367	3,444	3,527	3,682	3,779
59 **Individuals and others**[3]	**112,160**	**117,833**	**119,315**	**125,123**	**131,400**	**134,507**	**138,111**	**141,698**
60 1- to 4-family	51,112	53,331	56,268	62,643	66,592	69,315	71,665	73,801
61 Multifamily	23,982	24,276	22,140	20,420	20,313	20,163	20,501	20,746
62 Commercial	21,303	23,085	22,569	21,446	22,213	21,986	22,375	22,554
63 Farm	15,763	17,141	18,338	20,614	22,312	23,043	23,570	24,597

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 Govt. sources, with some quarters estimated in part by Federal Reserve in conjunction with the Federal Home Loan Bank Board and the Dept. 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 5 or more units.

1.55 CONSUMER INSTALMENT CREDIT Total Outstanding, and Net Change

Millions of dollars

	Holder, and type of credit	1975	1976	1977	1977 Oct.	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.	1978 Apr.
		Amounts outstanding (end of period)									
1	**Total**	**164,955**	**185,489**	**216,572**	**209,141**	**212,074**	**216,572**	**215,925**	**216,297**	**219,203**	**222,737**
	By holder:										
2	Commercial banks	78,667	89,511	105,291	102,504	103,469	105,291	105,466	105,663	107,166	109,336
3	Finance companies	35,994	38,639	44,015	42,704	43,322	44,015	43,970	44,107	44,486	45,182
4	Credit unions	25,666	30,546	37,036	35,993	36,488	37,036	36,851	37,217	38,185	38,750
5	Retailers[1]	18,002	19,052	21,082	18,961	19,629	21,082	20,525	20,060	19,920	19,941
6	Others[2]	6,626	7,741	9,149	8,978	9,166	9,149	9,114	9,250	9,446	9,528
	By type of credit:										
7	*Automobile*	*55,879*	*66,116*	*79,352*	*77,845*	*78,757*	*79,352*	*79,376*	*79,984*	*81,666*	*83,490*
8	Commercial banks	31,553	37,984	46,119	45,399	45,845	46,119	46,247	46,547	47,534	48,731
9	Indirect	18,353	21,176	25,370	24,972	25,228	25,370	25,476	25,696	26,327	27,049
10	Direct	13,200	16,808	20,749	20,427	20,616	20,749	20,771	20,851	21,207	21,682
11	Finance companies	11,155	12,489	14,263	13,998	14,205	14,263	14,260	14,374	14,577	14,921
12	Credit unions	12,741	15,163	18,385	17,867	18,113	18,385	18,293	18,475	18,955	19,239
13	Others	430	480	585	581	594	585	576	588	600	599
14	*Mobile homes*	*14,423*	*14,572*	*15,014*	*14,929*	*14,999*	*15,014*	*14,978*	*14,973*	*15,062*	*15,156*
15	Commercial banks	8,649	8,734	8,862	8,839	8,856	8,862	8,819	8,807	8,845	8,876
16	Finance companies	3,451	3,273	3,109	3,116	3,123	3,109	3,115	3,098	3,085	3,095
17	*Home improvement*	*9,405*	*10,990*	*12,952*	*12,703*	*12,879*	*12,952*	*12,904*	*12,968*	*13,162*	*13,375*
18	Commercial banks	4,965	5,554	6,473	6,377	6,447	6,473	6,445	6,436	6,479	6,598
	Revolving credit:										
19	Bank credit cards	9,501	11,351	14,262	12,829	13,096	14,262	14,369	14,174	14,142	14,345
20	Bank check credit	2,810	3,041	3,724	3,551	3,601	3,724	3,776	3,822	3,844	3,856
21	*All other*	*72,937*	*79,418*	*91,269*	*87,283*	*88,743*	*91,269*	*90,522*	*90,376*	*91,327*	*92,515*
22	Commercial banks, total	21,188	22,847	25,850	25,510	25,626	25,850	25,809	25,877	26,322	26,930
23	Personal loans	14,629	15,669	17,740	17,452	17,555	17,740	17,708	17,769	18,002	18,383
24	Finance companies, total	21,238	22,749	26,498	25,448	25,850	26,498	26,452	26,489	26,675	27,012
25	Personal loans	17,263	18,554	21,302	20,498	20,852	21,302	21,248	21,283	21,416	21,700
26	Credit unions	10,754	12,799	15,518	15,081	15,289	15,518	15,440	15,594	15,999	16,232
27	Retailers	18,002	19,052	21,082	18,961	19,629	21,082	20,525	20,060	19,920	19,941
28	Others	1,755	1,971	2,321	2,283	2,350	2,321	2,296	2,356	2,411	2,400
		Net change (during period)[3]									
29	**Total**	**7,504**	**20,533**	**31,090**	**2,626**	**2,853**	**2,736**	**2,424**	**2,661**	**4,068**	**3,719**
	By holder:										
30	Commercial banks	2,821	10,845	15,779	1,315	1,384	1,611	1,115	1,280	2,021	2,001
31	Finance companies	−90	2,644	5,376	487	543	500	460	418	662	781
32	Credit unions	3,771	4,880	6,490	469	566	641	495	603	836	699
33	Retailers[1]	69	1,050	2,032	280	184	−12	309	202	367	129
34	Others[2]	933	1,115	1,413	75	177	−3	44	158	182	109
	By type of credit:										
35	*Automobile*	*3,007*	*10,238*	*13,235*	*850*	*1,241*	*1,297*	*1,185*	*1,104*	*1,522*	*1,728*
36	Commercial banks	559	6,431	8,135	587	725	835	637	599	882	989
37	Indirect	−334	2,823	4,194	295	444	486	407	389	564	603
38	Direct	894	3,608	3,941	292	281	349	230	210	318	386
39	Finance companies	532	1,334	1,774	52	242	127	247	201	238	375
40	Credit unions	1,872	2,422	3,222	222	263	328	244	300	406	343
41	Other	44	50	105	−11	10	7	56	4	−4	21
42	*Mobile homes*	*−195*	*150*	*441*	*44*	*74*	*76*	*52*	*23*	*108*	*95*
43	Commercial banks	−323	85	128	15	23	60	2	2	46	28
44	Finance companies	−73	−177	−164	−11	4	−8	36	−9	2	11
45	*Home improvement*	*881*	*1,585*	*1,967*	*201*	*211*	*173*	*105*	*171*	*217*	*212*
46	Commercial banks	271	588	920	115	99	110	70	69	74	111
	Revolving credit:										
47	Bank credit cards	1,220	1,850	2,911	287	243	250	160	285	448	311
48	Bank check credit	14	231	683	57	27	46	65	87	120	56
49	*All other*	*2,577*	*6,479*	*11,853*	*1,188*	*1,057*	*895*	*857*	*991*	*1,653*	*1,317*
50	Commercial banks, total	1,080	1,659	3,003	254	267	310	180	238	451	506
51	Personal loans	858	1,040	2,070	142	183	235	81	167	263	333
52	Finance companies, total	−348	1,509	3,749	448	293	378	177	223	419	387
53	Personal loans	279	1,290	2,748	353	235	254	162	183	309	307
54	Credit unions	1,580	2,045	2,719	204	252	252	205	252	358	301
55	Retailers	69	1,050	2,032	280	184	−12	309	202	367	129
56	Others	196	217	350	2	61	−33	−15	76	58	−6

1 Excludes 30-day charge credit held by retailers, oil and gas companies, and travel and entertainment companies.
2 Mutual savings banks, savings and loan associations, and auto dealers.
3 Net change equals extensions minus liquidations (repayments, charge-offs, and other credits); figures for all months are seasonally adjusted.

NOTE.—Total consumer noninstalment credit outstanding—credit scheduled to be repaid in a lump sum, including single-payment loans, charge accounts, and service credit—amounted to $44.2 billion at the end of 1977, $38.7 billion at the end of 1976, $35.7 billion at the end of 1975, and $33.8 billion at the end of 1974. Comparable data for Dec. 31, 1978, will be published in the February 1979 BULLETIN.

1.56 CONSUMER INSTALMENT CREDIT Extensions and Liquidations

Millions of dollars

Holder, and type of credit	1975	1976	1977	1977			1978			
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
	Extensions[3]									
1 **Total**	**164,169**	**193,328**	**225,645**	**19,787**	**19,680**	**20,138**	**19,586**	**20,179**	**21,595**	**22,117**
By holder:										
2 Commercial banks	77,312	94,220	110,777	9,802	9,688	10,226	9,625	9,905	10,608	11,120
3 Finance companies	31,173	36,028	41,770	3,653	3,602	3,743	3,575	3,691	3,914	4,226
4 Credit unions	24,096	28,587	33,592	2,858	2,920	3,093	2,820	3,028	3,309	3,267
5 Retailers[1]	27,049	29,188	33,202	2,961	2,857	2,647	3,102	2,976	3,148	2,955
6 Others[2]	4,539	5,305	6,303	512	612	428	464	579	616	549
By type of credit:										
7 *Automobile*	*51,413*	*62,988*	*72,888*	*6,083*	*6,330*	*6,721*	*6,263*	*6,400*	*6,822*	*7,248*
8 Commercial banks	28,573	36,585	42,570	3,642	3,717	3,941	3,650	3,700	3,924	4,212
9 Indirect	15,766	19,882	22,904	1,976	2,076	2,153	2,026	2,065	2,173	2,347
10 Direct	12,807	16,704	19,666	1,666	1,641	1,788	1,624	1,635	1,751	1,865
11 Finance companies	9,674	11,209	12,635	989	1,097	1,143	1,088	1,080	1,173	1,314
12 Credit unions	12,683	14,675	17,041	1,414	1,458	1,581	1,421	1,565	1,679	1,654
13 Others	483	518	642	38	58	55	105	55	46	68
14 *Mobile homes*	*4,323*	*4,841*	*5,244*	*457*	*464*	*460*	*449*	*406*	*502*	*508*
15 Commercial banks	2,622	3,071	3,153	270	280	300	250	236	284	279
16 Finance companies	764	690	r651	61	54	60	101	62	74	85
17 *Home improvement*	*5,556*	*6,736*	*8,066*	*718*	*761*	*722*	*618*	*710*	*770*	*753*
18 Commercial banks	2,722	3,245	3,968	373	370	384	327	338	352	382
Revolving credit:										
19 Bank credit cards	20,428	25,862	31,761	2,973	2,828	2,973	2,948	3,143	3,231	3,255
20 Bank check credit	4,024	4,783	5,886	487	492	531	556	535	608	646
21 *All other*	*78,425*	*88,117*	*r101,801*	*9,067*	*8,804*	*8,731*	*8,751*	*8,985*	*9,662*	*9,707*
22 Commercial banks, total	18,944	20,673	23,439	2,056	2,001	2,096	1,893	1,953	2,209	2,346
23 Personal loans	13,386	14,480	16,828	1,463	1,434	1,518	1,338	1,405	1,537	1,669
24 Finance companies, total	20,657	24,087	r28,396	2,596	2,441	2,530	2,380	2,541	2,659	2,814
25 Personal loans	16,944	19,579	r22,348	2,044	1,914	1,975	1,851	1,989	2,105	2,226
26 Credit unions	10,134	12,340	14,604	1,282	1,285	1,326	1,236	1,288	1,429	1,431
27 Retailers	27,049	29,188	33,202	2,961	2,857	2,647	3,102	2,976	3,148	2,955
28 Others	1,642	1,830	2,160	172	221	131	138	227	217	161
	Liquidations[3]									
29 **Total**	**156,665**	**172,795**	**r194,555**	**17,160**	**16,826**	**17,402**	**17,162**	**17,518**	**17,527**	**18,398**
By holder:										
30 Commercial banks	74,491	83,376	94,998	8,487	8,305	8,615	8,509	8,625	8,587	9,119
31 Finance companies	31,263	33,384	r36,394	3,166	3,059	3,244	3,114	3,273	3,252	3,445
32 Credit unions	20,325	23,707	27,103	2,389	2,354	2,452	2,325	2,425	2,473	2,568
33 Retailers[1]	26,980	28,138	31,170	2,681	2,673	2,659	2,793	2,774	2,781	2,826
34 Others[2]	3,606	4,191	4,890	437	435	432	420	421	434	440
By type of credit:										
35 *Automobile*	*48,406*	*52,750*	*r59,652*	*5,234*	*5,089*	*5,424*	*5,078*	*5,296*	*5,300*	5,520
36 Commercial banks	28,014	30,154	34,435	3,055	2,991	3,106	3,013	3,101	3,042	3,223
37 Indirect	16,101	17,059	18,710	1,681	1,632	1,667	1,619	1,676	1,609	1,744
38 Direct	11,913	13,095	15,726	1,374	1,360	1,439	1,394	1,425	1,433	1,479
39 Finance companies	9,142	9,875	10,819	937	855	1,017	841	879	935	939
40 Credit unions	10,811	12,253	13,819	1,193	1,195	1,253	1,177	1,265	1,273	1,311
41 Others	439	468	536	49	48	48	48	51	50	47
42 *Mobile homes*	*4,517*	*4,691*	*r4,802*	*413*	*390*	*384*	*398*	*383*	*394*	*413*
43 Commercial banks	2,944	2,986	3,025	255	257	240	248	234	238	251
44 Finance companies	837	867	806	72	50	68	65	71	72	74
45 *Home improvement*	*4,675*	*5,151*	*6,098*	*517*	*550*	*549*	*514*	*539*	*553*	*541*
46 Commercial banks	2,451	2,657	3,048	257	272	274	257	269	278	271
Revolving credit:										
47 Bank credit cards	19,208	24,012	28,851	2,687	2,585	2,723	2,788	2,858	2,783	2,944
48 Bank check credit	4,010	4,552	5,202	430	466	485	491	448	488	590
49 *All other*	*75,849*	*81,638*	*89,948*	*7,880*	*7,747*	*7,836*	*7,894*	7,994	*8,009*	*8,390*
50 Commercial banks, total	17,864	19,014	20,436	1,802	1,734	1,786	1,713	1,715	1,758	1,840
51 Personal loans	12,528	13,439	14,757	1,321	1,250	1,284	1,258	1,238	1,274	1,336
52 Finance companies, total	21,005	22,578	r24,647	2,148	2,148	2,152	2,203	2,318	2,240	2,427
53 Personal loans	16,665	18,289	r19,600	1,692	1,678	1,722	1,688	1,806	1,796	1,919
54 Credit unions	8,554	10,295	11,884	1,078	1,033	1,075	1,031	1,036	1,071	1,130
55 Retailers	26,980	28,138	31,170	2,681	2,673	2,659	2,793	2,774	2,781	2,826
56 Others	1,446	1,613	1,811	170	159	165	153	151	159	167

1 Excludes 30-day charge credit held by retailers, oil and gas companies, and travel and entertainment companies.

2 Mutual savings banks, savings and loan associations, and auto dealers.

3 Monthly figures are seasonally adjusted.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS

Billions of dollars; half-year data are at seasonally adjusted annual rates.

	Transaction category, or sector	1974	1975	1976	1977	1975		1976		1977		
						H1	H2	H1	H2	H1	H2	
		Nonfinancial sectors										
1	**Total funds raised**	189.6	205.6	268.3	340.5	180.8	230.4	254.5	282.1	300.8	380.2	1
2	*Excluding equities*	185.8	195.5	257.8	336.4	170.3	220.8	241.1	274.4	297.6	375.1	2
	By sector and instrument:											
3	**U.S. Govt.**	11.8	85.4	69.0	56.8	79.6	91.2	73.1	64.9	40.3	73.2	3
4	Public debt securities	12.0	85.8	69.1	57.6	80.4	91.3	73.0	65.3	40.9	74.4	4
5	Agency issues and mortgages	−.2	−.4	−.1	−.9	−.8	−.1	.1	−.3	−.6	−1.2	5
6	**All other nonfinancial sectors**	177.8	120.2	199.2	283.7	101.1	139.2	181.4	217.1	260.5	307.0	6
7	Corporate equities	3.8	10.0	10.5	4.1	10.5	9.6	13.3	7.6	3.2	5.1	7
8	Debt instruments	174.0	110.1	188.8	279.6	90.7	129.6	168.0	209.5	257.3	301.9	8
9	**Private domestic nonfinancial sectors**	162.4	107.0	179.0	272.5	93.1	120.9	166.2	191.7	256.6	288.4	9
10	Corporate equities	4.1	9.9	10.5	3.7	10.3	9.5	13.3	7.7	2.5	4.9	10
11	*Debt instruments*	158.3	97.1	168.4	268.8	82.8	111.4	152.9	184.0	254.0	283.5	11
12	*Debt capital instruments*	98.7	95.8	122.7	179.6	93.8	97.8	111.7	133.7	159.4	199.8	12
13	State and local obligations	17.1	13.6	15.1	27.7	12.3	14.9	14.7	15.5	27.7	27.7	13
14	Corporate bonds	19.7	27.2	22.8	21.0	33.4	21.1	20.4	25.3	13.8	28.1	14
	Mortgages:											
15	Home	34.8	39.5	63.6	94.9	33.4	45.6	57.1	70.2	85.6	104.3	15
16	Multifamily residential	6.9	*	1.6	6.9	.4	−.4	.6	2.6	5.3	8.4	16
17	Commercial	15.1	11.0	13.4	20.3	9.4	12.6	13.9	12.9	17.9	22.6	17
18	Farm	5.0	4.6	6.1	8.8	5.1	4.0	5.0	7.3	9.0	8.7	18
19	*Other debt instruments*	59.6	1.3	45.7	89.2	−11.0	13.6	41.2	50.3	94.7	83.7	19
20	Consumer credit	10.2	9.4	23.6	35.0	2.2	16.6	22.9	24.2	35.6	34.5	20
21	Bank loans n.e.c.	29.1	−14.5	3.7	31.0	−20.9	−8.2	−.3	7.8	37.4	24.7	21
22	Open market paper	6.6	−2.6	4.0	3.6	−1.4	−3.8	6.4	1.6	5.7	1.5	22
23	Other	13.7	9.0	14.4	19.5	9.0	9.0	12.2	16.7	15.9	23.1	23
24	*By borrowing sector*	162.4	107.0	179.0	272.5	93.1	120.9	166.2	191.7	256.6	288.4	24
25	State and local governments	16.2	11.2	14.6	24.4	10.0	12.3	13.0	16.3	21.2	27.7	25
26	Households	49.2	48.6	89.8	138.1	37.3	59.9	83.9	95.6	129.7	146.5	26
27	Farm	7.9	8.7	11.0	14.7	8.7	8.8	10.6	11.6	16.6	12.8	27
28	Nonfarm noncorporate	7.4	2.0	5.2	11.9	−1.1	5.1	2.7	7.6	11.8	12.0	28
29	Corporate	81.8	36.6	58.3	83.4	38.3	34.8	56.1	60.5	77.3	89.5	29
30	**Foreign**	15.4	13.2	20.3	11.2	8.0	18.3	15.2	25.4	3.9	18.6	30
31	Corporate equities	−.2	.1	*	.4	.1	.1	*	−.1	.6	.2	31
32	*Debt instruments*	15.7	13.0	20.3	10.8	7.9	18.2	15.1	25.5	3.3	18.4	32
33	Bonds	2.1	6.2	8.4	5.0	5.7	6.8	7.3	9.5	4.3	5.6	33
34	Bank loans n.e.c.	4.7	3.7	6.7	1.1	−.4	7.8	3.4	10.0	−5.8	7.9	34
35	Open market paper	7.3	.3	1.9	1.9	−.8	1.4	1.5	2.4	1.6	2.1	35
36	U.S. Govt. loans	1.6	2.8	3.3	3.0	3.4	2.2	2.9	3.6	3.1	2.8	36
		Financial sectors										
37	**Total funds raised**	39.4	14.0	28.6	64.5	15.1	12.8	27.8	29.4	66.8	62.1	37
	By instrument:											
38	*U.S. Govt. related*	23.1	13.5	18.6	26.3	14.5	12.6	18.6	18.6	25.7	26.9	38
39	Sponsored credit agency securities	16.6	2.3	3.3	7.0	1.9	2.8	4.5	2.1	10.1	3.8	39
40	Mortgage pool securities	5.8	10.3	15.7	20.5	11.5	9.2	14.2	17.2	17.9	23.1	40
41	Loans from U.S. Govt.	.7	.9	−.4	−1.2	1.1	.6	*	−.7	−2.3	....	41
42	*Private financial sectors*	16.3	.4	10.0	38.2	.6	.2	9.1	10.8	41.2	35.2	42
43	Corporate equities	.3	*	.7	.1	.1	−.1	−.7	2.2	−.3	.5	43
44	*Debt instruments*	16.0	.4	9.2	38.1	.6	.3	9.8	8.6	41.5	34.7	44
45	Corporate bonds	2.1	2.9	5.8	9.0	2.3	3.5	7.0	4.5	9.7	8.2	45
46	Mortgages	−1.3	2.3	2.1	3.1	1.4	3.2	1.4	2.8	3.1	3.1	46
47	Bank loans n.e.c.	4.6	−3.6	−3.7	−.2	−4.7	−2.5	−3.0	−4.4	−2.7	2.4	47
48	Open market paper and Rp's	3.9	2.8	7.1	21.9	8.2	−2.6	6.1	8.1	27.9	15.8	48
49	Loans from FHLB's	6.7	−4.0	−2.0	4.3	−6.6	−1.3	−1.6	−2.4	3.5	5.2	49
	By sector:											
50	Sponsored credit agencies	17.3	3.2	2.9	5.8	3.0	3.4	4.5	1.4	7.8	3.8	50
51	Mortgage pools	5.8	10.3	15.7	20.5	11.5	9.2	14.2	17.2	17.9	23.1	51
52	*Private financial sectors*	16.3	.4	10.0	38.2	.6	.2	9.1	10.8	41.2	35.2	52
53	Commercial banks	−1.1	1.7	7.4	11.8	5.7	−2.3	9.0	5.9	15.9	7.7	53
54	Bank affiliates	3.5	.3	−.8	1.3	.9	−.3	−1.3	−.3	1.3	1.2	54
55	Savings and loan associations	6.3	−2.2	*	11.9	−6.8	2.3	.5	−.5	11.0	12.7	55
56	Other insurance companies	.9	1.0	1.0	1.0	.9	1.0	1.0	1.0	1.0	1.0	56
57	Finance companies	4.5	.5	6.4	16.2	−1.4	2.4	5.7	7.1	16.7	15.6	57
58	REIT's	.6	−2.0	−2.8	−2.7	−2.0	−1.9	−2.5	−3.0	−2.8	−2.6	58
59	Open-end investment companies	−.7	−.1	−1.0	−1.3	.7	−.9	−2.5	.5	−1.4	−1.1	59
60	Money market funds	2.4	1.3	−.3	.1	2.6	*	−.7	.2	−.5	.8	60
		All sectors										
61	**Total funds raised, by instrument**	229.0	219.5	296.8	405.0	195.9	243.2	282.2	311.4	367.6	442.4	61
62	Investment company shares	−.7	−.1	−1.0	−1.3	.7	−.9	−2.5	.5	−1.4	−1.1	62
63	Other corporate equities	4.8	10.2	12.2	5.5	9.8	10.5	15.1	9.3	4.3	6.7	63
64	*Debt instruments*	224.9	209.5	285.6	400.7	185.4	233.6	269.6	301.6	364.8	436.7	64
65	U.S. Govt. securities	34.3	98.2	88.1	84.3	93.1	103.2	91.9	84.3	68.4	100.2	65
66	State and local obligations	17.1	13.6	15.1	27.7	12.3	14.9	14.7	15.5	27.7	27.7	66
67	Corporate and foreign bonds	23.9	36.3	37.0	34.9	41.3	31.3	34.7	39.3	27.8	42.0	67
68	Mortgages	60.5	57.2	86.8	133.9	49.5	65.0	77.9	95.7	120.8	147.0	68
69	Consumer credit	10.2	9.4	23.6	35.0	2.2	16.6	22.9	24.2	35.6	34.5	69
70	Bank loans n.e.c.	38.4	−14.4	6.7	32.0	−25.9	−2.9	.1	13.4	28.9	35.0	70
71	Open market paper and Rp's	17.8	.5	13.0	27.3	6.1	−5.0	14.0	12.0	35.2	19.4	71
72	Other loans	22.7	8.7	15.3	25.6	6.9	10.5	13.4	17.2	20.2	31.0	72

1.58 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

Billions of dollars, except as noted; half-year data are at seasonally adjusted annual rates.

