SEPTEMBER 1979

# FEDERAL RESERVE BULLETIN

Operating Guides in U.S. Monetary Policy: A Historical Review
Insured Commercial Bank Income in 1978
New Measures of Commercial Bank Credit and Bank Nondeposit Funds
Survey of Standby Letters of Credit
Treasury and Federal Reserve Foreign Exchange Operations

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4½ percent for M-1, 5 to 8 percent for M-2, and 6 to 9 percent for M-3. The associated range for commercial bank credit remained 7½ to 10½ percent. Having established the range for M-1 in February on the assumption that expansion of ATS and NOW accounts would dampen growth by about 3 percentage points over the year, the Committee also agreed that actual growth in M-1 might vary in relation to its range to the extent of any deviation from that estimate. The Committee anticipated that for the period from the fourth quarter of 1979 to the fourth quarter of 1980, growth might be within the same ranges, depending upon emerging economic conditions and appropriate adjustments that might be required by legislation or judicial developments affecting interest-bearing transactions accounts.

With respect to policy for the period immediately ahead, the Committee decided that ranges of tolerance for the annual rates of growth in M-1 and M-2 over the July–August period should be 2½ to 6½ percent and 6½ to 10½ percent respectively. The Manager was instructed to direct open market operations initially toward maintaining the weekly average federal funds rate at about the current level, represented by a rate of 10¼ percent. Subsequently, if the two-month growth rates of M-1 and M-2 (given approximately equal weight) appeared to be close to or beyond the upper or lower limits of the indicated ranges, the objective for the funds rate was to be raised or lowered in an orderly fashion within a range of 9¾ to 10½ percent.

On July 27, with the projections suggesting that growth of both M-1 and M-2 over the July–August period would exceed the upper limits of their ranges and with the objective for the federal funds rate at the upper limit of its range, the Committee voted to modify the directive adopted at the meeting on July 11. Specifically, the Committee raised the upper limit of the intermeeting range for the federal funds rate to 10¾ percent and instructed the Manager to aim for a rate within a range of 10½ to 10¾ percent, depending on subsequent behavior of the monetary aggregates, on conditions in foreign exchange markets, and on the current Treasury financing.



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# The Role of Operating Guides in U.S. Monetary Policy: A Historical Review

*This article was prepared by Henry C. Wallich, Member, Board of Governors of the Federal Reserve System, and Peter M. Keir, Assistant to the Board, Office of Staff Director for Monetary and Financial Policy. An earlier version appeared in* Kredit und Kapital, *vol. 11 (January 1978). All notes and references cited appear at the end of the article.*

The operating techniques employed by the Federal Reserve to implement monetary policy since the end of World War II have undergone substantial evolution. This process has been guided by a number of important developments: (1) the "rediscovery of money," following an extended period in the 1930s and 1940s during which monetary policy played a relatively minor role; (2) the breaking away of the Federal Reserve from Treasury control in 1951; (3) various new analytical insights into the workings of monetary policy; and (4) the advent of inflation as a persisting—though presumably not permanent—fact of life. The shift away from the gold exchange standard toward floating rates, on the other hand, had little effect on the choice of Federal Reserve operating techniques.

The focus of this essay is on the operating techniques used to implement Federal Reserve open market policy. It does not deal with secondary instruments, such as the discount mechanism and changes in reserve requirements. Nor does it seek to evaluate the successes and failures of open market operations in achieving their ultimate policy goals—for employment, prices, economic growth, and the balance of payments.

The Federal Reserve's approach to open market policy has been substantially influenced by the organizational structure through which that policy must be decided and carried out. Policy decisions are made by the Federal Open Market Committee (FOMC), which consists of five of the twelve presidents of the regional Federal Reserve Banks, along with the seven members of the Board of Governors. The seven presidents who at any one time are not members nevertheless participate in these meetings. The logistics of bringing this group together is one reason meetings ordinarily are limited to ten a year.

Between the regular Federal Open Market Committee meetings, which are held in Washington, policy is implemented by the Manager of the System Open Market Account at the Federal Reserve Bank of New York. The complex and decentralized nature of this policy mechanism has made it necessary to develop explicit and rather formal procedures, both for expressing policy decisions reached at meetings and for delegating their execution between meetings to the Manager.

## *World War II: Pegging the Yield Curve on U.S. Government Securities*

In connection with the financing of the Second World War, the Federal Reserve, at the request of the Treasury, had undertaken to maintain approximately the level and term structure of interest rates prevailing when the war began. While this decision was critical to the efficient financing of the war, it hampered the central bank in pursuing its traditional function of managing the nation's supply of money and credit.

To fulfill its commitment to "peg" interest rates, the Federal Reserve had to buy Treasury

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securities in the secondary market when offerings by other investors threatened to force yields to rise relative to the "pegged" structure.[1] The Federal Reserve did not buy securities directly from the Treasury, but its support operations in the secondary market in effect guaranteed the Treasury a ready demand for the new securities issued to finance the war.

During the war, investors—individuals, financial intermediaries, nonfinancial corporations, and all the rest—had willingly acquired Treasury securities because many alternative uses of their funds were circumscribed by wartime controls. After the war, however, many investors sought to dispose of these holdings; still adhering to a pegged rate structure the Federal Reserve had to acquire all offerings that threatened to push yields above these official pegs. In the process, bank reserves, bank credit, and the money supply were all expanded.