	Transaction category, or sector	1974	1975	1976	1977	1975 H1	1975 H2	1976 H1	1976 H2	1977 H1	1977 H2	
1	**Total funds advanced in credit markets to nonfinancial sectors**	**185.8**	**195.5**	**257.8**	**336.4**	**170.3**	**220.8**	**241.1**	**274.4**	**297.6**	**375.1**	1
	By public agencies and foreign:											
2	*Total net advances*	*52.7*	*44.3*	*54.6*	*85.7*	*55.0*	*33.6*	*53.2*	*56.0*	*73.6*	*97.9*	2
3	U.S. Govt. securities	11.9	22.5	26.8	40.2	33.4	11.6	27.1	26.5	30.6	49.8	3
4	Residential mortgages	14.7	16.2	12.8	20.4	16.9	15.5	12.1	13.5	20.1	20.8	4
5	FHLB advances to S&L's	6.7	−4.0	−2.0	4.3	−6.6	−1.3	−1.6	−2.4	3.5	5.2	5
6	Other loans and securities	19.5	9.5	16.9	20.8	11.3	7.8	15.6	18.3	19.5	22.1	6
	Totals advanced, by sector											
7	U.S. Govt.	9.8	15.1	8.9	12.1	15.9	14.3	6.4	11.4	6.1	18.2	7
8	Sponsored credit agencies	25.6	14.5	20.6	26.9	16.5	12.6	20.7	20.6	27.5	26.4	8
9	Monetary authorities	6.2	8.5	9.8	7.1	7.6	9.5	14.5	5.2	11.6	2.7	9
10	Foreign	11.2	6.1	15.2	39.5	15.0	−2.7	11.6	18.8	28.5	50.6	10
11	Agency borrowing not included in line 1	23.1	13.5	18.6	26.3	14.5	12.6	18.6	18.6	25.7	26.9	11
	Private domestic funds advanced											
12	*Total net advances*	*156.1*	*164.8*	*221.8*	*276.9*	*129.8*	*199.7*	*206.6*	*237.0*	*249.7*	*304.2*	12
13	U.S. Govt. securities	22.4	75.7	61.3	44.1	59.7	91.6	64.8	57.8	37.9	50.4	13
14	State and local obligations	17.1	13.6	15.1	27.7	12.3	14.9	14.7	15.5	27.7	27.7	14
15	Corporate and foreign bonds	20.9	32.8	30.3	22.3	38.8	26.8	26.8	33.9	15.1	29.5	15
16	Residential mortgages	26.9	23.2	52.4	81.3	16.7	29.6	45.5	59.2	70.7	91.8	16
17	Other mortgages and loans	75.4	15.6	60.8	105.9	−4.3	35.5	53.2	68.3	101.7	110.0	17
18	LESS: FHLB advances	6.7	−4.0	−2.0	4.3	−6.6	−1.3	−1.6	−2.4	3.5	5.2	18
	Private financial intermediation											
19	*Credit market funds advanced by private financial institutions*	*126.3*	*119.9*	*187.2*	*249.0*	*99.8*	*140.0*	*167.6*	*206.8*	*235.5*	*262.5*	19
20	Commercial banking	64.6	27.6	58.0	85.5	14.4	40.7	44.5	71.5	80.6	90.5	20
21	Savings institutions	26.9	52.0	71.7	85.8	48.5	55.4	71.8	71.7	83.9	87.7	21
22	Insurance and pension funds	30.0	41.5	47.6	60.8	38.3	44.7	47.8	47.3	57.7	63.9	22
23	Other finance	4.7	−1.1	9.9	16.8	−1.4	−.7	3.4	16.3	13.3	20.3	23
24	*Sources of funds*	*126.3*	*119.9*	*187.2*	*249.0*	*99.8*	*140.0*	*167.6*	*206.8*	*235.5*	*262.5*	24
25	Private domestic deposits	69.4	90.9	122.8	134.8	90.3	91.5	106.1	139.5	120.9	148.7	25
26	Credit market borrowing	16.0	.4	9.2	38.1	.6	.3	9.8	8.6	41.5	34.7	26
27	*Other sources*	*40.9*	*28.6*	*55.1*	*76.1*	*9.0*	*48.2*	*51.7*	*58.7*	*73.1*	*79.1*	27
28	Foreign funds	14.5	−.4	3.1	3.4	−5.6	4.8	−2.6	8.8	−3.1	9.8	28
29	Treasury balances	−5.1	−1.7	−.1	4.3	−3.5	.1	2.9	−3.1	−1.1	9.7	29
30	Insurance and pension reserves	26.0	29.0	35.8	50.1	26.4	31.5	35.1	36.5	47.2	53.0	30
31	Other, net	5.4	1.7	16.4	18.4	−8.3	11.7	16.2	16.6	30.2	6.6	31
	Private domestic nonfinancial investors											
32	*Direct lending in credit markets*	*45.9*	*45.3*	*43.8*	*66.0*	*30.6*	*60.0*	*48.8*	*38.8*	*55.7*	*76.4*	32
33	U.S. Govt. securities	18.2	22.2	19.4	22.0	6.0	38.4	22.6	16.1	10.9	33.0	33
34	State and local obligations	10.0	6.3	4.7	8.2	7.2	5.5	3.9	5.5	6.5	9.9	34
35	Corporate and foreign bonds	4.7	8.2	4.0	1.5	10.8	5.6	4.9	3.1	2.0	1.0	35
36	Commercial paper	4.8	3.1	4.0	18.1	1.5	4.7	6.7	1.3	20.0	16.1	36
37	Other	8.2	5.5	11.8	16.3	5.1	6.0	10.8	12.8	16.2	16.4	37
38	*Deposits and currency*	*75.7*	*97.1*	*130.1*	*143.1*	*96.0*	*98.2*	*111.0*	*149.3*	*125.1*	*161.0*	38
39	*Time and savings accounts*	*66.7*	*84.8*	*113.0*	*121.4*	*73.0*	*96.5*	*98.3*	*127.6*	*105.2*	*137.5*	39
40	Large negotiable CD's	18.8	−14.0	−14.2	9.5	−27.8	−.2	−18.0	−10.4	−4.4	23.4	40
41	Other at commercial banks	26.1	39.4	58.1	42.2	39.3	39.4	50.2	66.0	42.2	42.3	41
42	At savings institutions	21.8	59.4	69.1	69.6	61.5	57.4	66.1	72.1	67.4	71.9	42
43	*Money*	*8.9*	*12.3*	*17.2*	*21.7*	*23.0*	*1.7*	*12.7*	*21.6*	*19.9*	*23.5*	43
44	Demand deposits	2.6	6.1	9.9	13.4	17.3	−5.0	7.8	11.9	15.7	11.2	44
45	Currency	6.3	6.2	7.3	8.3	5.7	6.7	4.9	9.8	4.3	12.3	45
46	**Total of credit market instruments, deposits and currency**	**121.5**	**142.4**	**174.0**	**209.1**	**126.6**	**158.2**	**159.8**	**188.1**	**180.8**	**237.4**	46
47	Public support rate (in per cent)	28.4	22.7	21.2	25.5	32.3	15.2	22.1	20.4	24.7	26.1	47
48	Private financial intermediation (in per cent)	80.9	72.8	84.4	89.9	76.9	70.1	81.1	87.3	94.3	86.3	48
49	Total foreign funds	25.7	5.8	18.3	42.9	9.4	2.1	9.0	27.6	25.4	60.4	49
	MEMO: Corporate equities not included above											
50	Total net issues	**4.1**	**10.0**	**11.2**	**4.2**	**10.5**	**9.5**	**12.6**	**9.8**	**2.8**	**5.6**	50
51	Mutual fund shares	−.7	−.1	−1.0	−1.3	.7	−.9	−2.5	.5	−1.4	−1.1	51
52	Other equities	4.8	10.2	12.2	5.5	9.8	10.5	15.1	9.3	4.3	6.7	52
53	Acquisitions by financial institutions	5.8	9.4	12.3	5.9	10.7	8.1	12.6	12.0	4.6	7.3	53
54	Other net purchases	−1.6	.6	−1.1	−1.7	−.2	1.4	*	−2.2	−1.7	−1.7	54

NOTES BY LINE NO.

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. Lines 39 plus 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. Lines 10 plus 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	1975	1976	1977	1977 Oct.	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.	1978 Apr.[p]	1978 May[e]
1 Industrial production	**117.8**	**129.8**	**137.0**	**138.9**	**139.3**	**139.7**	**138.8**	**139.2**	**140.9**	**142.9**	**143.7**
Market groupings:											
2 *Products, total*	*119.3*	*129.3*	*137.1*	*138.9*	*139.5*	*140.3*	*138.5*	*139.6*	*141.5*	*142.8*	*143.1*
3 Final, total	118.2	127.2	134.9	136.5	137.0	137.6	134.9	136.4	138.7	140.0	140.2
4 Consumer goods	124.0	136.2	143.4	144.9	145.2	145.8	141.8	r143.8	146.0	147.3	147.3
5 Equipment	110.2	114.6	123.2	125.0	125.8	126.2	125.4	r126.2	129.0	130.1	130.6
6 Intermediate	123.1	137.2	145.1	147.8	148.4	150.4	151.6	r151.4	151.9	152.6	153.5
7 Materials	115.5	130.6	136.9	138.9	139.0	138.8	139.2	138.6	140.0	143.1	144.6
Industry groupings:											
8 Manufacturing	116.3	129.5	137.1	139.4	139.9	140.5	138.7	r139.4	141.4	143.0	143.8
Capacity utilization (per cent)[1] in—											
9 Manufacturing	73.6	80.2	82.4	82.9	82.9	83.0	81.7	r81.9	82.7	83.4	83.6
10 Industrial materials industries	73.6	80.4	81.9	82.4	82.3	81.9	81.9	r81.3	82.0	83.6	84.2
11 Construction contracts[2]	162.3	190.2	253.0	244.0	258.0	299.0	270.0	266.0	254.0	270.0	......
12 Nonagricultural employment, total[3]	**117.0**	**120.6**	**124.7**	**125.9**	**126.4**	**126.7**	**127.1**	**127.6**	**128.4**	**129.3**	**129.6**
13 Goods-producing, total	97.1	100.3	104.1	105.0	105.4	105.4	105.7	106.3	107.2	108.9	109.1
14 Manufacturing, total	94.3	97.5	100.6	101.1	101.4	102.2	102.7	103.2	103.7	103.9	104.1
15 Manufacturing, production-worker	91.3	95.2	98.3	98.8	99.1	100.0	100.7	101.3	101.7	102.0	102.0
16 Service-producing	127.8	131.7	136.0	137.3	137.9	138.3	138.8	139.3	140.0	140.5	140.8
17 Personal income, total[4]	**200.0**	**220.7**	**245.1**	**252.8**	**255.7**	**259.0**	**259.4**	**260.9**	**264.4**	**267.8**	**270.2**
18 Wages and salary disbursements	188.5	208.6	231.5	239.1	240.9	242.2	244.7	246.8	251.2	255.3	256.8
19 Manufacturing	157.3	177.7	199.3	205.3	206.9	209.7	211.3	214.5	219.5	221.0	222.1
20 Disposable personal income	199.2	217.8	239.0	......	245.3	......	......	263.3	......	......	......
21 Retail sales[5]	184.6	203.5	224.4	232.2	235.3	237.1	228.8	235.6	239.5	244.1	243.7
Prices:[6]											
22 Consumer[7]	161.2	170.5	181.6	184.5	185.4	186.1	187.2	188.4	189.8	191.5	......
23 Wholesale	174.9	183.0	194.2	196.3	197.0	198.2	199.9	202.0	203.8	206.4	207.9

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 Based on data in *Employment and Earnings* (U.S. Dept. of Labor). Series covers employees only, excluding personnel in the Armed Forces.

4 Based on data in *Survey of Current Business* (U.S. Dept. of Commerce). Series for disposable income is quarterly.

5 Based on Bureau of Census data published in *Survey of Current Business* (U.S. Dept. of Commerce).

6 Data without seasonal adjustment, as published in *Monthly Labor Review* (U.S. Dept. of Labor). Seasonally adjusted data for changes in the price indexes may be obtained from the Bureau of Labor Statistics, U.S. Dept. of Labor.

7 Beginning Jan. 1978, based on new index for all urban consumers.

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. Dept. of Commerce).

Figures for industrial production for the last 2 months are preliminary and estimated, respectively.

2.11 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION

Seasonally adjusted

Series	Output (1967 = 100) 1977 Q2	1977 Q3	1977 Q4	1978 Q1[r]	Capacity (per cent of 1967 output) 1977 Q2	1977 Q3	1977 Q4	1978 Q1	Utilization rate (per cent) 1977 Q2	1977 Q3	1977 Q4	1978 Q1[r]
1 Manufacturing	**136.9**	**138.7**	**139.9**	**139.8**	**165.6**	**167.1**	**168.7**	**170.3**	**82.7**	**83.0**	**82.9**	**82.1**
2 Primary processing	146.3	147.3	148.2	148.2	171.8	173.5	175.1	176.8	85.1	84.9	84.6	83.9
3 Advanced processing	132.0	129.3	135.6	135.4	162.2	163.8	165.3	166.9	81.4	81.9	82.0	81.1
4 Materials	**137.7**	**138.1**	**138.9**	**139.3**	**166.6**	**167.8**	**168.9**	**170.4**	**82.6**	**82.3**	**82.2**	**81.7**
5 Durable goods	135.1	136.0	137.7	138.0	170.3	171.6	172.8	174.0	79.4	79.2	79.6	79.3
6 Basic metal	116.4	109.4	109.4	110.5	145.1	145.3	145.5	145.8	80.2	75.3	75.2	75.8
7 Nondurable goods	154.6	154.4	155.0	157.9	177.2	178.8	180.4	182.3	87.2	86.3	85.9	86.6
8 Textile, paper, and chemical	159.9	159.2	159.5	163.0	185.4	187.1	188.9	190.8	86.3	85.1	84.5	85.4
9 Textile	110.9	112.3	117.9	115.2	141.9	142.5	143.0	143.5	78.1	78.8	82.4	80.3
10 Paper	134.3	135.1	132.3	136.5	150.1	151.3	152.5	153.6	89.5	89.3	86.7	88.9
11 Chemical	191.8	189.5	188.9	194.8	218.7	221.2	223.6	226.6	87.7	85.7	84.5	86.0
12 Energy	122.6	123.4	121.9	119.3	144.7	145.2	145.7	147.2	84.8	85.0	83.7	81.0

2.12 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data are seasonally adjusted. Exceptions noted.

Category	1975	1976	1977	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.	1978 Apr.	1978 May[p]
	Household survey data									
1 Noninstitutional population[1]	153,449	156,048	158,559	159,522	159,736	159,937	160,128	160,313	160,504	160,713
2 Labor force (including Armed Forces)[1]	94,793	96,917	99,534	101,009	101,048	101,228	101,217	101,536	101,902	102,374
3 Civilian labor force	92,613	94,773	97,401	98,877	98,919	99,107	99,093	99,414	99,784	100,261
Employment:										
4 Nonagricultural industries[2]	81,403	84,188	87,302	88,857	89,286	89,527	89,761	89,956	90,526	90,877
5 Agriculture	3,380	3,297	3,244	3,357	3,323	3,354	3,242	3,310	3,275	3,235
Unemployment:										
6 Number	7,830	7,288	6,855	6,663	6,310	6,226	6,090	6,148	5,983	6,149
7 *Rate (per cent of civilian labor force)*	*8.5*	*7.7*	*7.0*	*6.7*	*6.4*	*6.3*	*6.1*	*6.2*	*6.0*	*6.1*
8 Not in labor force	58,655	59,130	59,025	58,512	58,688	58,709	58,911	58,776	58,602	58,340
	Establishment survey data									
9 Nonagricultural payroll employment[3]	17,051	79,443	82,142	83,245	83,429	83,719	84,046	r84,555	85,170	85,345
10 Manufacturing	18,347	18,956	19,555	19,715	19,868	19,972	20,075	r20,164	20,209	20,235
11 Mining	745	783	831	863	711	705	24,733	r24,945	25,331	25,382
12 Contract construction	3,512	3,594	3,845	3,950	3,947	3,916	711	r728	896	902
13 Transportation and public utilities	4,498	4,509	4,589	4,634	4,652	4,628	4,651	r4,672	4,708	4,706
14 Trade	17,000	17,694	18,291	18,512	18,610	18,744	18,744	r18,849	18,876	18,933
15 Finance	4,223	4,316	4,508	4,597	4,611	4,630	4,647	r4,670	4,687	4,711
16 Service	14,006	14,644	15,333	15,608	15,663	15,693	15,791	r15,875	15,954	15,991
17 Government	14,720	14,948	15,190	15,366	15,367	15,431	15,480	r15,544	15,614	15,622

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).

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value

Monthly data are seasonally adjusted.

Grouping	1967 proportion	1977 average	1977 Mar.	1977 Apr.	1977 May	1977 Oct.	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.[r]	1978 Mar.	1978 Apr.[p]	1978 May[e]
	Index (1967 = 100)												
MAJOR MARKET													
1 **Total index**	**100.00**	**137.1**	**135.3**	**136.1**	**137.0**	**138.9**	**139.3**	**139.7**	**138.8**	**139.2**	**140.9**	**142.9**	**143.7**
2 **Products**	**60.71**	**137.1**	**135.1**	**135.8**	**136.5**	**138.9**	**139.5**	**140.3**	**138.5**	**139.6**	**141.5**	**142.8**	**143.1**
3 *Final products*	*47.82*	*134.9*	*133.3*	*134.1*	*134.7*	*136.5*	*137.0*	*137.6*	*134.9*	*136.4*	*138.7*	*140.0*	*140.2*
4 Consumer goods	27.68	143.4	142.9	142.9	143.1	144.9	145.2	145.8	141.8	143.8	146.0	147.3	147.3
5 Equipment	20.14	123.2	120.0	122.1	123.2	125.0	125.8	126.2	125.4	126.2	129.0	130.1	130.6
6 Intermediate products	12.89	145.1	141.8	142.3	143.5	147.8	148.4	150.4	151.6	151.4	151.9	152.6	153.5
7 **Materials**	**39.29**	**136.9**	**135.5**	**136.5**	**137.8**	**138.9**	**139.0**	**138.8**	**139.2**	**138.6**	**140.0**	**143.1**	**144.6**
Consumer goods													
8 *Durable consumer goods*	*7.89*	*153.1*	*152.4*	*151.5*	*152.2*	*156.8*	*155.2*	*155.8*	*146.5*	*151.2*	*157.6*	*161.8*	*160.3*
9 Automotive products	2.83	174.2	178.3	173.9	172.8	179.4	173.6	172.4	157.5	162.8	175.9	184.1	178.3
10 Autos and utility vehicles	2.03	169.2	176.1	171.2	167.4	176.1	167.6	165.5	145.5	153.9	171.0	183.0	174.0
11 Autos	1.90	148.4	155.8	150.6	148.5	154.3	147.5	143.6	127.4	131.5	149.7	159.1	151.4
12 Auto parts and allied goods	.80	186.8	184.1	181.3	186.6	187.6	188.7	190.4	187.8	185.3	188.5	187.2	189.0
13 Home goods	5.06	141.3	137.9	138.8	140.6	144.2	145.0	146.6	140.3	144.6	147.3	149.2	150.2
14 Appliances, A/C, and TV	1.40	127.3	124.1	126.4	131.0	128.6	131.4	132.8	116.1	133.3	135.5	142.1	142.8
15 Appliances and TV	1.33	130.5	126.5	129.9	134.8	131.6	133.0	134.6	117.4	135.7	137.9	144.7	......
16 Carpeting and furniture	1.07	152.2	144.6	145.0	147.3	160.5	160.0	161.5	159.1	160.2	159.3	158.2	......
17 Misc. home goods	2.59	144.3	142.7	143.0	143.1	145.8	146.3	147.7	145.9	144.3	148.7	149.2	150.0
18 *Nondurable consumer goods*	*19.79*	*139.6*	*139.1*	*139.4*	*139.5*	*140.1*	*141.2*	*141.8*	*139.9*	*140.8*	*141.4*	*141.6*	*142.3*
19 Clothing	4.29	125.2	123.9	124.4	125.5	128.0	126.4	126.9	118.3	121.1	122.8	......	......
20 Consumer staples	15.50	143.6	143.3	143.6	143.4	143.5	145.3	145.9	145.9	146.3	146.5	148.4	146.8
21 Consumer foods and tobacco	8.33	135.5	136.0	136.1	135.0	135.2	136.7	137.9	136.5	138.3	138.8	139.1	......
22 Nonfood staples	7.17	152.9	151.8	152.5	153.2	153.4	155.1	155.2	156.6	155.8	155.5	155.1	155.7
23 Consumer chemical products	2.63	180.5	175.9	178.1	180.8	183.7	186.9	186.5	187.4	184.3	182.1	183.5	......
24 Consumer paper products	1.92	117.1	117.4	116.6	118.4	117.6	118.5	119.8	121.4	118.8	119.4	118.0	......
25 Consumer energy products	2.62	151.4	152.8	153.0	150.8	149.1	149.9	149.7	151.5	154.5	155.2	153.8	......
26 Residential utilities	1.45	159.0	157.4	158.5	157.1	155.8	155.6	158.5	161.7	167.6	166.9	......	......
Equipment													
27 *Business equipment*	*12.63*	*149.2*	*144.8*	*147.1*	*148.9*	*152.6*	*153.5*	*154.0*	*152.6*	*154.2*	*157.4*	*159.0*	*159.9*
28 Industrial equipment	6.77	138.5	134.4	136.3	138.4	141.8	142.6	143.0	144.3	144.6	146.9	148.1	149.1
29 Building and mining equipment	1.44	202.5	197.9	200.5	205.3	205.7	206.7	208.3	211.1	214.9	221.7	225.1	226.2
30 Manufacturing equipment	3.85	113.9	109.0	112.0	112.8	118.5	118.7	118.2	118.8	117.7	118.3	119.2	120.0
31 Power equipment	1.47	140.2	138.3	136.7	139.9	139.8	142.1	143.7	146.1	145.8	148.8	148.1	149.4
32 Commercial transit, farm equipment	5.86	161.6	156.9	159.5	161.2	165.1	165.9	166.9	162.2	165.5	169.4	171.7	172.1
33 Commerical equipment	3.26	191.6	186.1	189.7	191.1	195.4	197.4	198.8	198.5	200.9	202.0	204.3	204.9
34 Transit equipment	1.93	117.8	113.0	115.2	116.5	122.3	118.9	121.1	111.1	115.9	126.1	129.3	129.7
35 Farm equipment	.67	142.3	141.8	141.0	144.4	142.1	147.8	144.5	131.4	134.8	137.0	134.3	......
36 *Defense and space equipment*	*7.51*	*79.6*	*78.5*	*79.9*	*80.0*	*78.9*	*79.3*	*79.5*	*79.7*	*79.2*	*81.5*	*81.5*	*81.5*
Intermediate products													
37 Construction supplies	6.42	140.8	136.4	137.2	138.7	144.9	146.5	148.3	149.2	148.6	148.4	148.8	149.5
38 Business supplies	6.47	149.5	147.3	147.5	148.4	150.5	150.1	152.6	153.8	154.2	155.4	156.5	......
39 Commercial energy products	1.14	164.6	163.6	164.6	165.8	163.0	160.9	165.6	165.5	165.6	166.3	168.6	......
Materials													
40 *Durable goods materials*	*20.35*	*134.5*	*131.9*	*133.8*	*135.2*	*137.1*	*137.2*	*138.7*	*138.2*	*137.0*	*138.7*	*141.9*	*143.5*
41 Durable consumer parts	4.58	132.0	126.8	129.4	132.0	135.4	136.5	135.7	133.0	131.1	133.4	136.9	137.9
42 Equipment parts	5.44	143.1	137.8	140.7	141.7	147.6	147.2	149.2	148.7	146.6	151.3	153.1	155.0
43 Durable materials n.e.c.	10.34	131.1	131.1	132.2	133.2	132.4	132.3	134.3	134.9	134.6	134.5	138.2	140.2
44 Basic metal materials	5.57	110.9	113.6	115.0	117.8	110.0	107.9	110.3	110.2	111.0	110.4	116.2	......
45 *Nondurable goods materials*	*10.47*	*153.5*	*153.3*	*153.7*	*155.4*	*154.4*	*155.4*	*155.3*	*155.0*	*158.5*	*160.3*	*161.5*	*162.3*
46 Textile, paper, and chem. mat.	7.62	158.3	158.4	159.0	160.7	160.0	159.3	159.3	160.7	162.8	165.4	166.6	167.1
47 Textile materials	1.85	113.0	113.2	111.8	111.8	118.5	117.8	117.3	114.9	115.8	114.9	115.9	......
48 Paper materials	1.62	133.5	133.9	132.2	136.2	134.4	132.2	130.2	135.0	136.8	137.8	139.2	......
49 Chemical materials	4.15	188.2	188.0	190.6	192.2	188.5	188.6	189.5	191.4	194.2	198.8	199.8	......
50 Containers, nondurable	1.70	150.9	148.9	148.5	152.3	148.9	156.7	154.4	150.4	158.7	158.1	160.5	......
51 Nondurable materials n.e.c.	1.14	125.3	126.1	125.6	123.1	125.4	128.5	129.9	123.6	128.9	129.3	130.1	......
52 Energy materials	8.48	122.4	121.8	121.3	122.3	124.0	123.0	118.7	122.2	117.7	118.0	123.2	125.1
53 Primary energy	4.65	107.3	107.0	106.0	106.6	112.2	111.6	103.0	105.2	101.0	105.6	114.5	......
54 Converted fuel materials	3.82	140.7	139.9	140.1	141.4	138.4	136.9	137.7	142.8	138.0	133.1	133.9	......
Supplementary groups													
55 Home goods and clothing	9.35	133.9	131.5	132.2	133.6	136.8	136.5	137.5	130.2	133.8	136.1	137.8	138.9
56 Energy, total	12.23	132.5	132.3	132.1	132.5	133.0	132.3	129.7	132.5	130.0	130.5	134.0	135.6
57 Products	3.76	155.4	156.0	156.5	155.3	153.3	153.2	154.5	155.8	157.9	158.6	158.4	......
58 Materials	8.48	122.4	121.8	121.3	122.3	124.0	123.0	118.7	122.2	117.7	118.0	123.2	125.1

For NOTE see opposite page.

2.13 Continued

	Grouping	SIC code	1967 proportion	1977 average	1977 Mar.	1977 Apr.	1977 May	1977 Oct.	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.r	1978 Mar.	1978 Apr.p	1978 May e
								Index (1967 = 100)							
	MAJOR INDUSTRY														
1	*Mining and utilities*	......	*12.05*	*136.2*	*136.6*	*135.7*	*137.1*	*135.8*	*135.5*	*133.9*	*137.4*	*137.7*	*138.8*	*142.2*	*142.6*
2	Mining	......	6.36	117.8	120.6	119.2	119.5	119.6	118.8	113.4	115.0	114.4	120.2	126.8	127.1
3	Utilities	......	5.69	156.5	154.8	154.0	156.7	154.0	154.2	156.7	162.3	163.5	159.6	159.2	159.9
4	Electric	......	3.88	175.5	175.8	170.4	175.4	173.6	173.3	175.9	183.6	184.3	179.1	......	......
5	*Manufacturing*	......	*87.95*	*137.1*	*135.1*	*135.8*	*137.1*	*139.4*	*139.9*	*140.5*	*138.7*	*139.4*	*141.4*	*143.0*	*143.8*
6	Nondurable	......	35.97	148.1	147.0	147.0	148.5	149.6	150.1	150.9	149.8	150.6	151.5	152.6	153.2
7	Durable	......	51.98	129.5	126.8	128.0	129.3	132.4	132.7	133.4	131.1	131.5	134.4	136.4	137.2
	Mining														
8	Metal mining	10	.51	105.4	133.8	126.1	120.5	80.0	84.8	104.3	121.4	119.9	127.6	122.1	......
9	Coal	11,12	.69	118.0	124.1	118.4	122.4	141.4	140.6	74.6	54.8	56.5	78.4	129.7	132.9
10	Oil and gas extraction	13	4.40	118.0	117.5	117.5	118.3	119.4	117.8	118.4	121.1	120.4	124.5	126.8	126.8
11	Stone and earth minerals	14	.75	124.9	126.1	124.0	123.0	128.1	127.2	126.5	130.0	129.1	128.2	126.8	......
	Nondurable manufactures														
12	Foods	20	8.75	137.9	138.7	138.0	138.3	137.3	139.4	140.4	139.3	140.8	141.2	142.2	......
13	Tobacco products	21	.67	114.3	104.3	112.1	105.2	113.8	117.5	120.6	113.4	117.7	115.3	......	......
14	Textile mill products	22	2.68	137.1	134.4	134.6	136.0	142.4	141.6	143.7	137.1	136.4	136.1	137.0	......
15	Apparel products	23	3.31	124.2	122.2	121.4	123.5	129.0	125.1	125.8	118.6	121.1	122.8	......	......
16	Paper and products	26	3.21	137.4	135.5	136.3	139.5	137.9	137.8	138.6	139.9	143.9	144.9	146.1	147.0
17	Printing and publishing	27	4.72	124.7	124.8	123.4	124.4	125.7	126.2	127.5	129.9	128.3	129.1	128.5	129.0
18	Chemicals and products	28	7.74	180.7	180.0	180.6	182.8	182.3	183.1	183.0	184.4	183.7	184.9	186.0	......
19	Petroleum products	29	1.79	141.0	143.3	143.4	142.4	141.4	140.5	139.3	139.7	139.0	141.2	141.8	142.9
20	Rubber & plastic products	30	2.24	232.2	225.6	226.0	232.4	236.3	238.5	240.1	238.7	240.0	242.7	247.0	......
21	Leather and products	31	.86	75.3	73.8	74.7	76.2	77.0	78.1	77.3	74.5	73.0	70.9	71.9	......
	Durable manufactures														
22	Ordnance, pvt. & govt	19,91	3.64	73.9	72.8	74.6	74.4	74.4	74.1	73.8	72.3	71.2	72.9	72.5	72.9
23	Lumber and products	24	1.64	133.4	132.1	130.6	133.0	135.7	137.5	138.1	138.5	135.5	136.5	136.4	......
24	Furniture and fixtures	25	1.37	140.9	135.1	135.4	137.5	146.6	146.0	146.6	146.4	150.1	149.5	149.0	......
25	Clay, glass, stone products	32	2.74	146.1	143.7	145.0	145.0	148.0	152.8	152.1	152.2	152.6	154.2	155.6	......
26	Primary metals	33	6.57	110.2	108.3	112.2	117.1	113.5	111.2	111.0	107.4	106.2	106.5	113.0	116.4
27	Iron and steel	331,2	4.21	103.4	97.9	103.9	111.0	107.7	104.3	103.8	99.5	96.3	96.7	106.9	......
28	Fabricated metal products	34	5.93	130.9	127.5	127.6	128.2	133.8	135.8	136.4	136.9	136.9	138.1	139.3	140.1
29	Nonelectrical machinery	35	9.15	144.8	139.8	142.9	142.6	148.9	149.7	151.7	150.1	150.1	151.5	152.3	153.2
30	Electrical machinery	36	8.05	141.9	137.6	139.6	141.8	144.2	146.0	147.3	144.0	146.4	149.5	151.6	152.8
31	Transportation equipment	37	9.27	121.1	120.5	119.8	120.3	124.3	122.0	122.2	116.2	118.4	126.5	130.1	128.8
32	Motor vehicles & parts	371	4.50	159.7	161.2	158.1	157.7	168.4	163.0	161.8	146.6	153.1	165.1	171.6	167.7
33	Aerospace & misc. tr. eq	372–9	4.77	84.7	82.3	83.8	85.2	82.8	83.3	84.9	87.6	85.8	90.1	91.0	92.2
34	Instruments	38	2.11	159.1	156.9	157.8	157.4	162.2	163.1	164.7	163.4	163.5	167.9	168.6	169.0
35	Miscellaneous mfrs	39	1.51	149.1	147.4	145.6	148.0	151.0	151.8	152.5	153.0	151.8	153.7	153.9	154.9
								Gross value (billions of 1972 dollars, annual rates)							
	MAJOR MARKET														
36	**Products, total**	......	[1]507.4	**583.9**	**578.2**	**578.3**	**582.2**	**591.3**	**591.3**	**594.7**	**582.0**	**591.2**	**601.6**	**606.7**	**609.2**
37	*Final products*	......	[1]*390.9*	*452.1*	*449.0*	*448.5*	*451.0*	*457.8*	*457.3*	*458.7*	*445.1*	*454.4*	*463.8*	*467.6*	*468.5*
38	Consumer goods	......	[1]277.5	317.5	316.8	316.1	316.3	319.5	320.0	320.4	311.2	318.6	322.0	324.8	324.7
39	Equipment	......	[1]113.4	134.6	132.1	132.6	134.6	138.1	137.3	138.2	133.9	135.8	141.9	142.7	143.5
40	Intermediate products	......	[1]116.6	131.9	129.1	130.1	131.4	133.8	134.1	135.9	136.7	137.0	138.0	139.1	140.3

[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. Exceptions noted.

Item	1975	1976	1977	1977 Oct.	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.r	1978 Mar.r	1978 Apr.
	Private residential real estate activity (thousands of units)									
NEW UNITS										
1 *Permits authorized*	*927*	*1,296*	*18,133*	*r1,781*	*r1,822*	*r1,778*	*r1,526*	*1,534*	*1,647*	*1,752*
2 1-family	669	894	12,265	r1,186	r1,218	r1,188	r1,032	957	1,037	1,160
3 2-or-more-family	278	402	5,861	r595	r604	r590	r494	577	610	592
4 *Started*	*1,160*	*r1,538*	*1,986*	*2,139*	*2,096*	*2,203*	*1,548*	*1,569*	*2,060*	*2,189*
5 1-family	892	1,163	1,451	1,532	1,544	1,574	1,156	1,103	1,444	1,502
6 2-or-more-family	268	377	535	607	552	629	392	466	616	687
7 *Under construction, end of period* [1]	*1,003*	*1,147*	*1,442*	*1,189*	*1,211*	*1,249*	*1,263*	*1,261*	*1,268*	....
8 1-family	531	655	829	729	746	770	786	787	781	....
9 2-or-more-family	472	492	613	460	466	479	478	475	486	....
10 *Completed*	*1,297*	*1,362*	*1,652*	*1,665*	*1,769*	*1,641*	*r1,759*	*1,692*	*1,815*	....
11 1-family	866	1,026	1,254	1,249	1,280	1,299	r1,300	1,235	1,381	....
12 2-or-more-family	430	336	398	416	489	342	r463	457	434	....
13 Mobile homes shipped	213	r246	r277	319	318	324	322	269	284	274
Merchant builder activity in 1-family units:										
14 Number sold	544	639	819	870	819	857	r813	772	804	816
15 Number for sale, end of period [1]	383	433	407	398	401	403	r405	407	406	412
Price (thous. of dollars) [2]										
Median:										
16 Units sold	39.3	44.2	48.9	51.4	51.8	52.9	r52.3	53.2	53.3	53.5
17 Units for sale	38.9	41.6	48.2	46.7	46.7	47.7	48.2	....	....	....
Average:										
18 Units sold	42.5	48.1	54.4	57.2	57.8	57.6	58.5	59.4	60.3	....
EXISTING UNITS (1-family)										
19 Number sold	2,452	3,002	3,572	r3,780	r3,980	r4,030	3,780	3,460	3,770	3,880
Price of units sold (thous. of dollars): [2]										
20 Median	35.3	38.1	42.9	44.0	44.5	44.2	45.5	46.3	46.5	48.2
21 Average	39.0	42.2	47.9	48.2	48.5	48.3	50.3	51.3	51.1	53.6
	Value of new construction [4] (millions of dollars)									
CONSTRUCTION										
22 **Total put in place**	**134,293**	**147,481**	**170,685**	**174,409**	**173,104**	**176,734**	**r171,252**	**178,069**	**185,794**	**192,126**
23 *Private*	*93,624*	*109,499*	*133,652*	*136,710*	*137,464*	*140,468*	*137,312*	*143,597*	*149,499*	*151,720*
24 Residential	46,472	60,519	81,067	83,022	84,005	87,246	81,111	86,918	89,983	90,781
25 Nonresidential, total	47,152	48,980	52,585	53,688	53,459	53,222	56,201	56,679	59,516	r60,939
Buildings:										
26 Industrial	8,017	7,182	7,182	7,579	7,716	7,132	7,484	7,563	9,308	9,604
27 Commercial	12,804	12,757	14,604	15,846	15,404	14,627	14,986	15,043	16,206	17,581
28 Other	5,585	6,155	6,226	6,337	6,437	6,200	6,065	5,806	6,198	6,863
29 Public utilities and other	20,746	22,886	24,573	23,926	23,902	25,263	27,666	28,267	27,804	26,891
30 *Public*	*40,669*	*37,982*	*37,033*	*37,699*	*35,641*	*36,266*	*r33,940*	*34,472*	*36,295*	*40,407*
31 Military	1,392	1,508	1,478	1,381	1,286	1,370	r1,412	1,474	1,426	1,482
32 Highway	10,861	9,756	9,170	9,507	8,281	7,877	r7,253	6,718	7,354	....
33 Conservation and development	3,256	3,722	3,765	3,141	3,464	3,851	r3,986	3,198	3,949	....
34 Other [3]	25,160	22,996	22,620	23,670	22,610	23,168	r21,289	22,362	23,566	....

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 April 1978 (1967 = 100)[2]
	1977 Apr.	1978 Apr.	1977			1978	1977	1978				
			June	Sept.	Dec.	Mar.	Dec.	Jan.	Feb.	Mar.	Apr.	
	Consumer prices[3]											
1 **All items**	**6.8**	**6.6**	**7.8**	**4.5**	**4.9**	**9.3**	**.4**	**.8**	**.6**	**.8**	**.9**	**191.5**
2 *Commodities*	*6.3*	*5.9*	*6.7*	*2.5*	*4.9*	*9.3*	*.5*	*.9*	*.5*	*.8*	*.9*	*183.5*
3 Food	6.5	8.7	11.5	1.9	4.2	16.4	.4	1.3	1.2	1.3	1.9	207.5
4 Commodities less food	6.1	4.7	4.2	2.7	5.4	6.1	.5	.7	.2	.6	.5	171.3
5 Durable	6.8	4.7	3.5	1.5	5.2	8.7	.5	1.0	.7	.5	.5	169.9
6 Nondurable	5.6	4.3	4.7	3.4	5.1	3.1	.3	.4	−.3	.6	.5	171.8
7 *Services*	*7.6*	*8.0*	*9.4*	*7.6*	*4.9*	*9.1*	*.4*	*.6*	*.7*	*.8*	*.9*	*206.5*
8 Rent	5.9	6.5	6.2	6.7	6.3	6.2	.5	.6	.4	.6	.7	161.5
9 Services less rent	7.8	8.2	9.9	8.0	4.8	9.6	.4	.6	.8	.9	.9	214.6
Other groupings:												
10 All items less food	6.8	6.4	6.8	5.3	5.0	8.1	.4	.8	.5	.7	.7	187.4
11 All items less food and energy	6.4	6.4	6.9	5.1	5.3	8.0	.5	.9	.4	.7	.7	184.9
12 Homeownership	6.4	9.7	10.4	8.5	7.1	12.2	.7	1.0	.7	1.2	1.1	220.4
	Producer prices, formerly Wholesale prices											
13 Finished goods	5.8	7.0	6.4	2.9	7.2	9.4	.4	.7	1.0	.6	1.3	191.4
14 Consumer	5.7	6.9	6.2	1.8	5.4	10.5	.3	.8	1.1	.5	1.6	189.7
15 Foods	3.6	8.5	4.3	−2.3	7.4	21.0	.4	1.1	2.9	.8	1.9	204.6
16 Excluding foods	7.0	5.9	7.8	4.0	4.7	5.1	.4	.6	.2	.5	1.3	180.4
17 Capital Equiptment	6.0	7.6	6.8	6.0	10.9	6.9	.7	.5	.5	.6	.6	195.4
18 Materials	8.1	5.6	1.2	.4	8.3	14.2	.5	1.1	1.3	.9	.9	217.1
19 Intermediate[1]	7.2	6.2	5.5	7.1	4.2	9.0	.5	.9	.8	.5	.5	213.1
Crude:												
20 Nonfood	18.9	4.8	−8.1	−5.3	20.1	15.7	2.1	1.2	1.0	1.5	.9	281.4
21 Food	4.7	5.3	−16.6	−19.6	27.6	43.6	.6	2.8	4.7	1.8	3.7	216.3

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.

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	1975	1976	1977	1976 Q4	1977 Q1	1977 Q2	1977 Q3	1977 Q4	1978 Q1
	Gross national product								
1 **Total**	**1,528.8**	**1,706.5**	**1,889.6**	**1,755.4**	**1,810.8**	**1,869.9**	**1,915.9**	**1,961.8**	**1,993.4**
By source:									
2 *Personal consumption expenditures*	*980.4*	*1,094.0*	*1,211.2*	*1,139.0*	*1,172.4*	*1,194.0*	*1,218.9*	*1,259.5*	*1,281.9*
3 Durable goods	132.9	158.9	179.8	166.3	177.0	178.6	177.6	186.0	183.2
4 Nondurable goods	409.3	442.7	480.7	458.8	466.6	474.4	481.8	499.9	503.9
5 Services	438.2	492.3	550.7	513.9	528.8	541.1	559.5	573.7	594.8
6 *Gross private domestic investment*	*189.1*	*243.3*	*294.2*	*243.4*	*271.8*	*294.9*	*303.6*	*306.7*	*319.5*
7 Fixed investment	200.6	230.0	276.1	244.3	258.0	273.2	280.0	293.2	299.8
8 *Nonresidential*	*149.1*	*161.9*	*185.1*	*167.6*	*177.0*	*182.4*	*187.5*	*193.5*	*199.7*
9 Structures	52.9	55.8	61.5	57.0	57.9	61.0	62.6	64.5	66.0
10 Producers' durable equipment	96.3	106.1	123.6	110.6	119.2	121.4	124.9	129.0	133.6
11 Residential structures	51.5	68.0	91.0	76.7	81.0	90.8	92.5	99.7	100.1
12 Nonfarm	49.5	65.7	88.4	74.3	78.5	88.2	89.9	97.1	97.3
13 Change in business inventories	−11.5	13.3	18.2	−.9	13.8	21.7	23.6	13.5	19.7
14 Nonfarm	−15.1	14.9	17.1	1.4	14.1	22.4	23.1	9.0	18.9
15 *Net exports of goods and services*	*20.4*	*7.8*	*−10.9*	*3.0*	*−8.2*	*−9.7*	*−7.5*	*−18.2*	*−24.6*
16 Exports	147.3	162.9	174.7	168.5	170.4	178.1	179.9	170.6	180.3
17 Imports	126.9	155.1	185.6	165.6	178.6	187.7	187.4	188.8	204.8
18 *Govt. purchases of goods and services*	*338.9*	*361.4*	*395.0*	*370.0*	*374.9*	*390.6*	*400.9*	*413.8*	*416.6*
19 Federal	123.3	130.1	145.4	134.2	136.3	143.6	148.1	153.8	152.7
20 State and local	215.6	231.2	249.6	235.8	238.5	247.0	252.9	260.0	263.9
By major type of product:									
21 Final sales, total	1,540.3	1,693.1	1,871.4	1,756.3	1,797.0	1,848.2	1,892.2	1,948.2	1,973.7
22 *Goods*	*686.2*	*764.2*	*834.7*	*774.7*	*805.9*	*827.1*	*843.5*	*862.5*	*863.8*
23 Durable goods	258.2	303.4	341.3	312.6	334.4	341.0	342.3	347.6	348.8
24 Nondurable	428.0	460.9	493.4	[r]463.6	471.5	486.1	501.2	514.9	515.0
25 Services	699.2	782.0	867.4	813.8	833.7	855.3	881.6	898.8	929.8
26 Structures	143.5	160.2	187.5	166.9	171.2	187.5	190.7	200.4	199.8
27 Change in business inventories	−11.5	13.3	18.2	−.9	13.8	21.7	23.6	13.5	19.7
28 Durable goods	−9.2	4.1	9.1	.6	7.8	11.5	10.3	6.8	14.3
29 Nondurable goods	−2.2	9.3	9.1	[r]−1.6	6.0	10.2	13.4	6.8	5.5
30 MEMO: **Total GNP in 1972 dollars**	**1,202.1**	**1,274.7**	**1,337.3**	**1,287.4**	**1,311.0**	**1,330.7**	**1,347.4**	**1,360.2**	**1,358.8**
	National income								
31 **Total**	**1,217.0**	**1,364.1**	**1,520.5**	**1,402.1**	**1,450.2**	**1,505.7**	**1,540.5**	**1,585.7**	**1,609.9**
32 Compensation of employees	930.3	1,036.3	1,156.3	1,074.2	1,109.9	1,144.7	1,167.4	1,203.3	1,243.5
33 *Wages and salaries*	*805.7*	*891.8*	*990.0*	*923.2*	*951.3*	*980.9*	*998.9*	*1,029.1*	*1,058.4*
34 Government and Government enterprises	175.4	187.2	199.9	192.5	194.8	197.2	200.6	206.9	209.9
35 Other	630.3	704.6	790.1	730.7	756.4	783.6	798.3	822.2	848.5
36 *Supplement to wages and salaries*	*124.6*	*144.5*	*166.3*	*150.9*	*158.6*	*163.8*	*168.5*	*174.3*	*185.1*
37 Employer contributions for social insurance	59.8	68.6	77.7	70.9	75.4	77.1	78.2	80.2	87.4
38 Other labor income	64.9	75.9	88.6	80.0	83.2	86.7	90.3	94.0	97.8
39 *Proprietors' income*[1]	*86.0*	*88.0*	*98.2*	*88.7*	*95.1*	*97.0*	*95.5*	*105.0*	*103.1*
40 Business and professional[1]	62.8	69.4	78.5	72.0	74.3	77.3	80.0	82.4	82.9
41 Farm[1]	23.2	18.6	19.7	16.6	20.7	19.7	15.5	22.7	20.2
42 Rental income of persons[2]	22.3	23.3	25.3	24.1	24.5	24.9	25.5	26.4	26.9
43 Corporate profits[1]	99.3	128.1	139.9	123.1	125.4	140.2	149.0	144.8	126.8
44 Profits before tax[3]	123.5	156.9	171.7	154.8	161.7	174.0	172.8	178.3	172.2
45 Inventory valuation adjustment	−12.0	−14.1	−14.6	−16.9	−20.6	−17.8	−5.9	−14.1	−24.8
46 Capital consumption adjustment	−12.2	−14.7	−17.2	−14.8	−15.6	−15.9	−17.9	−19.4	−20.6
47 Net interest	79.1	88.4	100.9	92.0	95.3	98.9	103.1	106.1	109.6

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	1975	1976	1977	1976	1977				1978
				Q4	Q1	Q2	Q3	Q4	Q1
	Personal income and saving								
1 **Total personal income**	**1,253.4**	**1,382.7**	**1,536.7**	**1,432.2**	**1,476.8**	**1,517.2**	**1,549.8**	**1,603.0**	**1,638.8**
2 *Wage and salary disbursements*	*805.7*	*891.8*	*990.0*	*923.2*	*951.3*	*980.9*	*998.9*	*1,029.1*	*1,058.4*
3 Commodity-producing industries	275.0	308.4	346.4	317.7	328.9	345.4	351.0	360.2	370.3
4 Manufacturing	211.0	238.2	267.3	245.1	255.4	265.9	270.0	278.0	288.3
5 Distributive industries	195.4	217.1	242.8	226.4	234.5	240.5	244.4	251.8	260.5
6 Service industries	159.9	179.0	200.9	186.7	193.0	197.7	202.8	210.2	217.7
7 Government and government enterprises	175.4	187.2	199.9	192.5	194.8	197.2	200.6	206.9	209.9
8 Other labor income	64.9	75.9	88.6	80.0	83.2	86.7	90.3	94.0	97.8
9 *Proprietors' income*[1]	*86.0*	*88.0*	*98.2*	*88.7*	*95.1*	*97.0*	*95.5*	*105.0*	*103.1*
10 Business and professional[1]	62.8	69.4	78.5	72.0	74.3	77.3	80.0	82.4	82.9
11 Farm[1]	23.2	18.6	19.7	16.6	20.7	19.7	15.5	22.7	20.2
12 Rental income of persons[2]	22.3	23.3	25.3	24.1	24.5	24.9	25.5	26.4	26.9
13 Dividends	32.4	35.8	41.2	38.4	38.5	40.3	42.3	43.6	43.8
14 Personal interest income	115.6	130.3	147.8	136.4	140.3	145.4	150.3	155.2	160.5
15 Transfer payments	176.8	192.8	206.9	198.0	203.5	203.0	208.7	212.6	215.9
16 Old-age survivors, disability, and health insurance benefits	81.4	92.9	105.0	98.4	99.9	101.8	108.5	110.0	111.6
17 LESS: Personal contributions for social insurance	50.4	55.2	61.3	56.6	59.6	60.8	61.7	62.9	67.5
18 EQUALS: Personal income	1,253.4	1,382.7	1,536.7	1,432.2	1,476.8	1,517.2	1,549.8	1,603.0	1,638.8
19 LESS: Personal tax and nontax payments	169.0	196.9	227.5	209.5	224.4	224.8	226.1	234.7	236.7
20 EQUALS: Disposable personal income	1,084.4	1,185.8	1,309.2	1,222.6	1,252.4	1,292.5	1,323.8	1,368.3	1,402.1
21 LESS: Personal outlays	1,004.2	1,119.9	1,241.9	1,166.3	1,201.0	1,223.9	1,250.5	1,292.2	1,315.9
22 EQUALS: Personal saving	80.2	65.9	67.3	56.3	51.4	68.5	73.3	76.1	86.2
MEMO ITEMS: Per capita (1972 dollars):									
23 Gross national product	5,629	5,924	6,167	5,966	6,064	6,143	6,206	6,254	6,236
24 Personal consumption expenditures	3,629	3,817	3,971	3,892	3,934	3,943	3,963	4,045	4,027
25 Disposable personal income	4,014	4,137	4,293	4,177	4,202	4,268	4,305	4,394	4,405
26 Saving rate (per cent)	7.4	5.6	5.1	4.6	4.1	5.3	5.5	5.6	6.1
	Gross saving								
27 **Gross private saving**	**259.4**	**272.5**	**293.9**	**261.6**	**262.9**	**292.1**	**310.5**	**309.9**	**310.8**
28 Personal saving	80.2	65.9	67.3	56.3	51.4	68.5	73.3	76.1	86.2
29 Undistributed corporate profits[1]	16.7	27.6	29.5	20.8	22.5	30.3	37.4	27.9	13.8
30 Corporate inventory valuation adjustment	−12.0	−14.1	−14.6	−16.9	−20.6	−17.8	−5.9	−14.1	−24.8
Capital consumption allowances:									
31 Corporate	101.7	111.8	121.9	115.2	117.6	119.4	123.7	127.0	130.1
32 Noncorporate	60.8	67.2	75.1	69.2	71.4	73.8	76.2	78.9	80.7
33 Wage accruals less disbursements	....	....	....	....	....	....	....	....	....
34 *Government surplus, or deficit (−), national income and product accounts*	*−64.3*	*−35.6*	*−20.3*	*−29.4*	*−11.5*	*−14.9*	*−26.0*	*−28.9*	*−22.0*
35 Federal	−70.2	−54.0	−49.5	−55.9	−38.8	−40.3	−58.9	−60.0	−55.7
36 State and local	5.9	18.4	29.2	26.5	27.3	25.4	32.9	31.1	33.7
37 Capital grants received by the United States, net	....	....	....	....	....	....	....	....	....
38 *Investment*	*201.0*	*242.5*	*273.3*	*237.5*	*254.7*	*276.1*	*285.4*	*277.2*	*282.0*
39 Gross private domestic	189.1	243.3	294.2	243.3	271.8	294.9	303.6	306.7	319.5
40 Net foreign	11.8	−.9	−20.9	−5.9	−17.1	−18.8	−18.2	−29.5	−37.5
41 Statistical discrepancy	5.9	5.5	−.2	5.3	3.3	−1.2	.9	−3.9	−6.7

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	1976 Q3	1976 Q4	1977 Q1	1977 Q2	1977 Q3	1977 Q4
1	Merchandise exports	107,088	114,694	120,472	29,603	29,711	29,457	30,655	30,870	29,490
2	Merchandise imports	98,043	124,014	151,713	32,411	33,305	36,606	38,309	38,429	38,369
3	Merchandise trade balance [2]	9,045	−9,320	−31,241	−2,808	−3,594	−7,149	−7,654	−7,559	−8,879
4	Military transactions, net	−876	366	1,432	235	235	514	309	559	50
5	Investment income, net	5,954	9,808	11,935	2,667	2,424	3,187	3,439	3,166	2,143
6	Other service transactions, net	2,042	2,743	2,460	781	598	330	546	845	740
7	**Balance on goods and services [3]**	**16,164**	**3,596**	**−15,414**	**875**	**−337**	**−3,118**	**−3,360**	**−2,989**	**−5,946**
8	Remittances, pensions, and other transfers	−1,719	−1,878	−2,008	−461	−473	−526	−492	−510	−480
9	U.S. Govt. grants (excluding military)	−2,893	−3,146	−2,787	−1,475	−572	−637	−723	−824	−604
10	**Balance on current account**	**11,552**	**−1,427**	**−20,209**	**−1,061**	**−1,382**	**−4,281**	**−4,575**	**−4,323**	**−7,030**
11	*Not seasonally adjusted*	....	....	....	*−3,809*	*303*	*−3,404*	*−4,667*	*−6,844*	*−5,294*
12	Change in U.S. Govt. assets, other than official reserve assets, net (increase, −)	−3,463	−4,213	−3,666	−1,405	−1,142	−909	−825	−1,169	−763
13	*Change in U.S. official reserve assets (increase, −)*	*−607*	*−2,530*	*−231*	*−407*	*228*	*−388*	*6*	*151*	....
14	Gold	....	....	−118	....	....	−58	....	....	−60
15	Special Drawing Rights (SDR's)	−66	−78	−121	−18	−29	....	−83	−9	−29
16	Reserve position in International Monetary Fund (IMF)	−466	−2,212	−294	−716	−461	−389	−80	133	42
17	Foreign currencies	−75	−240	302	327	718	59	169	27	47
18	**Change in U.S. private assets abroad (increase, −)**	**−27,478**	**−36,216**	**−22,162**	**−6,597**	**−13,108**	**1,627**	**−9,464**	**−3,405**	**−10,921**
19	*Bank-reported claims*	*−13,532*	*−20,904*	*−11,694*	*−3,372*	*−9,148*	*3,446*	*−4,553*	*−1,709*	*−8,878*
20	Long-term	−2,357	−2,124	−741	−978	−480	−306	23	−445	−13
21	Short-term	−11,175	−18,780	−10,953	−2,394	−8,668	3,752	−4,576	−1,264	−8,865
22	*Nonbank-reported claims*	*−1,447*	*−1,986*	*−96*	*723*	*−967*	*−722*	*−1,129*	*1,518*	*237*
23	Long-term	−432	10	350	66	−10	45	68	240	−3
24	Short-term	−1,015	−1,996	−446	657	−957	−767	−1,197	1,278	240
25	U.S. purchase of foreign securities, net	−6,235	−8,730	−5,362	−2,743	−2,171	−692	−1,784	−2,156	−731
26	U.S. direct investments abroad, net	−6,264	−4,596	−5,009	−1,205	−822	−404	−1,998	−1,058	−1,549
27	*Change in foreign official assets in the United States (increase, +)*	*6,960*	*17,945*	*37,419*	*3,070*	*6,977*	*5,719*	*7,908*	*8,249*	*15,542*
28	U.S. Treasury securities	4,408	9,333	30,091	1,260	3,909	5,149	5,124	6,950	12,868
29	Other U.S. Govt. obligations	905	566	2,310	66	116	100	609	627	974
30	Other U.S. Govt. liabilities [4]	1,701	4,938	1,874	1,819	852	712	456	321	385
31	Other U.S. liabilities reported by U.S. banks	−2,158	893	1,126	−599	1,769	−420	752	−150	944
32	Other foreign official assets [5]	2,104	2,215	2,018	524	331	178	967	501	372
33	**Change in foreign private assets in the United States (increase, +)**	**7,376**	**16,575**	**11,842**	**5,131**	**5,102**	**−3,209**	**5,873**	**5,671**	**3,508**
34	*U.S. bank-reported liabilities*	*628*	*10,982*	*6,751*	*1,774*	*5,008*	*−5,298*	*6,344*	*2,656*	*3,049*
35	Long-term	−280	175	366	75	221	47	105	194	20
36	Short-term	908	10,807	6,385	1,699	4,787	−5,345	6,239	2,462	3,029
37	*U.S. nonbank-reported liabilities*	*240*	*−616*	*2*	*−297*	*−242*	*−374*	*−405*	*629*	*152*
38	Long-term	334	−947	−448	−241	−311	−229	−183	56	−92
39	Short-term	−94	331	450	−56	69	−145	−222	573	244
40	Foreign private purchases of U.S. Treasury securities, net	2,590	2,783	628	3,026	−88	1,047	−1,370	1,250	−299
41	Foreign purchases of other U.S. securities, net	2,503	1,250	2,934	68	21	879	736	516	803
42	Foreign direct investments in the United States, net	1,414	2,176	1,527	561	403	537	568	619	−197
43	Allocation of SDR's	....	....	....	....	....	....	....	....	....
44	*Discrepancy*	*5,660*	*9,866*	*−2,993*	*1,268*	*3,325*	*1,440*	*1,077*	*−5,173*	*−337*
45	Owing to seasonal adjustments	....	....	....	−2,622	1,780	652	−90	−2,388	1,826
46	Statistical discrepancy in recorded data before seasonal adjustment	5,660	9,866	−2,993	3,890	1,545	788	1,167	−2,785	−2,163
	MEMO ITEMS:	....	....	....	....	....	....	....	....	....
	Changes in official assets:									
47	U.S. official reserve assets (increase, −)	−607	−2,530	−231	−407	228	−388	6	151	....
48	Foreign official assets in the United States (increase, +)	5,259	13,007	35,545	1,251	6,125	5,007	7,452	7,928	15,157
49	Changes in Organization of Petroleum Exporting Countries (OPEC) official assets in the United States (part of line 27 above)	7,092	9,324	6,758	1,774	805	3,249	1,073	1,438	998
50	Transfers under military grant programs (excluded from lines 1, 4, and 9 above)	2,217	386	195	156	94	46	27	32	90

1 Seasonal factors are no longer calculated for lines 13 through 50.

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 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. Govt. interest payments from imports.

4 Primarily associated with military sales contracts and other transactions arranged with or through foreign official agencies.

5 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	1975	1976	1977r	1977 Oct.	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.	1978 April
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments	107,130	114,802	121,181	9,375	9,475	11,007	10,014	9,922	10,912	11,635
2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses	96,115	120,678	147,671	12,996	11,833	13,123	r12,381	r14,440	r13,699	14,496
3 Trade balance	11,014	−5,876	−26,490	−3,621	−2,358	−2,116	r−2,367	r−4,518	r−2,787	−2,861

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. Data for 1977 reflect these changes. However, the quarterly international-accounts-basis data in Table 3.10 will not incorporate the 1977 revisions until June. The latter 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	1974	1975	1976	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.	1978 Apr.	1978 May
1 **Total**	**15,883**	**16,226**	**18,747**	**19,155**	**r19,312**	**19,454**	**19,373**	**19,192**	**18,842**	**[3]18,966**
2 Gold stock, including Exchange Stabilization Fund[1]	11,652	11,599	11,598	11,658	11,719	11,718	11,718	11,718	11,718	11,718
3 Special Drawing Rights[2]	2,374	2,335	2,395	2,548	2,629	2,629	2,671	2,693	2,669	[3]2,760
4 Reserve position in International Monetary Fund	1,852	2,212	4,434	4,933	r4,946	4,934	4,966	4,701	4,388	[3]4,347
5 Convertible foreign currencies	5	80	320	16	18	173	18	80	67	141

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 SDR's.

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. At valuation used prior to July 1974 (SDR1 = $1.20635) total U.S. reserve assets at end of May amounted to $18,763; SDR holdings, $2,729, and reserve position in IMF, $4,175.

3.13 SELECTED U.S. LIABILITIES TO FOREIGNERS

Millions of dollars, end of period

Holder, and type of liability	1974	1975	1976	1977			1978			
				Oct.r	Nov.r	Dec.r	Jan.	Feb.	Mar.p	Apr.p
1 **Total**	**119,164**	**126,552**	**151,356**	**178,927**	**184,740**	**192,321**	**194,021**	**197,276**	**207,214**	**208,512**
2 **Foreign countries**	**115,842**	**120,929**	**142,873**	**171,531**	**177,108**	**184,676**	**186,320**	**189,682**	**199,270**	**200,775**
3 *Official institutions*[1]	*76,823*	*80,712*	*91,975*	*117,042*	*123,147*	*126,032*	*129,782*	*132,688*	*140,608*	*137,412*
4 Short-term, reported by banks in the United States.[2]	53,079	49,530	53,619	59,835	62,234	64,527	66,514	70,508	77,594	76,176
U.S. Treasury bonds and notes:										
5 Marketable[3]	5,059	6,671	11,788	28,633	31,519	32,116	33,830	33,554	34,528	32,838
6 Nonmarketable[4]	16,339	19,976	20,648	20,351	20,462	20,443	20,473	19,602	19,513	19,444
7 Other readily marketable liabilities[5]	2,346	4,535	5,920	8,223	8,932	8,946	8,965	9,024	8,973	8,954
Commercial banks abroad:										
8 Short-term, reported by banks in the United States[2,6]	30,106	29,516	37,329	38,760	37,982	42,534	40,329	40,720	42,349	47,098
9 *Other foreigners*	*8,913*	*10,701*	*13,569*	*15,729*	*15,979*	*16,110*	*16,209*	*16,274*	*16,313*	*16,265*
10 Short-term, reported by banks in the United States[2]	8,415	10,000	12,592	14,038	14,211	14,325	14,391	14,348	14,366	14,291
11 Marketable U.S. Treasury bonds and notes[3,7]	498	701	977	1,691	1,768	1,758	1,818	1,926	1,947	1,974
12 **Nonmonetary international and regional organization**[8]	**3,322**	**5,623**	**8,483**	**7,396**	**7,632**	**7,645**	**7,701**	**7,594**	**7,944**	**7,737**
13 Short-term, reported by banks in the United States[2]	3,171	5,292	5,450	3,396	3,257	2,899	3,248	2,693	3,189	2,887
14 Marketable U.S. Treasury bonds and notes[3]	151	331	3,033	4,000	4,375	4,746	4,453	4,901	4,755	4,850

1 Includes Bank for International Settlements.
2 Includes Treasury bills as shown in Table 3.15.
3 Derived by applying reported transactions to benchmark data.
4 Excludes notes issued to foreign official nonreserve agencies.
5 Includes long-term liabilities reported by banks in the United States and debt securities of U.S. Federally sponsored agencies and U.S. corporations.
6 Includes short-term liabilities payable in foreign currencies to commercial banks abroad and to other foreigners.
7 Includes marketable U.S. Treasury bonds and notes held by commercial banks abroad and other foreigners.
8 Principally the International Bank for Reconstruction and Development and the Inter-American and Asian Development Banks.

NOTE.—Based on Treasury Dept. data and on data reported to the Treasury Dept. by banks (including Federal Reserve banks) and brokers in the United States. Data exclude the holdings of dollars of the International Monetary Fund derived from payments of the U.S. subscription, and from the exchange transactions and other operations of the IMF. Data also exclude U.S. Treasury letters of credit and nonnegotiable, non-interest-bearing special U.S. notes held by nonmonetary international and regional organizations.

3.14 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Area	1974	1975	1976	1978			1977			
				Oct.	Nov.r	Dec.	Jan.	Feb.	Mar.p	Apr.p
1 **Total**	**76,823**	**80,712**	**91,975**	**r117,042**	**123,147**	**r126,032**	**129,782**	**132,688**	**140,608**	**137,412**
2 Western Europe[1]	44,328	45,701	45,882	65,039	68,167	70,707	72,557	74,401	76,238	73,876
3 Canada	3,662	3,132	3,406	1,863	1,919	2,334	2,078	1,389	1,633	2,447
4 Latin American republics	4,419	4,450	4,906	4,269	4,858	4,633	4,562	5,145	5,757	5,583
5 Asia	18,627	22,551	34,108	r42,685	45,435	45,676	48,084	49,164	54,197	52,512
6 Africa	3,160	2,983	1,893	2,027	1,792	1,742	1,706	1,899	1,756	1,873
7 Other countries[2]	2,627	1,895	1,780	1,159	976	r940	795	690	1,027	1,121

1 Includes Bank for International Settlements.
2 Includes countries in Oceania and Eastern Europe, and Western European dependencies in Latin America.

NOTE.—Data represent breakdown by area of line 3, Table 3.13.

3.15 SHORT-TERM LIABILITIES TO FOREIGNERS Reported by Banks in the United States
By Holder and by Type of Liability

Millions of dollars, end of period

	Holder, and type of liability	1974	1975	1976	1977			1978			
					Oct.	Nov.r	Dec.	Jan.	Feb.	Mar.p	Apr.p
1	**All foreigners, excluding the International Monetary Fund**	**94,771**	**94,338**	**108,990**	**r116,029**	**117,684**	**r124,311**	**124,482**	**128,270**	**137,498**	**140,452**
2	*Payable in dollars*	*94,004*	*93,781*	*108,266*	*r115,265*	*116,838*	*r123,500*	*123,765*	*127,497*	*136,639*	*139,393*
	Deposits:										
3	Demand	14,051	13,564	16,803	16,895	16,476	r18,996	17,377	17,675	17,163	18,625
4	Time[1]	9,907	10,267	11,347	11,515	11,372	11,521	11,518	12,038	11,274	11,498
5	U.S. Treasury bills and certificates[2]	35,662	37,414	40,744	r44,667	47,098	48,906	51,094	54,233	61,071	59,009
6	Other short-term liabilities[3]	34,384	32,535	39,372	r42,188	41,893	r44,076	43,776	43,551	47,131	50,261
7	*Payable in foreign currencies*	*766*	*558*	*724*	*764*	*846*	*812*	*717*	*772*	*859*	*1,058*
8	**Nonmonetary international and regional organizations[4]**	**3,171**	**5,293**	**5,450**	**3,396**	**3,258**	**2,899**	**3,248**	**2,693**	**3,190**	**2,887**
9	*Payable in dollars*	*3,171*	*5,284*	*5,445*	*3,376*	*2,237*	*2,889*	*3,237*	*2,684*	*3,186*	*2,885*
	Deposits:										
10	Demand	139	139	290	173	173	231	186	180	245	268
11	Time[1]	111	148	205	104	142	139	129	120	109	122
12	U.S. Treasury bills and certificates	497	2,554	2,701	802	767	706	959	1,111	1,317	892
13	Other short-term liabilities[5]	2,424	2,443	2,250	2,261	2,155	1,813	1,963	1,274	1,514	1,603
14	*Payable in foreign currencies*	....	*8*	*5*	*20*	*20*	*11*	*11*	*9*	*4*	*2*
15	**Official institutions, banks, and other foreigners**	**91,600**	**89,046**	**103,540**	**r112,633**	**114,427**	**r121,412**	**121,234**	**125,576**	**134,309**	**137,565**
16	*Payable in dollars*	*90,834*	*88,496*	*102,821*	*r111,889*	*113,601*	*r120,611*	*120,528*	*124,813*	*133,453*	*136,509*
	Deposits:										
17	Demand	13,912	13,426	16,513	16,722	16,303	r18,765	17,191	17,495	16,917	18,357
18	Time[1]	9,796	10,119	11,142	11,375	11,229	11,382	11,390	11,919	11,165	11,376
19	U.S. Treasury bills and certificates[2]	35,165	34,860	38,042	r43,865	46,331	48,200	50,135	53,122	59,754	58,118
20	Other short-term liabilities[3]	31,960	30,092	37,123	r39,926	39,738	r42,263	41,813	42,277	45,617	48,658
21	*Payable in foreign currencies*	*766*	*549*	*719*	*744*	*826*	*801*	*706*	*763*	*855*	*1,056*
22	**Official institutions[6]**	**53,079**	**49,530**	**53,619**	**59,835**	**62,234**	**64,527**	**66,514**	**70,508**	**77,594**	**76,176**
23	*Payable in dollars*	*52,952*	*49,530*	*53,619*	*59,835*	*62,234*	*64,527*	*66,514*	*70,508*	*77,594*	*76,176*
	Deposits:										
24	Demand	2,951	2,644	3,394	2,990	2,557	3,528	2,673	2,782	2,804	3,532
25	Time[1]	4,167	3,423	2,321	1,903	1,848	1,797	1,788	2,570	1,777	1,802
26	U.S. Treasury bills and certificates[2]	34,656	34,199	37,725	r43,392	45,817	47,820	49,752	52,689	59,302	57,626
27	Other short-term liabilities[5]	11,178	9,264	10,179	r11,550	12,013	11,382	12,301	12,468	13,711	13,215
28	*Payable in foreign currencies*	*127*	....	....	....	....	....	....	....	....	....
29	**Banks and other foreigners**	**48,520**	**39,515**	**49,921**	**r52,798**	**52,193**	**r56,885**	**54,721**	**55,068**	**56,714**	**61,389**
30	*Payable in dollars*	*37,881*	*38,966*	*49,202*	*r52,054*	*51,367*	*r56,084*	*54,014*	*54,304*	*55,859*	*60,333*
31	Banks[7]	29,467	28,966	36,610	r38,016	37,156	r41,732	39,622	39,957	41,493	46,042
	Deposits:										
32	Demand	8,231	7,534	9,104	9,677	9,666	10,933	10,274	10,570	10,113	10,852
33	Time[1]	1,885	1,873	2,297	1,858	1,805	2,040	1,995	1,823	1,734	1,771
34	U.S. Treasury bills and certificates	232	335	119	127	141	141	152	165	161	205
35	Other short-term liabilities[3]	19,119	19,224	25,089	r26,354	25,543	r28,619	27,202	27,399	29,485	33,215
36	Other foreigners	8,414	10,000	12,592	14,037	14,211	r14,352	14,392	14,348	14,366	14,290
	Deposits:										
37	Demand	2,729	3,248	4,015	4,055	4,080	r4,304	4,245	4,143	4,000	3,973
38	Time[1]	3,744	4,823	6,524	7,614	7,576	7,546	7,606	7,526	7,654	7,802
39	U.S. Treasury bills and certificates	277	325	198	346	373	240	231	268	291	287
40	Other short-term liabilities[5]	1,664	1,604	1,854	2,022	2,182	r2,263	2,310	2,411	2,421	2,229
41	*Payable in foreign currencies*	*639*	*549*	*719*	*744*	*826*	*801*	*706*	*763*	*855*	*1,056*

1 Excludes negotiable time certificates of deposit, which are included in "Other short-term liabilities."

2 Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.

3 Includes liabilities of U.S. banks to their foreign branches, liabilities of U.S. agencies and branches of foreign banks to their head offices and foreign branches of their head offices, bankers acceptances, commercial paper, and negotiable time certificates of deposit.

4 Principally the International Bank for Reconstruction and Development, and the Inter-American and Asian Development Banks.

5 Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.

6 Foreign central banks and foreign central governments and their agencies, and Bank for International Settlements.

7 Excludes central banks, which are included in "Official institutions."

NOTE.—"Short-term obligations" are those payable on demand, or having an original maturity of 1 year or less.

3.16 SHORT-TERM LIABILITIES TO FOREIGNERS Reported by Banks in the United States

By Country

Millions of dollars, end of period

	Area and country	1974	1975	1976	1977			1978			
					Oct.	Nov.	Dec.	Jan.	Feb.	Mar.[p]	Apr.[p]
1	**Total**	**94,771**	**94,338**	**108,990**	**[r]116,029**	**[r]117,684**	**[r]124,311**	**124,482**	**128,270**	**137,498**	**140,452**
2	**Foreign countries**	**91,600**	**89,046**	**103,540**	**[r]112,633**	**[r]114,427**	**[r]121,412**	**121,234**	**125,576**	**134,309**	**137,565**
3	*Europe*	*48,813*	*43,988*	*46,938*	*[r]52,912*	*[r]54,373*	*[r]60,058*	*59,407*	*60,798*	*63,706*	*63,185*
4	Austria	607	754	348	410	375	319	302	302	420	326
5	Belgium-Luxembourg	2,506	2,898	2,275	2,736	2,662	2,547	2,680	2,796	3,041	3,386
6	Denmark	369	332	363	1,250	1,264	771	1,045	1,051	1,046	1,065
7	Finland	266	391	422	232	263	330	302	315	363	429
8	France	4,287	7,733	4,875	5,006	4,683	5,248	5,141	4,660	5,026	5,480
9	Germany	9,429	4,357	5,965	5,280	5,580	7,030	8,599	10,366	11,313	10,896
10	Greece	248	284	403	648	643	603	538	547	570	563
11	Italy	2,577	1,072	3,206	6,320	6,778	6,862	6,207	5,952	5,637	5,959
12	Netherlands	3,234	3,411	3,007	3,088	2,996	2,876	2,951	3,050	3,139	3,011
13	Norway	1,040	996	785	1,023	641	949	988	890	1,212	1,466
14	Portugal	310	195	239	191	266	273	205	188	174	165
15	Spain	382	426	561	730	650	615	703	646	714	663
16	Sweden	1,138	2,286	1,693	2,734	3,136	2,718	2,718	2,832	2,817	3,188
17	Switzerland	10,139	8,514	9,458	9,757	9,884	12,390	12,106	12,748	13,617	13,198
18	Turkey	152	118	166	106	118	130	187	171	115	249
19	United Kingdom	7,584	6,886	10,004	[r]11,092	12,119	14,035	12,484	11,858	12,211	10,953
20	Yugoslavia	183	126	188	130	171	232	219	195	138	192
21	Other Western Europe[1]	4,073	2,970	2,672	1,948	1,910	1,799	1,781	1,960	1,894	1,736
22	U.S.S.R.	82	40	51	68	66	99	68	98	72	65
23	Other Eastern Europe	206	200	255	162	167	234	184	173	191	196
24	*Canada*	*3,520*	*3,076*	*4,784*	*4,913*	*[r]4,701*	*[r]4,695*	*5,351*	*4,788*	*4,595*	*5,997*
25	*Latin America*	*11,754*	*14,942*	*19,026*	*[r]22,357*	*[r]22,434*	*[r]23,578*	*23,149*	*24,167*	*25,223*	*28,797*
26	Argentina	886	1,147	1,538	2,421	2,594	1,466	1,796	1,978	1,860	1,934
27	Bahamas	1,054	1,827	2,750	3,769	[r]3,422	3,534	3,082	3,689	4,132	6,931
28	Brazil	1,034	1,227	1,432	1,055	935	1,389	1,106	970	1,320	1,432
29	Chile	276	317	335	340	322	359	386	411	415	393
30	Colombia	305	417	1,017	1,182	1,152	1,213	1,218	1,199	1,282	1,338
31	Cuba	7	6	6	6	6	6	6	7	8	6
32	Mexico	1,770	2,066	2,848	2,741	2,850	2,802	2,906	3,002	2,706	2,901
33	Panama	510	1,099	1,140	946	986	2,302	2,170	2,101	2,113	2,225
34	Peru	272	244	257	259	235	286	264	266	261	304
35	Uruguay	165	172	245	226	258	242	229	279	227	224
36	Venezuela	3,413	3,289	3,095	3,212	3,780	2,913	3,001	3,231	3,422	3,246
37	Other Latin American republics	1,316	1,494	2,081	2,199	2,140	2,473	2,369	2,493	2,813	2,434
38	Netherlands Antilles[2]	158	129	140	156	184	[r]178	187	185	189	189
39	Other Latin America	589	1,507	2,142	[r]3,843	[r]3,571	[r]4,414	4,428	4,357	4,476	5,241
40	*Asia*	*21,130*	*21,539*	*28,472*	*28,165*	*28,948*	*[r]29,234*	*29,697*	*32,159*	*36,868*	*35,298*
41	China, People's Republic of (Mainland)	50	123	47	48	52	53	54	48	56	58
42	China, Republic of (Taiwan)	818	1,025	989	899	926	1,012	1,040	994	1,014	1,218
43	Hong Kong	530	623	892	993	971	1,091	1,033	1,118	1,171	1,049
44	India	261	126	648	886	980	975	1,025	1,011	957	949
45	Indonesia	1,221	369	340	905	739	406	892	502	487	647
46	Israel	389	386	391	465	490	558	460	453	484	507
47	Japan	10,931	10,218	14,380	13,272	14,835	14,634	14,507	17,044	21,755	20,115
48	Korea	384	390	437	596	572	601	605	737	681	753
49	Philippines	747	698	627	630	603	696	668	616	643	630
50	Thailand	333	252	275	271	251	262	256	307	314	259
51	Middle East oil-exporting countries[3]	4,623	6,461	8,073	7,933	7,365	[r]7,694	7,978	8,142	8,010	7,792
52	Other	845	867	1,372	1,267	1,164	1,252	1,178	1,187	1,295	1,324
53	*Africa*	*3,551*	*3,373*	*2,300*	*2,786*	*2,560*	*2,532*	*2,503*	*2,643*	*2,466*	*2,709*
54	Egypt	103	343	333	393	331	404	346	357	341	457
55	Morocco	38	68	88	61	31	66	100	79	51	32
56	South Africa	130	169	143	232	240	175	192	252	185	175
57	Zaire	84	63	35	33	30	39	41	50	45	45
58	Oil-exporting countries[4]	2,814	2,239	1,116	1,403	1,214	1,154	1,178	1,264	1,225	1,396
59	Other	383	491	585	664	715	694	645	640	618	603
60	*Other countries*	*2,831*	*2,128*	*2,019*	*1,500*	*1,411*	*1,314*	*1,128*	*1,022*	*1,452*	*1,578*
61	Australia	2,742	2,014	1,911	1,348	1,269	1,154	937	875	1,243	1,287
62	All other	89	114	108	152	152	161	190	147	208	291
63	**Nonmonetary international and regional organizations**	**3,171**	**5,293**	**5,450**	**3,396**	**3,258**	**2,899**	**3,248**	**2,693**	**3,190**	**2,887**
64	International	2,900	5,064	5,091	3,079	2,922	2,636	2,998	2,435	2,966	2,602
65	Latin American regional	202	187	136	134	128	98	79	70	60	112
66	Other regional[5]	69	42	223	183	208	165	171	189	163	173

For notes see bottom of p. A59.

3.17 SHORT-TERM LIABILITIES TO FOREIGNERS Reported by Banks in the United States

Supplemental "Other" Countries [1]

Millions of dollars, end of period

	Area and country	1975	1976		1977	
		Dec.	Apr.	Dec.	Apr.	Dec.
	Other Western Europe					
1	Cyprus	6	38	69	58	62
2	Iceland	33	30	40	32	19
3	Ireland, Republic of	75	43	237	131	......
	Other Eastern Europe					
4	Bulgaria	19	14	34	11	34
5	Czechoslovakia	32	11	21	31	46
6	German Democratic Republic	17	3	11	24	15
7	Hungary	13	11	19	16	17
8	Poland	66	74	77	64	65
9	Rumania	44	29	19	23	51
	Other Latin American republics					
10	Bolivia	110	117	133	135	157
11	Costa Rica	124	134	146	170	175
12	Dominican Republic	169	170	275	280	326
13	Ecuador	120	150	319	311	329
14	El Salvador	171	212	178	214	227
15	Guatemala	260	368	409	392	513
16	Haiti	38	48	47	68	57
17	Honduras	99	137	137	210	152
18	Jamaica	41	59	35	43	32
19	Nicaragua	133	158	120	133	165
20	Paraguay	43	50	49	60	59
21	Surinam [2]	......	13	30	17	14
22	Trinidad and Tobago	131	44	167	85	202
	Other Latin America:					
23	Bermuda	170	197	177	199	237
24	British West Indies	1,311	2,284	1,874	2,434	4,142

	Area and country	1975	1976		1977	
		Dec.	Apr.	Dec.	Apr.	Dec.
	Other Asia					
25	Afghanistan	41	57	57	90	112
26	Bangladesh	54	44	54	55	51
27	Burma	31	34	13	9	......
28	Cambodia	4	3	4	12	......
29	Jordan	39	23	37	23	31
30	Laos	2	2	1	3	1
31	Lebanon	117	132	140	133	143
32	Malaysia	77	130	396	511	157
33	Nepal	28	34	33	35	49
34	Pakistan	74	92	189	135	253
35	Singapore	256	344	280	300	295
36	Sri Lanka (Ceylon)	13	10	23	27	26
37	Vietnam	62	66	66	50	59
	Other Africa					
38	Ethiopia (incl. Eritrea)	60	72	41	48	42
39	Ghana	23	45	27	37	35
40	Ivory Coast	18	17	10	26	65
41	Kenya	19	39	46	185	46
42	Liberia	53	63	77	95	82
43	Southern Rhodesia	1	1	1	1	1
44	Sudan	12	17	22	30	30
45	Tanzania	30	20	48	57	46
46	Tunisia	29	34	20	15	29
47	Uganda	22	50	43	117	30
48	Zambia	78	14	35	55	22
	All Other					
49	New Zealand	42	48	45	75	80

1 Represents a partial breakdown of the amounts shown in the "Other" categories on Table 3.16.

2 Surinam included with Netherlands Antilles until January 1976.

3.18 LONG-TERM LIABILITIES TO FOREIGNERS Reported by Banks in the United States

Millions of dollars, end of period

	Holder, and area or country	1974	1975	1976	1977			1978			
					Oct.	Nov.	Dec.	Jan.	Feb.	Mar.[p]	Apr.[p]
1	**Total**	**1,285**	**1,812**	**2,449**	**r2,564**	**r2,749**	**2,781**	**2,726**	**2,721**	**2,902**	**3,135**
2	Nonmonetary international and regional organizations	822	415	269	352	352	386	388	418	433	520
3	Foreign countries	464	1,397	2,180	r2,212	r2,397	2,395	2,338	2,303	2,469	2,615
4	Official institutions, including central banks	124	931	1,337	r1,074	r1,298	1,296	1,226	1,201	1,167	1,161
5	Banks, excluding central banks	261	366	621	715	r723	716	719	705	749	862
6	Other foreigners	79	100	222	422	376	384	393	397	553	592
	Area or country:										
7	Europe	226	330	570	719	r720	696	701	679	835	956
8	Germany	146	214	346	308	309	307	313	310	321	413
9	United Kingdom	59	66	124	205	200	180	176	177	199	200
10	Canada	19	23	29	27	26	35	45	44	45	41
11	Latin America	115	140	248	339	330	343	342	351	394	396
12	Middle East oil-exporting countries [1]	94	894	1,286	1,064	1,285	1,285	1,216	1,191	1,156	1,146
13	Other Asia	7	8	46	r38	r27	29	29	32	33	69
14	African oil-exporting countries [2]	*	*	*	1	1	*	*	*	*	1
15	Other Africa	1	1	*	22	6	5	5	5	5	5
16	All other countries	*	*	1	2	1	1	*	*	*	*

1 Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2 Comprises Algeria, Gabon, Libya, and Nigeria.

NOTE.—Long-term obligations are those having an original maturity of more than 1 year.

NOTES TO TABLE 3.16:

1 Includes Bank for International Settlements.

2 Surinam included with Netherlands Antilles until January 1976.

3 Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

4 Comprises Algeria, Gabon, Libya, and Nigeria.

5 Asian, African, and European regional organizations, except BIS, which is included in "Other Western Europe."

3.19 SHORT-TERM CLAIMS ON FOREIGNERS Reported by Banks in the United States

By Country

Millions of dollars, end of period

Area and country	1974	1975	1976	1977			1978			
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.p	Apr.p
1 **Total**	**39,056**	**50,231**	**69,237**	**r73,866**	**r74,999**	**r79,913**	**81,492**	**80,517**	**85,872**	**85,166**
2 **Foreign countries**	**39,055**	**50,229**	**69,232**	**73,857**	**r74,987**	**r79,903**	**81,482**	**80,515**	**85,863**	**85,165**
3 *Europe*	*6,255*	*8,987*	*12,220*	*r13,766*	*r13,000*	*r15,446*	*14,594*	*14,780*	*16,207*	*15,538*
4 Austria	21	15	44	75	52	52	95	98	72	81
5 Belgium-Luxembourg	384	352	662	782	751	793	897	787	812	819
6 Denmark	46	49	85	126	107	130	140	127	121	85
7 Finland	122	128	139	111	106	101	104	108	115	129
8 France	673	1,471	1,445	1,341	1,320	1,616	1,367	1,604	1,852	1,578
9 Germany	589	416	r511	r762	r639	655	687	663	799	842
10 Greece	64	49	79	98	107	94	86	112	115	107
11 Italy	345	370	929	1,104	1,157	1,284	1,130	1,121	1,118	957
12 Netherlands	348	300	304	r301	r347	r337	373	379	468	465
13 Norway	119	71	98	120	122	131	141	162	140	155
14 Portugal	20	16	65	138	120	r140	103	117	116	113
15 Spain	196	249	373	471	401	414	425	424	416	433
16 Sweden	180	167	180	172	143	169	182	158	127	173
17 Switzerland	335	237	485	681	r600	633	719	840	803	864
18 Turkey	15	86	176	329	344	312	286	272	276	293
19 United Kingdom	2,580	4,718	6,277	r6,625	6,369	8,167	7,416	7,451	8,546	7,920
20 Yugoslavia	22	38	41	28	29	56	42	36	34	46
21 Other Western Europe	22	27	52	259	50	89	127	61	33	186
22 U.S.S.R.	46	103	99	82	81	100	112	90	77	69
23 Other Eastern Europe	131	127	r176	r161	r155	173	162	170	168	221
24 *Canada*	*2,776*	*2,817*	*3,049*	*3,626*	*3,803*	*r3,729*	*4,052*	*4,216*	*4,429*	*4,508*
25 *Latin America*	*12,377*	*20,532*	*34,270*	*r36,789*	*r38,182*	*r40,383*	*42,975*	*41,425*	*43,843*	*43,885*
26 Argentina	720	1,203	964	1,076	1,085	1,180	1,214	1,131	1,177	1,186
27 Bahamas	3,405	7,570	15,336	r17,657	r18,382	19,678	22,131	21,310	22,549	21,588
28 Brazil	1,418	2,221	3,322	3,123	2,962	3,084	2,938	2,967	3,152	3,054
29 Chile	290	360	387	435	443	507	507	502	502	539
30 Colombia	713	689	586	570	554	573	548	541	480	470
31 Cuba	14	13	13	10	15	10	14	4	3	3
32 Mexico	1,972	2,802	3,432	r3,266	3,201	r2,985	2,993	2,791	2,851	2,616
33 Panama	505	1,052	1,257	1,431	r1,672	1,262	1,801	1,673	1,539	2,069
34 Peru	518	583	704	737	735	769	774	760	767	746
35 Uruguay	63	51	38	47	60	71	59	56	55	53
36 Venezuela	704	1,086	1,564	1,654	1,714	1,840	1,736	1,891	1,828	1,838
37 Other Latin American republics	852	967	1,125	1,290	1,316	1,466	1,491	1,461	1,489	1,507
38 Netherlands Antilles[1]	62	49	40	r64	r144	r104	92	80	84	62
39 Other Latin America	1,142	1,885	5,503	5,426	5,898	6,854	6,678	6,259	7,369	8,154
40 *Asia*	*16,226*	*16,057*	*17,672*	*r16,878*	*17,315*	*r17,758*	*17,289*	*17,524*	*18,670*	*18,571*
41 China, People's Republic of (Mainland)	4	22	3	20	22	12	14	15	12	16
42 China, Republic of (Taiwan)	500	736	991	r1,327	1,275	1371	1,265	1,308	1,302	1,302
43 Hong Kong	223	258	271	357	466	465	435	420	537	766
44 India	14	21	41	48	54	35	47	54	80	42
45 Indonesia	157	102	76	97	60	77	54	64	45	53
46 Israel	255	491	551	348	347	441	368	362	351	312
47 Japan	12,518	10,776	10,997	r9,352	9,578	r9,770	9,476	9,708	10,288	10,573
48 Korea	955	1,561	1,714	1,998	1,876	2,070	2,208	2,066	1,842	1,750
49 Philippines	372	384	559	489	508	470	476	528	554	549
50 Thailand	458	499	422	r616	594	616	618	630	641	679
51 Middle East oil-exporting countries[2]	330	524	1,312	1,531	1,783	1,583	1,525	1,570	2,035	1,551
52 Other	441	684	735	695	752	849	803	795	984	977
53 *Africa*	*855*	*1,228*	*1,481*	*r1,832*	*1,749*	*1,728*	*1,757*	*1,768*	*1,827*	*1,801*
54 Egypt	111	101	127	155	130	114	122	111	103	81
55 Morocco	18	9	13	44	31	30	48	34	29	33
56 South Africa	329	545	763	r885	823	840	868	882	944	937
57 Zaire	98	34	29	7	7	7	8	8	7	6
58 Oil-exporting countries[3]	115	231	253	378	358	321	312	360	318	350
59 Other	185	308	296	362	399	416	400	373	426	394
60 *Other countries*	*565*	*609*	*540*	*966*	*939*	*861*	*814*	*802*	*887*	*862*
61 Australia	466	535	441	839	815	743	687	661	725	723
62 All other	99	73	99	127	124	117	127	141	162	139
63 **Nonmonetary international and regional organizations**	*	1	5	9	12	9	10	2	9	1

1 Includes Surinam until January 1976.
2 Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3 Comprises Algeria, Gabon, Libya, and Nigeria.

3.20 SHORT-TERM CLAIMS ON FOREIGNERS Reported by Banks in the United States

By Type of Claim

Millions of dollars, end of period

Type	1974	1975	1976	1977 Oct.r	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.p	1978 Apr.p
1 **Total**	**39,056**	**50,231**	**69,237**	**73,866**	**r74,999**	**r79,913**	**81,492**	**80,517**	**85,872**	**85,166**
2 *Payable in dollars*	*37,859*	*48,888*	*r67,552*	*71,889*	*r73,160*	*r77,811*	*79,361*	*78,447*	*83,744*	*83,088*
3 *Loans, total*	*11,287*	*13,200*	*r18,215*	*18,286*	*r17,758*	*r19,955*	*18,484*	*18,481*	*21,405*	*21,284*
4 Official institutions, including central banks	381	613	1,448	1,085	1,048	1,019	1,101	1,093	1,021	1,426
5 Banks, excluding central banks	7,332	7,635	r11,174	11,552	r11,375	r12,981	11,517	11,732	14,481	14,066
6 All other, including nonmonetary international and regional organizations	3,574	4,951	5,594	5,649	5,335	r5,955	5,866	5,656	5,903	5,792
7 Collections outstanding	5,637	5,467	5,756	6,005	6,045	r6,176	6,342	6,446	6,765	6,910
8 Acceptances made for accounts of foreigners	11,237	11,147	12,358	13,768	13,462	14,212	13,592	13,689	13,892	13,783
9 Other claims[1]	9,698	19,075	r31,222	33,829	r35,895	r37,469	40,943	39,831	41,681	41,110
10 *Payable in foreign currencies*	*1,196*	*1,342*	*r1,685*	*1,978*	*r1,838*	*2,101*	*2,131*	*2,070*	*2,129*	*2,078*
11 Deposits with foreigners	669	656	r1,103	900	r841	941	940	895	948	1,034
12 Foreign government securities, commercial and finance paper	289	314	89	356	405	454	370	338	402	347
13 Other claims	238	372	493	722	593	707	822	837	779	698

1 Includes claims of U.S. banks on their foreign branches and claims of U.S. agencies and branches of foreign banks on their head offices and foreign branches of their head offices.

NOTE.—Short-term claims are principally the following items payable on demand or with a contractual maturity of not more than 1 year: loans made to, and acceptances made for, foreigners; drafts drawn against foreigners, where collection is being made by banks and bankers for their own account or for account of their customers in the United States; and foreign currency balances held abroad by banks and bankers and their customers in the United States. Excludes foreign currencies held by U.S. monetary authorities.

3.21 LONG-TERM CLAIMS ON FOREIGNERS Reported by Banks in the United States

Millions of dollars, end of period

Type, and area or country	1974	1975	1976	1978 Oct.	1978 Nov.	1978 Dec.	1977 Jan.	1977 Feb.	1977 Mar.p	1977 Apr.p
1 **Total**	**7,179**	**9,536**	**11,898**	**r12,641**	**r12,358**	**r12,649**	**12,754**	**12,840**	**12,960**	**13,031**
By type:										
2 *Payable in dollars*	*7,099*	*9,419*	*11,750*	*r12,411*	*r12,110*	*r12,394*	*12,513*	*12,593*	*12,705*	*12,788*
3 *Loans, total*	*6,490*	*8,316*	*10,093*	*r10,683*	*r10,425*	*r10,676*	*10,822*	*10,865*	*11,093*	*11,051*
4 Official institutions, including central banks	1,324	1,351	1,407	r1,787	r1,817	1,918	1,911	1,961	1,958	1,858
5 Banks, excluding central banks	929	1,567	2,232	r2,409	2,289	2,385	2,405	2,383	2,467	2,530
6 All other, including nonmonetary international and regional organizations	4,237	5,399	6,454	r6,487	r6,319	r6,373	6,506	6,521	6,669	6,662
7 Other long-term claims	609	1,103	1,656	r1,728	1,685	1,718	1,691	1,728	1,612	1,737
8 *Payable in foreign currencies*	*80*	*116*	*148*	*229*	*r248*	*254*	*240*	*247*	*254*	*243*
By area or country:										
9 Europe	1,908	2,704	3,328	r3,666	r3,415	3,484	3,436	3,429	3,373	3,446
10 Canada	501	555	637	461	424	434	425	414	407	419
11 Latin America	2,614	3,468	4,856	5,542	r5,578	5,776	5,915	6,076	6,272	6,323
12 *Asia*	*1,619*	*1,795*	*1,904*	*1,768*	*1,742*	*r1,781*	*1,800*	*1,760*	*1,740*	*1,731*
13 Japan	258	296	382	339	320	317	337	297	304	305
14 Middle East oil-exporting countries[1]	384	220	146	173	154	r186	193	211	196	205
15 Other Asia	977	1,279	1,376	1,257	1,268	1,277	1,270	1,251	1,240	1,222
16 *Africa*	*366*	*747*	*890*	*857*	*850*	*855*	*863*	*848*	*867*	*822*
17 Oil-exporting countries[2]	62	151	271	r211	r186	190	188	172	177	174
18 Other	305	596	619	r647	r664	664	675	677	691	648
19 All other countries[3]	171	267	282	r346	348	319	316	313	301	290

1 Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2 Comprises Algeria, Gabon, Libya, and Nigeria.

3 Includes nonmonetary international and regional organizations.

3.22 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data

Millions of dollars, end of period

Asset account	1974	1975	1976	1977				1978		
				Sept.	Oct.	Nov.	Dec.r	Jan.	Feb.	Mar.p
				All foreign countries						
1 **Total, all currencies**	**151,905**	**176,493**	**219,420**	**r245,238**	**r247,451**	**r250,454**	**259,094**	**r259,009**	**256,885**	**263,468**
2 *Claims on United States*	*6,900*	*6,743*	*7,889*	*11,914*	*8,233*	*r8,964*	*11,623*	*10,012*	*9,391*	*11,013*
3 Parent bank	4,464	3,665	4,323	8,231	4,535	5,238	7,806	5,932	5,410	6,698
4 Other	2,435	3,078	3,566	3,683	3,698	r3,726	3,818	4,080	3,981	4,315
5 *Claims on foreigners*	*138,712*	*163,391*	*204,486*	*r225,403*	*r230,759*	*r232,972*	*238,850*	*r239,792*	*238,556*	*243,316*
6 Other branches of parent bank	27,559	34,508	45,955	r52,086	r51,914	r54,631	55,772	55,359	54,196	55,554
7 Other banks	60,283	69,206	83,765	87,746	91,871	89,213	91,883	r92,229	92,301	95,348
8 Official institutions	4,077	5,792	10,613	14,193	14,456	14,854	14,634	r15,274	15,093	15,284
9 Nonbank foreigners	46,793	53,886	64,153	r71,379	r72,517	r74,274	76,561	r76,931	76,967	77,130
10 Other assets	6,294	6,359	7,045	r7,921	8,459	r8,518	8,620	r9,206	8,937	9,139
11 **Total payable in U.S. dollars**	**105,969**	**132,901**	**167,695**	**r188,352**	**r187,783**	**r188,593**	**193,933**	**r193,325**	**189,449**	**194,855**
12 *Claims on United States*	*6,603*	*6,408*	*7,595*	*11,434*	*7,690*	*r8,393*	*11,049*	*9,390*	*8,630*	*10,320*
13 Parent bank	4,428	3,628	4,264	8,177	4,448	5,145	7,692	5,781	5,162	6,616
14 Other	2,175	2,780	3,332	3,257	3,243	r3,248	3,357	3,609	3,467	3,704
15 *Claims on foreigners*	*96,209*	*123,496*	*156,896*	*r173,381*	*r176,128*	*r176,080*	*178,896*	*r179,456*	*176,664*	*180,341*
16 Other branches of parent bank	19,688	28,478	37,909	r42,984	r42,696	r44,087	44,256	43,924	42,658	43,502
17 Other banks	45,067	55,319	66,331	68,790	71,592	68,925	70,786	r70,535	69,680	71,934
18 Official institutions	3,289	4,864	9,022	12,705	12,779	12,887	12,632	r13,097	13,087	13,276
19 Nonbank foreigners	28,164	34,835	43,634	r48,903	r49,061	r50,181	51,222	r51,901	51,238	51,628
20 Other assets	3,157	2,997	3,204	r3,536	r3,965	r4,120	3,988	r4,479	4,155	4,195
				United Kingdom						
21 **Total, all currencies**	**69,804**	**74,883**	**81,466**	**88,033**	**90,154**	**88,748**	**90,933**	**90,789**	**89,626**	**90,162**
22 *Claims on United States*	*3,248*	*2,392*	*3,354*	*3,422*	*2,729*	*2,955*	*4,341*	*3,701*	*2,577*	*3,075*
23 Parent bank	2,472	1,449	2,376	2,556	1,789	2,123	3,518	2,928	1,775	2,274
24 Other	776	943	978	866	940	833	823	773	801	802
25 *Claims on foreigners*	*64,111*	*70,331*	*75,859*	*82,154*	*84,766*	*83,331*	*84,016*	*84,346*	*84,393*	*84,648*
26 Other branches of parent bank	12,724	17,557	19,753	22,363	22,178	21,476	22,017	21,427	21,114	21,092
27 Other banks	32,701	35,904	38,089	39,576	41,923	40,530	39,899	40,605	40,996	41,612
28 Official institutions	788	881	1,274	1,955	2,052	2,145	2,206	2,303	2,100	2,192
29 Nonbank foreigners	17,898	15,990	16,743	18,259	18,613	19,180	19,895	20,010	20,183	19,753
30 Other assets	2,445	2,159	2,253	2,458	2,659	2,462	2,576	2,742	2,656	2,439
31 **Total payable in U.S. dollars**	**49,211**	**57,361**	**61,587**	**66,895**	**67,243**	**65,369**	**66,635**	**65,744**	**63,870**	**64,565**
32 *Claims on United States*	*3,146*	*2,273*	*3,275*	*3,259*	*2,545*	*2,744*	*4,100*	*3,443*	*2,186*	*2,850*
33 Parent bank	2,468	1,445	2,374	2,527	1,748	2,062	3,431	2,815	1,558	2,236
34 Other	678	828	902	732	797	682	669	628	628	614
35 *Claims on foreigners*	*44,694*	*54,121*	*57,488*	*62,584*	*63,596*	*61,587*	*61,408*	*61,094*	*60,521*	60,610
36 Other branches of parent bank	10,265	15,645	17,249	19,865	19,497	18,539	18,947	18,102	17,782	17,603
37 Other banks	23,716	28,224	28,983	29,808	31,134	29,560	28,530	28,661	28,641	28,947
38 Official institutions	610	648	846	1,555	1,595	1,639	1,669	1,770	1,640	1,710
39 Nonbank foreigners	10,102	9,604	10,410	11,355	11,370	11,849	12,263	12,560	12,457	12,349
40 Other assets	1,372	967	824	1,052	1,103	1,038	1,126	1,208	1,163	1,104
				Bahamas and Caymans						
41 **Total, all currencies**	**31,733**	**45,203**	**66,774**	**78,430**	**75,962**	**76,769**	**79,052**	**r80,081**	**79,711**	**82,947**
42 *Claims on United States*	*2,464*	*3,229*	*3,508*	*7,455*	*4,687*	*5,259*	*5,782*	*4,994*	*5,837*	*6,761*
43 Parent bank	1,081	1,477	1,141	4,861	2,104	2,552	3,051	2,097	2,918	3,570
44 Other	1,383	1,752	2,367	2,595	2,583	2,707	2,731	2,897	2,919	3,191
45 *Claims on foreigners*	*28,453*	*41,040*	*62,048*	*69,680*	*69,685*	*69,839*	*71,671*	*r73,470*	*72,272*	*74,397*
46 Other branches of parent bank	3,478	5,411	8,144	9,828	9,266	10,611	11,120	11,272	11,025	11,367
47 Other banks	11,354	16,298	25,354	26,368	27,131	25,912	27,939	r28,810	28,179	29,602
48 Official institutions	2,022	3,576	7,105	9,203	9,207	9,198	9,109	9,322	9,486	9,438
49 Nonbank foreigners	11,599	15,756	21,445	24,281	24,082	24,119	23,503	r24,067	23,583	23,990
50 Other assets	815	933	1,217	1,294	1,589	1,670	1,599	r1,617	1,602	1,789
51 **Total payable in U.S. dollars**	**28,726**	**41,887**	**62,705**	**72,932**	**70,415**	**71,728**	**73,987**	**r74,831**	**74,283**	**77,521**

3.22 Continued

	Liability account	1974	1975	1976	1977 Sept.	1977 Oct.	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.[p]
					All foreign countries						
52	**Total, all currencies**	**151,905**	**176,493**	**219,420**	**[r]245,238**	**[r]247,451**	**[r]250,454**	**[r]259,094**	**[r]259,009**	**256,885**	**263,468**
53	*To United States*	*11,982*	*20,221*	*32,719*	*40,328*	*39,952*	*[r]42,315*	*[r]44,155*	*[r]46,136*	*45,811*	*50,860*
54	Parent bank	5,809	12,165	19,773	20,073	22,706	[r]24,780	[r]24,542	[r]28,637	26,999	27,650
55	Other	6,173	8,057	12,946	20,255	17,246	17,535	19,613	[r]17,500	18,811	23,209
56	*To foreigners*	*132,990*	*149,815*	*179,954*	*[r]197,390*	*[r]199,197*	*[r]200,158*	*[r]206,579*	*[r]204,452*	*202,967*	*204,629*
57	Other branches of parent bank	26,941	34,111	44,370	[r]50,200	[r]50,324	[r]52,289	[r]53,244	51,882	50,883	52,090
58	Other banks	65,675	72,259	83,880	91,124	89,542	[r]90,141	94,140	[r]90,744	90,843	90,564
59	Official institutions	20,185	22,773	25,829	28,014	29,888	28,667	28,110	28,677	28,850	28,018
60	Nonbank foreigners	20,189	20,672	25,877	[r]28,052	[r]29,443	[r]29,061	[r]31,085	[r]33,149	32,390	33,957
61	Other liabilities	6,933	6,456	6,747	[r]7,520	[r]8,302	[r]7,981	[r]8,360	8,421	8,107	7,980
62	**Total payable in U.S. dollars**	**107,890**	**135,907**	**173,071**	**[r]193,113**	**[r]192,995**	**[r]193,421**	**[r]198,741**	**[r]198,240**	**194,614**	**199,879**
63	*To United States*	*11,437*	*19,503*	*31,932*	*39,403*	*38,915*	*[r]41,219*	*[r]42,882*	*[r]44,918*	*44,473*	*49,248*
64	Parent bank	5,641	11,939	19,559	19,759	22,398	[r]24,488	[r]24,213	28,333	26,688	27,321
65	Other	5,795	7,564	12,373	19,644	16,517	16,731	18,669	[r]16,584	17,784	21,927
66	*To foreigners*	*92,503*	*112,879*	*137,612*	*[r]149,630*	*[r]149,687*	*[r]147,995*	*[r]151,363*	*[r]148,868*	*145,884*	*146,406*
67	Other branches of parent bank	19,330	28,217	37,098	[r]41,961	[r]41,811	[r]43,105	[r]43,268	41,802	40,707	41,636
68	Other banks	43,656	51,583	60,619	65,547	62,892	62,094	64,872	[r]61,571	60,754	60,359
69	Official institutions	17,444	19,982	22,878	24,695	26,366	25,113	23,972	24,546	24,453	23,593
70	Nonbank foreigners	12,072	13,097	17,017	[r]17,428	[r]18,618	[r]17,684	[r]19,251	[r]20,949	19,970	20,818
71	Other liabilities	3,951	3,526	3,527	[r]4,080	[r]4,393	[r]4,207	[r]4,496	4,454	4,258	4,224
					United Kingdom						
72	**Total, all currencies**	**69,804**	**74,883**	**81,466**	**88,033**	**90,154**	**88,748**	**90,933**	**90,789**	**89,626**	**90,162**
73	*To United States*	*3,978*	*5,646*	*5,997*	*7,922*	*7,310*	*7,237*	*7,753*	*6,008*	*6,785*	*7,609*
74	Parent bank	510	2,122	1,198	1,425	1,364	1,375	1,451	1,253	1,550	1,646
75	Other	3,468	3,523	4,798	6,496	5,946	5,862	6,302	4,755	5,236	5,962
76	*To foreigners*	*63,409*	*67,240*	*73,228*	*77,580*	*79,837*	*79,087*	*80,736*	*82,160*	*80,331*	*80,036*
77	Other branches of parent bank	4,762	6,494	7,092	8,934	9,187	9,491	9,376	9,999	9,037	8,674
78	Other banks	32,040	32,964	36,259	37,024	36,676	36,974	37,893	36,915	36,764	36,250
79	Official institutions	15,258	16,553	17,273	18,553	20,366	19,555	18,318	19,309	19,580	19,262
80	Nonbank foreigners	11,349	11,229	12,605	13,070	13,608	13,066	15,149	15,937	14,950	15,850
81	Other liabilities	2,418	1,997	2,241	2,532	3,007	2,424	2,445	2,621	2,509	2,518
82	**Total payable in U.S. dollars**	**49,666**	**57,820**	**63,174**	**67,689**	**68,594**	**66,289**	**67,573**	**66,619**	**65,021**	**65,477**
83	*To United States*	*3,744*	*5,415*	*5,849*	*7,622*	*7,004*	*7,012*	*7,480*	*5,737*	*6,479*	*7,250*
84	Parent bank	484	2,083	1,182	1,363	1,288	1,339	1,416	1,222	1,524	1,598
85	Other	3,261	3,332	4,666	6,259	5,716	5,673	6,063	4,515	4,955	5,652
86	*To foreigners*	*44,594*	*51,447*	*56,372*	*58,962*	*60,304*	*58,285*	*58,977*	*59,671*	*57,386*	*57,045*
87	Other branches of parent bank	3,256	5,442	5,874	7,535	7,724	7,871	7,505	8,164	7,211	6,747
88	Other banks	20,526	23,330	25,527	25,984	25,306	24,605	25,608	24,015	23,352	23,075
89	Official institutions	13,225	14,498	15,423	16,430	18,053	17,171	15,482	16,459	16,541	16,213
90	Nonbank foreigners	7,587	8,176	9,547	9,013	9,221	8,638	10,382	11,033	10,282	11,009
91	Other liabilities	1,328	959	953	1,105	1,286	991	1,116	1,210	1,156	1,182
					Bahamas and Caymans						
92	**Total, all currencies**	**31,733**	**45,203**	**66,774**	**78,430**	**75,962**	**76,769**	**[r]79,052**	**[r]80,081**	**79,711**	**82,947**
93	*To United States*	*4,815*	*11,147*	*22,721*	*28,741*	*28,442*	*30,641*	*[r]32,176*	*[r]35,795*	*35,082*	*38,380*
94	Parent bank	2,636	7,628	16,161	16,524	18,538	20,572	[r]20,956	24,713	23,374	23,854
95	Other	2,180	3,520	6,560	12,218	9,905	10,069	[r]11,220	[r]11,082	11,708	14,526
96	*To foreigners*	*26,140*	*32,949*	*42,899*	*48,328*	*46,034*	*44,571*	*[r]45,292*	*[r]42,929*	*43,272*	*43,153*
97	Other branches of parent bank	7,702	10,569	13,801	13,756	13,844	13,308	[r]12,816	11,642	11,598	10,839
98	Other banks	14,050	16,825	21,760	26,933	23,678	23,374	24,717	[r]22,264	22,840	23,380
99	Official institutions	2,377	3,308	3,573	3,184	3,357	3,053	3,000	3,183	3,207	3,060
100	Nonbank foreigners	2,011	2,248	3,765	4,455	5,155	4,836	4,759	[r]5,840	5,628	5,874
101	Other liabilities	778	1,106	1,154	1,361	1,485	1,557	[r]1,584	[r]1,357	1,358	1,414
102	**Total payable in U.S. dollars**	**28,840**	**42,197**	**63,417**	**73,733**	**71,187**	**72,286**	**[r]74,463**	**[r]75,479**	**75,253**	**78,467**

3.23 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Holdings and Transactions

Millions of dollars

Country or area	1976	1977	1978 Jan.–Apr.p	1977 Oct.	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.p	1978 Apr.p
	Holdings (end of period) [4]									
1 **Estimated total**	**15,799**	**38,620**	....	**34,324**	**37,661**	**38,620**	**40,101**	**40,380**	**41,230**	**39,661**
2 **Foreign countries**	**12,765**	**33,874**	....	**30,323**	**33,285**	**33,874**	**35,648**	**35,479**	**36,475**	**34,811**
3 *Europe*	*2,330*	*13,916*	....	*12,603*	*14,003*	*13,916*	*15,044*	*14,895*	*15,206*	*13,607*
4 Belgium-Luxembourg	14	19	....	20	20	19	19	19	19	19
5 Germany	764	3,168	....	2,165	2,742	3,168	3,373	3,494	3,816	3,820
6 Netherlands	288	911	....	821	911	911	930	954	1,029	1,079
7 Sweden	191	100	....	125	100	100	125	125	155	175
8 Switzerland	261	477	....	474	476	477	391	401	400	443
9 United Kingdom	485	8,888	....	8,640	9,419	8,888	9,839	9,513	9,418	7,737
10 Other Western Europe	323	349	....	353	331	349	362	384	363	330
11 Eastern Europe	4	4	....	4	4	4	4	4	4	4
12 Canada	256	288	....	294	293	288	285	250	251	253
13 Latin America	313	551	....	519	533	551	543	587	551	535
14 Venezuela	149	199	....	183	199	199	201	241	200	189
15 Other Latin America republics	36	184	....	21	11	17	10	14	8	8
16 Netherlands Antilles [1]	118	170	....	158	167	170	162	162	162	162
17 Asia	9,323	18,745	....	16,611	18,104	18,745	19,413	19,378	20,120	20,070
18 Japan	2,687	6,860	....	5,958	6,547	6,860	7,463	7,617	8,313	8,332
19 Africa	543	362	....	279	348	362	362	362	341	341
20 All other	*	11	....	18	5	11	2	7	6	6
21 **Nonmonetary international and regional organizations**	**3,034**	**4,746**	....	**4,001**	**4,376**	**4,746**	**4,453**	**4,901**	**4,755**	**4,849**
22 International	2,906	4,646	....	3,900	4,276	4,646	4,358	4,781	4,640	4,740
23 Latin American regional	128	100	....	100	100	100	95	120	115	110
	Transactions (net purchases, or sales (−), during period)									
24 **Total**	**8,096**	**22,823**	**1,041**	**3,257**	**3,337**	**959**	**1,481**	**278**	**851**	**−1,569**
25 **Foreign countries**	**5,393**	**21,110**	**937**	**3,116**	**2,962**	**589**	**1,774**	**−169**	**996**	**−1,664**
26 Official institutions	4,958	20,328	722	3,052	2,885	598	1,714	−277	975	1,690
27 Other foreign	435	782	215	65	76	−9	59	108	22	26
28 **Nonmonetary international and regional organizations**	**2,704**	**1,713**	**104**	**141**	**376**	**370**	**−292**	**447**	**−145**	**94**
MEMO: Oil-exporting countries										
29 Middle East [2]	3,887	4,451	−127	284	869	324	56	−184	72	−72
30 Africa [3]	221	−181	−20	....	69	13	....	....	−20	....

[1] Includes Surinam until January 1976.
[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.

3.24 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS

Millions of dollars, end of period

Assets	1974	1975	1976	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.	1978 Apr.	1978 May
1 Deposits	418	353	352	416	424	422	445	352	481	453
Assets held in custody:										
2 U.S. Treasury securities [1]	55,600	60,019	66,532	89,497	91,962	95,945	98,465	105,362	102,044	100,146
3 Earmarked gold [2]	16,838	16,745	16,414	15,872	15,988	15,726	15,735	15,727	15,686	15,667

[1] Marketable U.S. Treasury bills, certificates of indebtedness, notes, and bonds; and nonmarketable U.S. Treasury securities payable in dollars and in foreign 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.

3.25 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

	Transactions, and area or country	1976	1977	1978 Jan.–Apr.^{p}	1977 Oct.	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.^{p}	1978 Apr.^{p}
	U.S. corporate securities										
	Stocks										
1	Foreign purchases	18,227	14,155	5,126	973	1,282	1,235	1,024	825	1,413	1,864
2	Foreign sales	r15,475	11,479	3,743	752	899	945	909	762	921	1,151
3	**Net purchases, or sales (−)**	**r2,753**	**2,676**	**1,383**	**222**	**383**	**290**	**115**	**63**	**492**	**713**
4	**Foreign countries**	**r2,740**	**2,661**	**1,409**	**223**	**385**	**286**	**116**	**63**	**510**	**720**
5	Europe	r336	1,006	898	109	200	156	30	41	319	508
6	France	256	40	133	27	1	−3	−12	−2	68	79
7	Germany	68	291	255	37	64	58	45	33	52	125
8	Netherlands	−199	22	−10	5	10	9	−4	−13	−9	16
9	Switzerland	−100	152	40	2	34	−3	−54	−16	7	103
10	United Kingdom	r340	613	477	52	106	109	60	57	184	176
11	Canada	324	65	−4	20	21	14	−19	−26	−3	44
12	Latin America	r155	127	41	−4	27	15	−9	−4	17	37
13	Middle East[1]	1,803	r1,390	422	93	128	100	107	48	170	97
14	Other Asia	119	59	47	2	8	1	6	1	5	35
15	Africa	7	5	1	2	*	*	*	2	1	−1
16	Other countries	−4	8	2	2	2	*	1	1	*	*
17	**Nonmonetary international and regional organizations**	**13**	**15**	**−26**	**−1**	**−2**	**4**	**−1**	**1**	**−19**	**−7**
	Bonds[2]										
18	Foreign purchases	5,529	r7,739	1,895	r931	743	354	459	524	600	312
19	Foreign sales	4,322	r3,404	1,657	r281	226	267	377	348	621	311
20	**Net purchases, or sales (−)**	**1,207**	**r4,335**	**239**	**650**	**517**	**87**	**83**	**176**	**−21**	**1**
21	**Foreign countries**	**1,248**	**r4,239**	**235**	**650**	**507**	**41**	**101**	**131**	*	**3**
22	Europe	91	r2,006	−59	376	320	19	133	32	−163	−61
23	France	39	r−34	−2	*	−5	−11	−4	1	5	−4
24	Germany	−49	59	37	5	4	9	1	7	19	10
25	Netherlands	−29	72	−9	2	20	*	7	1	−20	3
26	Switzerland	158	r157	−41	−7	−7	−6	−7	3	−37	*
27	United Kingdom	23	r1,705	−29	329	324	28	125	22	−122	−54
28	Canada	96	141	32	4	1	−1	7	7	5	13
29	Latin America	94	64	29	11	−1	3	11	6	11	1
30	Middle East[1]	1,179	1,695	186	124	159	4	−59	75	137	33
31	Other Asia	−165	338	45	135	27	16	9	11	9	16
32	Africa	−25	−6	−1	*	*	*	*	−1	*	*
33	Other countries	−21	*	1	*	*	*	*	*	*	1
34	**Nonmonetary international and regional organizations**	**−41**	**96**	**5**	*	**10**	**46**	**−18**	**45**	**−20**	**−2**
	Foreign securities										
35	**Stocks, net purchases, or sales (−)**	**−323**	**r−410**	**473**	**106**	**34**	**59**	**103**	**113**	**114**	**143**
36	Foreign purchases	1,937	r2,255	1,276	247	214	291	255	280	337	404
37	Foreign sales	2,259	r2,665	803	141	180	232	152	167	223	261
38	**Bonds, net purchases, or sales (−)**	**r−8,740**	**r−5,034**	**−1,759**	**−281**	**−320**	**−330**	**−569**	**−176**	**−519**	**−495**
39	Foreign purchases	4,932	r8,052	3,179	786	593	885	691	522	797	1,169
40	Foreign sales	r13,672	r13,086	4,937	1,066	913	1,215	1,260	698	1,315	1,664
41	**Net purchases, or sales (−) of stocks and bonds**	**r−9,063**	**r−5,444**	**−1,287**	**−175**	**−285**	**−271**	**−466**	**−64**	**−405**	**−352**
42	**Foreign countries**	**r−7,165**	**r−3,886**	**−1,135**	**−24**	**−308**	**−293**	**−473**	**17**	**−256**	**−423**
43	Europe	r−850	r−1,125	415	−33	−260	108	98	95	116	106
44	Canada	−5,245	r−2,403	−1,434	45	9	−175	−446	−4	−177	−807
45	Latin America	r−3	−80	220	−170	−2	−68	−6	37	69	120
46	Asia	−699	r−14	−347	136	−57	51	−114	−113	−270	150
47	Africa	48	2	5	−2	*	1	−2	*	*	7
48	Other countries	−416	−267	7	1	2	−210	−3	2	6	2
49	**Nonmonetary international and regional organizations**	**−1,898**	**−1,557**	**−151**	**−151**	**23**	**22**	**7**	**−80**	**−148**	**70**

[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.

3.26 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 1976 Dec.	1977 Mar.	1977 June	1977 Sept.	1977 Dec.p	Claims on foreigners 1976 Dec.	1977 Mar.	1977 June	1977 Sept.	1977 Dec.p
1 **Total**	**6,606**	**6,604**	**6,424**	**7,122**	**7,822**	**14,162**	**14,963**	**16,166**	**14,983**	**15,887**
By type:										
2 *Payable in dollars*	*5,894*	*5,837*	*5,772*	*6,329*	*7,078*	*13,163*	*13,947*	*15,054*	*13,936*	*14,517*
3 *Payable in foreign currencies*	*712*	*767*	*652*	*792*	*745*	*999*	*1,016*	*1,113*	*1,047*	*1,370*
4 Deposits with banks abroad in reporter's name	......	......	......	......	......	*442*	*431*	*448*	*414*	*620*
5 Other	......	......	......	......	......	*557*	*585*	*665*	*632*	*750*
By area or country:										
6 **Foreign countries**	**6,398**	**6,412**	**6,254**	**6,968**	**7,611**	**14,161**	**14,961**	**16,165**	**14,981**	**15,885**
7 *Europe*	*2,235*	*2,144*	*2,208*	*2,314*	*2,526*	*5,282*	*5,232*	*5,820*	*5,057*	*5,653*
8 Austria	10	9	10	12	21	21	23	26	24	24
9 Belgium-Luxembourg	169	177	138	119	107	162	170	218	232	218
10 Denmark	7	15	14	16	14	56	48	40	44	56
11 Finland	2	2	10	11	9	77	40	90	59	13
12 France	200	163	157	171	236	438	436	413	430	513
13 Germany	174	175	163	226	284	378	367	377	393	452
14 Greece	48	80	73	78	85	51	90	86	52	41
15 Italy	131	135	154	139	161	384	473	440	342	387
16 Netherlands	141	168	205	176	230	166	172	182	161	166
17 Norway	29	37	33	35	30	51	42	42	38	42
18 Portugal	13	23	20	12	11	40	35	30	34	69
19 Spain	40	52	68	74	77	369	325	322	307	387
20 Sweden	34	36	36	41	28	90	93	92	91	118
21 Switzerland	190	214	236	245	257	241	154	179	146	221
22 Turkey	13	12	21	97	108	25	32	37	32	39
23 United Kingdom	883	698	730	736	733	2,446	2,475	3,027	2,469	2,674
24 Yugoslavia	123	113	110	92	90	26	30	28	20	20
25 Other Western Europe	7	6	6	9	9	20	18	15	15	25
26 U.S.S.R.	9	15	16	11	24	156	105	76	62	55
27 Other Eastern Europe	13	13	10	14	12	85	103	102	96	134
28 *Canada*	*400*	*427*	*448*	*454*	*503*	*2,458*	*2,426*	*2,573*	*2,501*	*2,612*
29 *Latin America*	*1,040*	*1,121*	*1,020*	*1,027*	*1,189*	*3,582*	*4,408*	*4,938*	*4,535*	*4,333*
30 Argentina	44	42	50	50	42	44	46	51	53	53
31 Bahamas	260	256	216	222	300	1,391	1,881	2,244	1,873	1,906
32 Brazil	72	49	37	76	49	682	535	457	414	517
33 Chile	17	16	24	13	17	34	35	28	40	45
34 Colombia	13	18	22	24	42	59	75	72	85	84
35 Cuba	*	*	*	*	*	1	1	1	*	*
36 Mexico	102	121	120	103	115	332	317	301	304	316
37 Panama	34	12	11	12	22	74	105	121	221	88
38 Peru	25	24	21	13	15	42	32	28	30	33
39 Uruguay	4	4	3	4	3	5	6	5	5	5
40 Venezuela	219	260	208	225	222	190	210	240	256	275
41 Other Latin American republics	141	148	141	122	126	276	237	237	257	280
42 Netherlands Antilles	10	11	17	9	25	9	14	8	8	12
43 Other Latin America	100	160	151	154	210	441	914	1,146	987	718
44 *Asia*	*2,040*	*2,057*	*1,890*	*2,492*	*2,737*	*2,276*	*2,316*	*2,315*	*2,388*	*2,746*
45 China, People's Republic of (Mainland)	1	3	2	1	8	3	7	7	12	9
46 China, Republic of (Taiwan)	110	113	138	152	156	197	130	131	139	157
47 Hong Kong	40	42	27	25	40	96	107	93	73	98
48 India	23	39	41	44	37	55	35	51	42	37
49 Indonesia	98	94	80	60	60	179	206	184	185	378
50 Israel	37	37	45	58	63	41	51	70	46	38
51 Japan	193	172	183	604	695	912	969	927	1,023	1,057
52 Korea	76	96	95	81	108	117	130	158	153	173
53 Philippines	53	59	73	78	74	86	86	90	111	99
54 Thailand	24	19	11	17	17	22	27	22	24	23
55 Other Asia	1,385	1,383	1,196	1,372	1,480	568	569	582	579	679
56 *Africa*	*606*	*591*	*589*	*568*	*563*	*393*	*429*	*370*	*346*	*397*
57 Egypt	27	29	33	45	13	28	70	24	22	38
58 Morocco	45	30	72	105	112	11	12	11	10	21
59 South Africa	54	33	27	29	20	87	80	69	75	75
60 Zaire	36	39	39	48	46	21	19	17	19	15
61 Other Africa	444	460	418	341	372	247	248	248	221	248
62 *Other countries*	*77*	*72*	*98*	*111*	*93*	*170*	*150*	*149*	*153*	*144*
63 Australia	59	53	78	93	75	105	114	110	113	110
64 All other	19	19	20	18	18	65	36	40	41	34
65 **Nonmonetary international and regional organizations**	**208**	**192**	**170**	**154**	**212**	**1**	**2**	**1**	**1**	**1**

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.

3.27 SHORT-TERM CLAIMS ON FOREIGNERS Reported by Large Nonbanking Concerns in the United States

Millions of dollars, end of period

Type and country	1973	1974	1975	1976	1977 Oct.	1977 Nov.	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.p
1 **Total**	**3,185**	**3,357**	**3,799**	**5,468**	**7,694**	**7,575**	**6,769**	**7,324**	**7,937**	**8,446**
By type:										
2 *Payable in dollars*	*2,641*	*2,660*	*3,042*	*4,788*	*6,972*	*6,652*	*5,804*	*6,310*	*6,947*	*7,290*
3 Deposits	2,604	2,591	2,710	4,415	6,468	6,207	5,402	5,856	6,462	6,715
4 Short-term investments [1]	37	69	332	373	504	445	402	454	485	575
5 *Payable in foreign currencies*	*544*	*697*	*757*	*680*	*722*	*924*	*965*	*1,014*	*990*	*1,157*
6 Deposits	431	429	511	373	374	489	552	561	541	647
7 Short-term investments [1]	113	268	246	302	348	435	413	453	449	510
By country:										
8 United Kingdom	1,128	1,350	1,306	1,837	1,882	2,098	1,989	1,680	1,787	1,671
9 Canada	775	967	1,156	1,539	1,956	1,863	1,706	2,108	2,228	2,386
10 Bahamas	597	391	546	1,264	2,383	2,086	1,781	2,217	2,507	2,791
11 Japan	336	398	343	113	150	220	139	197	258	375
12 All other	349	252	446	715	1,323	1,308	1,154	1,122	1,157	1,223

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.

3.28 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	1976 Dec.	1977 Mar.	1977 June	1977 Sept.	1977 Dec.p	1976 Dec.	1977 Mar.	1977 June	1977 Sept.	1977 Dec.p
	Liabilities to foreigners					Claims on foreigners				
1 **Total**	**3,564**	**3,501**	**3,336**	**3,327**	**3,119**	**4,922**	**4,891**	**4,827**	**4,625**	**4,631**
2 Europe	2,723	2,653	2,497	2,555	2,385	851	844	827	754	742
3 Germany	396	391	370	407	255	72	84	76	76	70
4 Netherlands	277	272	262	272	288	156	154	147	81	82
5 Switzerland	260	178	177	224	241	57	53	43	42	49
6 United Kingdom	1,418	1,386	1,273	1,251	1,229	238	204	219	215	204
7 Canada	87	80	79	76	71	1,530	1,475	1,486	1,462	1,473
8 Latin America	271	274	283	276	261	1,521	1,489	1,457	1,371	1,404
9 Bahamas	163	163	167	159	156	36	34	34	36	40
10 Brazil	5	5	7	7	7	133	125	125	134	144
11 Chile	1	1	1	1	1	248	210	208	201	203
12 Mexico	18	23	26	30	30	195	180	178	187	176
13 Asia	423	432	408	358	338	775	817	833	809	797
14 Japan	397	413	386	319	305	77	96	111	94	66
15 Africa	2	2	3	3	2	187	199	158	165	157
16 All other [1]	58	59	67	59	60	58	67	67	63	59

1 Includes nonmonetary international and regional organizations.

3.29 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Per cent per annum

Country	Rate on May 31, 1978		Country	Rate on May 31, 1978		Country	Rate on May 31, 1978	
	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	5.5	June 1977	Germany, Fed. Rep. of.	3.0	Dec. 1977	Sweden	7.0	Apr. 1978
Belgium	5.5	Mar. 1978	Italy	11.5	Aug. 1977	Switzerland	1.0	Feb. 1978
Brazil	28.0	May 1976	Japan	3.5	Mar. 1978	United Kingdom	9.0	May 1978
Canada	8.5	Apr. 1978	Mexico	4.5	June 1942	Venezuela	5.0	Oct. 1970
Denmark	9.0	Mar. 1977	Netherlands	4.0	Apr. 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.

3.30 FOREIGN SHORT-TERM INTEREST RATES

Per cent per annum, averages of daily figures

Country, or type	1975	1976	1977	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.	1978 Apr.	1978 May
1 Euro-dollars	7.02	5.58	6.03	7.12	7.32	7.28	7.27	7.38	7.82
2 United Kingdom	10.63	11.35	8.07	6.76	6.23	6.82	6.72	7.47	9.17
3 Canada	8.00	9.39	7.47	7.20	7.08	7.14	7.44	8.14	8.01
4 Germany	4.87	4.19	4.30	3.94	3.52	3.45	3.49	3.54	3.60
5 Switzerland	3.01	1.45	2.56	2.20	.92	.50	.46	.40	1.18
6 Netherlands	5.17	7.02	4.73	6.65	5.01	5.28	5.35	4.62	4.48
7 France	7.91	8.65	9.20	9.88	9.25	10.45	9.86	8.35	8.21
8 Italy	10.37	16.32	14.26	11.38	10.99	(1)	(1)	11.75	11.80
9 Belgium	6.63	10.25	6.95	7.75	8.29	6.75	6.41	5.55	5.71
10 Japan	11.64	7.70	6.22	5.75	5.33	5.25	4.86	4.50	4.50

1 Unquoted.

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.

3.31 FOREIGN EXCHANGE RATES

Cents per unit of foreign currency

Country/currency	1975	1976	1977	1977 Dec.	1978 Jan.	1978 Feb.	1978 Mar.	1978 Apr.	1978 May
1 Australia/dollar	130.77	122.15	110.82	113.36	113.82	113.56	113.83	113.97	112.76
2 Austria/shilling	5.7467	5.5744	6.0494	6.4734	6.5698	6.6893	6.8221	6.8081	6.6031
3 Belgium/franc	2.7253	2.5921	2.7911	2.9608	3.0425	3.0930	3.1589	3.1419	3.0463
4 Canada/dollar	98.30	101.41	94.112	91.132	90.810	89.850	88.823	87.592	89.397
5 Denmark/krone	17.437	16.546	16.658	16.833	17.324	17.610	17.839	17.807	17.535
6 Finland/markka	27.285	25.938	24.913	24.299	24.816	24.527	24.013	23.900	23.430
7 France/franc	23.354	20.942	20.344	20.844	21.196	20.628	21.256	21.803	21.513
8 Germany/deutsche mark	40.729	39.737	43.079	46.499	47.220	48.142	49.181	48.964	47.497
9 India/rupee	11.926	11.148	11.406	11.712	12.195	12.331	12.185	11.815	11.653
10 Ireland/pound	222.16	180.48	174.49	185.46	193.53	193.96	190.55	184.97	181.81
11 Italy/lira	.15328	.12044	.11328	.11416	.11469	.11619	.11692	.11644	.11488
12 Japan/yen	.33705	.33741	.37342	.41491	.41481	.41603	.43148	.45084	.44215
13 Malaysia/ringgit	41.753	39.340	40.620	42.201	42.230	42.374	42.428	42.057	41.462
14 Mexico/peso	8.0000	6.9161	4.4239	4.4059	4.3963	4.3972	4.3928	4.3945	4.3973
15 Netherlands/guilder	39.632	37.846	40.752	42.955	44.084	44.880	45.994	45.865	44.407
16 New Zealand/dollar	121.16	99.115	96.893	100.59	101.95	102.07	102.20	101.92	100.69
17 Norway/krone	19.180	18.327	18.789	19.056	19.401	19.025	18.775	18.621	18.360
18 Portugal/escudo	3.9286	3.3159	2.6234	2.4755	2.4840	2.4806	2.4483	2.4075	2.2208
19 South Africa/rand	136.47	114.85	114.99	115.04	115.02	115.05	115.05	115.05	115.01
20 Spain/peseta	1.7424	1.4958	1.3287	1.2237	1.2397	1.2394	1.2497	1.2475	1.2317
21 Sri Lanka/rupee	14.385	11.908	11.964	6.2000	6.2167	6.4028	6.5000	6.4950	6.2945
22 Sweden/krona	24.141	22.957	22.383	21.044	21.413	21.554	21.693	21.731	21.491
23 Switzerland/franc	38.743	40.013	41.714	48.168	50.353	52.422	52.693	52.511	50,892
24 United Kingdom/pound	222.16	180.48	174.49	185.46	193.53	193.96	190.55	184.97	181.81
MEMO:									
25 United States/dollar [1]	82.20	89.68	89.10	85.52	84.05	83.74	82.94	83.10	84.37

1 Index of weighted-average exchange value of U.S. dollar against currencies of other G-10 countries plus Switzerland. May 1970 parities = 100. Weights are 1972 global trade of each of the 10 countries.

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

p	Preliminary
r	Revised (Notation appears on column heading when more than half of figures in that column are changed.)
e	Estimated
c	Corrected
n.e.c.	Not elsewhere classified
Rp's	Repurchase agreements
IPC's	Individuals, partnerships, and corporations
SMSA's	Standard metropolitan statistical areas
REIT's	Real estate investment trusts
*	Amounts insignificant in terms of the particular unit (e.g., less than 500,000 when the unit is millions)
	(1) Zero, (2) no figure to be expected, or (3) figure delayed or, (4) no change (when figures are expected in percentages).

General Information

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. Govt. securities" may include guaranteed issues of U.S. Govt. agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local govt." also includes municipalities, special districts, and other political subdivisions.

In some of the tables details do not add to totals because of rounding.

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SUMMARIES ONLY PRINTED IN THE BULLETIN

(Limited supply of mimeographed copies of full text available upon request for single copies.)

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Staff Economic Studies shown in list below.

REPRINTS

(Except for Staff Papers, Staff Economic Studies, and some leading articles, most of the articles reprinted do not exceed 12 pages.)

A REVISED INDEX OF MANUFACTURING CAPACITY, **Staff Economic Study** by Frank de Leeuw with Frank E. Hopkins and Michael D. Sherman. 11/66.
MEASURES OF SECURITY CREDIT. 12/70.
REVISED MEASURES OF MANUFACTURING CAPACITY UTILIZATION. 10/71.
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SURVEY OF TIME AND SAVINGS DEPOSITS AT ALL COMMERCIAL BANKS, January 1978. 5/78.

ANTICIPATED SCHEDULE OF RELEASE DATES FOR PUBLIC PERIODIC RELEASES [1]—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WEEKLY RELEASES	APPROXIMATE RELEASE DAY	DATE OR PERIOD TO WHICH DATA REFER
Aggregate Reserves and Member Bank Deposits **502** (H.3)	Tuesday	Week ended previous Wednesday
Applications and Reports Received or Acted on and All Other Actions of the Board **501** (H.2)	Friday	Week ended previous Saturday
Assets and Liabilities of All Commercial Banks in the United States **510** (H.8)	Wednesday	Wednesday, 2 weeks earlier
Changes in State Member Banks **615** (K.3)	Tuesday	Week ended previous Saturday
Commercial and Industrial Loans Outstanding by Industry **514** (H.12)[2]	Wednesday	Wednesday, 1 week earlier
Deposits, Reserves, and Borrowings of Member Banks **509** (H.7)	Wednesday	Week ended 3 Wednesdays earlier
Factors Affecting Bank Reserves and Condition Statement of Federal Reserve Banks **503** (H.4.1)	Thursday	Week ended previous Wednesday
Foreign Exchange Rates **512** (H.10)	Monday	Week ended previous Friday
Money Stock Measures **508** (H.6)	Thursday	Week ended Wednesday of previous week
Reserve Positions of Major Reserve City Banks **507** (H.5)	Friday	Week ended Wednesday of previous week
Selected Interest Rates and Bond Prices **519** (H.15)	Monday	Week ended previous Saturday
Weekly Condition Report of Large Commercial Banks in New York and Chicago **506** (H.4.3)	Thursday	Previous Wednesday
Weekly Condition Report of Large Commercial Banks and Domestic Subsidiaries **504** (H.4.2)[3]	Wednesday	Wednesday, 1 week earlier
Weekly Summary of Banking and Credit Measures **511** (H.9)	Thursday	Week ended previous Wednesday; and week ended Wednesday of previous week
SEMIMONTHLY RELEASE		
Research Library—Recent Acquisitions **601** (J.2)	1st and 16th of month	Period since last release
MONTHLY RELEASES		
Assets and Liabilities of all Member Banks, by Districts **408** (G.7.1)	14th of month	Last Wednesday of previous month
Automobile Credit **428** (G.26)	6th working day of month	2nd month previous

[1] Release dates are those anticipated or usually met. However, it should be noted that for some releases there is normally a certain variability because of reporting or processing procedures. Moreover, for all series unusual circumstances may, from time to time, result in a release date being later than anticipated.

[2] On second Wednesday of month, contains monthly data release.

[3] Contains revised H.4.3 data.

NOTE.—The Board's official mailing list is being computerized, and new three-digit identification codes have been assigned to each individual release. The new code, as well as the current symbol, will be used for several months; thereafter, only the new code will appear.

MONTHLY RELEASES (cont.)	APPROXIMATE RELEASE DAY	DATE OR PERIOD TO WHICH DATA REFER
Capacity Utilization: Manufacturing and Materials **402** (G.3)	17th of month	Previous month
Changes in Status of Banks and Branches **404** (G.4.5)	25th of month	Previous month
Consumer Instalment Credit **421** (G.19)	3rd working day of month	2nd month previous
Debits and Deposit Turnover at Commercial Banks **406** (G.6)	25th of month	Previous month
Federal Reserve System Memorandum on Exchange Charges **628** (K.14)	5th of month	Period since last release
Finance Companies **422** (G.20)	5th working day of month	2nd month previous
Foreign Exchange Rates **405** (G.5)	1st of month	Previous month
Industrial Production **414** (G.12.3)	15th of month	Previous month
Interest Rates on Selected Consumer Instalment Loans at Reporting Commercial Banks **411** (G.10)	15th of month	2nd month previous
Loan Commitments at Selected Large Commercial Banks **423** (G.21)	20th of month	2nd month previous
Maturity Distribution of Outstanding Negotiable Time Certificates of Deposit **410** (G.9)	24th of month	Last Wednesday of previous month
Monthly Report of Condition for U.S. Agencies, Branches and Domestic Banking Subsidiaries of Foreign Banks **412** (G.11)	15th of month	2nd month previous
Selected Interest Rates and Bond Prices **415** (G.13)	6th of month	Previous month
Summary of Equity Security Transactions **418** (G.16)	Last week of month	Release date
Survey of Terms of Bank Lending **416** (G.14)	15th of month	3rd month previous

QUARTERLY RELEASES		
Finance Rates and Other Terms on Selected Types of Consumer Instalment Credit Extended by Major Finance Companies **120** (E.10)	25th of January, April, July, October	2nd month previous
Flow of Funds: Seasonally adjusted and unadjusted **780** (Z.1) Volume and Composition of Individuals' Saving (Flow of funds series) **118** (E.8)	15th of February, May, August, November	Previous quarter
Geographical Distribution of Assets and Liabilities of Major Foreign Branches of U.S. Banks **121** (E.11)	15th of March, June, September, December	Previous quarter
Sales Revenue, Profits, and Dividends of Large Manufacturing Corporations **116** (E.6)	10th of March July, September, December	2nd quarter previous

SEMIANNUAL RELEASES	APPROXIMATE RELEASE DAY	DATE OR PERIOD TO WHICH DATA REFER
Assets and Liabilities of Commercial Banks, by Class of Bank **113** (E.3.4)	May and November	End of previous December and June
Check Collection Services—Federal Reserve System **119** (E.9)	February and July	Previous six months

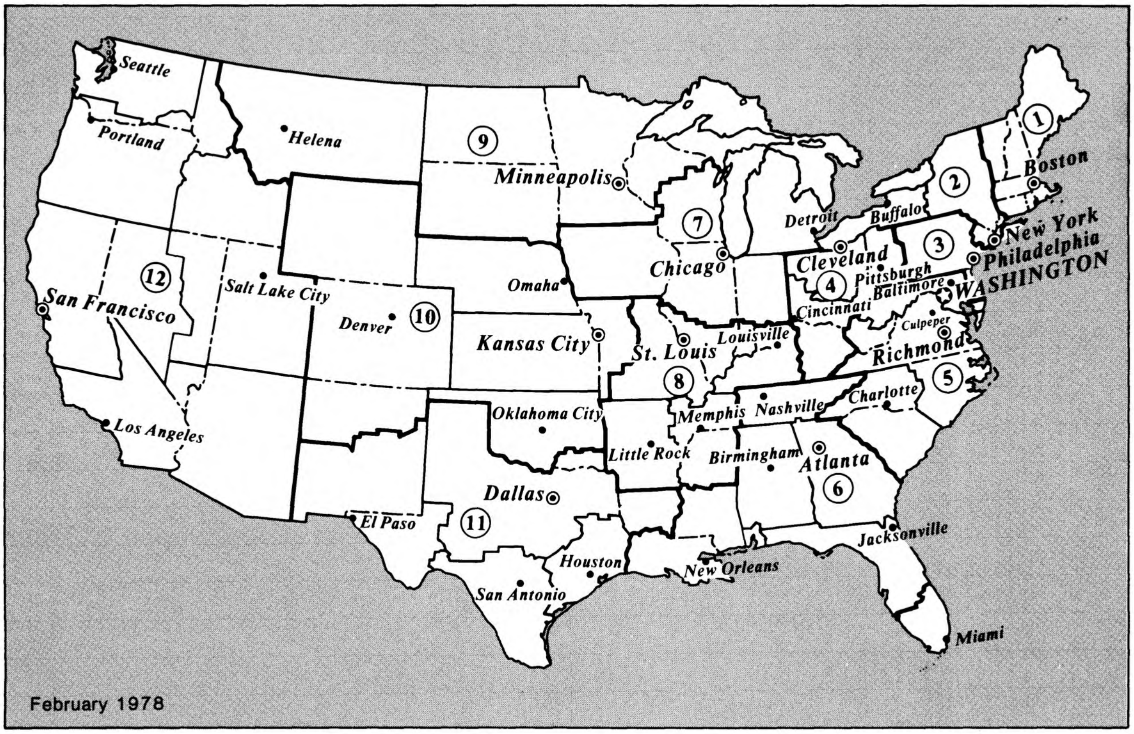
SEMIANNUAL RELEASES (cont.)	APPROXIMATE RELEASE DAY	DATE OR PERIOD TO WHICH DATA REFER
List of OTC Margin Stocks **117** (E.7)	June 30, December 31	Release date
Assets, Liabilities, and Capital Accounts of Commercial and Mutual Savings Banks—Reports of Call (Joint Release of the Federal Deposit Insurance Corp., the Board of Governors of the Federal Reserve System, and Office of the Comptroller of the Currency. **Published and distributed by FDIC.)**	May and November	End of previous December and June
ANNUAL RELEASES		
Aggregate Summaries of Annual Surveys of Security Credit Extension **101** (C.2)	February	End of previous June
Member Bank Income **103** (C.4)	End of May	Previous year
State Member Banks of Federal Reserve System and Nonmember Banks that Maintain Clearing Accounts with Federal Reserve Banks **403** (G.4)	1st quarter of year	End of previous year
(Supplements issued monthly)	15th of month	Previous month

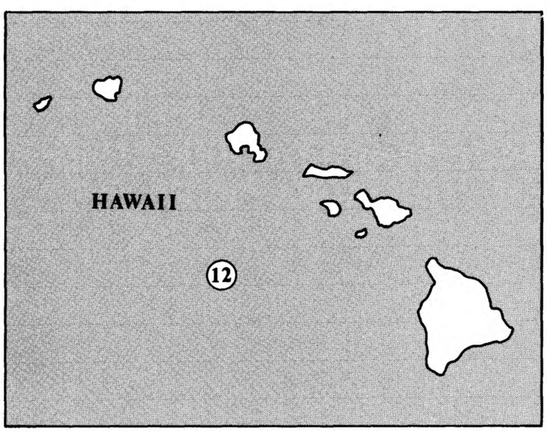
Index to Statistical Tables

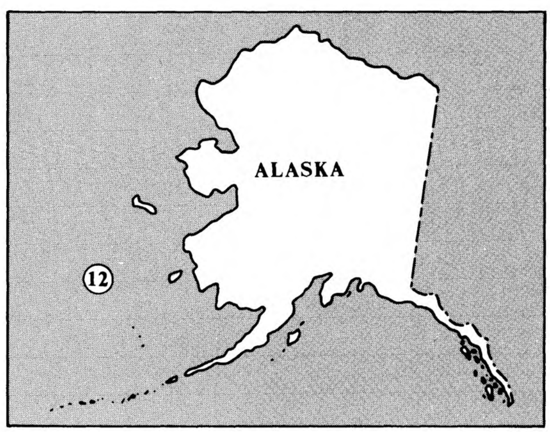
References are to pages A-3 through A-68 although the prefix "A" is omitted in this index

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