This abdication of Federal Reserve control over the supplies of money and credit had its most serious consequences during the Korean War. Since the public could cover its war-inflated needs for funds simply by dumping excess holdings of marketable Treasury debt on the Federal Reserve at pegged prices, the Federal Reserve became—in the words of its own Chairman—"an engine of inflation." After a difficult and prolonged confrontation between the administration and the Federal Reserve, an "accord" was reached with the Treasury in March of 1951 that finally freed the Federal Reserve from its lingering World War II commitment to pegging.

## *Transition from "Pegging"*

Although the 1951 accord with the Treasury ended the Federal Reserve's commitment to maintain rigid interest rate pegs, official support of the government securities market was withdrawn gradually. In particular, support of the issues involved in Treasury financings continued until nearly the end of 1952.

Not surprisingly, there were differences of judgment within the Federal Reserve System as to how rapidly and how completely the Federal Reserve should pull back from market support of this type. Fears were voiced that upon withdrawal of official buying, prices of government bonds might drop drastically, forcing heavy losses on financial institutions that had invested in longer-term bonds on the assumption that their prices would be stabilized. In addition, there was considerable concern that, in the wake of the pegging experience, the secondary market for U.S. government securities might not be sufficiently broad and active to accommodate the substantial volume of transactions needed to implement an effective monetary policy.

To help resolve these questions the Federal Open Market Committee, in early 1952, initiated a broad study of the U.S. government securities market and its relation to Federal Reserve operations. While this study was in progress and the support of Treasury financings was continuing, questions concerning the selection of appropriate operating targets for the management of monetary policy were not considered in any systematic way. To some extent the limited focus on explicit operating targets in this period probably reflected a presumption among the old hands on the Committee that the operating approach used prior to the pegging episode would simply be reinstituted. This, in effect, is what happened.

### *Results of 1952 Study*

The 1952 study concluded that, if the Federal Reserve's open market transactions were to be carried out effectively, they would consistently have to represent only a relatively small share of total dealer transactions with all participants in the government securities market.[2] Only when this condition prevails can open market operations be transacted with little direct impact on market prices. Because the bulk of the Federal Reserve's transactions are of a "defensive" type, it was (and still is) considered important for the FOMC to influence bank reserves without significantly disturbing securities prices. Defensive operations are designed to keep the posture of monetary policy essentially unchanged by offsetting fortuitous fluctuations in bank reserves that result from other factors, such as currency flows, adjustments in float, and

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changes in the Treasury's balance at Federal Reserve Banks.

The 1952 study concluded that the government securities market at that time did not adequately satisfy these conditions for effective implementation of monetary policy. Because market professionals did not have a clear perception of the reasons why the System might act in the market, or of the magnitude of transactions that might be undertaken in given market sectors, they were reluctant to take investment positions in government securities or to carry the inventories needed to promote and accommodate an active volume of private investor trading.

Acting on these findings, the Federal Open Market Committee, in March 1953, introduced several new operating procedures. First, to reduce market uncertainties about Federal Reserve intentions, the Federal Open Market Committee announced that henceforth operations would be initiated solely "to effectuate the objectives of monetary and credit policy" and "not to impose on the market any particular pattern of prices or yields."[3] To bolster the credibility of this promise, the Federal Open Market Committee also stated that it would confine its market transactions to securities of very short term, preferably bills—except for the rare situation in which intervention over a broader maturity range might be needed to correct disorderly market conditions. In market circles this came to be known as the "bills only" doctrine.

Additional constraints were imposed on transactions of the System Account Manager at times of Treasury financings: he was not to purchase (1) maturing Treasury issues for which an exchange was being offered, (2) new issues being offered in an exchange, and (3) outstanding issues with maturities comparable with those of the new issues.

When it announced these modifications of its approach to Treasury financings, however, the Federal Open Market Committee stated that it was still prepared to maintain an "even keel" in monetary policy during financing periods. In other words, at times of Treasury financings the Federal Reserve would refrain from any action that might be interpreted as a change in monetary policy.

## *Modifications of 1953 Restrictions*

The 1953 "bills only" doctrine was viewed by some members of the Federal Open Market Committee as essentially a temporary measure to ease the transition from pegging. Actually, the constraint was maintained until early 1961. Moreover, during the intervening period System operations were extended to longer-term securities, to help "correct disorderly markets," only twice—and then only briefly.

The 1961 decision to end this procedure was prompted by special developments during the 1960–61 recession. System efforts to combat the recession through an easy monetary policy had exerted downward pressure on U.S. short-term interest rates at a time when higher short-term rates abroad were encouraging capital outflows and tending to augment a large U.S. balance of payments deficit. To help minimize the downward pressure on U.S. short-term rates, the Federal Reserve sold Treasury bills in volume from its portfolio and then offset the resulting drain on bank reserves with market purchases of longer-term government securities. In addition, when a need arose to add to the overall supply of bank reserves, the System often met it through purchases of intermediate- and long-term securities rather than bills. The U.S. Treasury bolstered this System effort to maintain the bill rate by concentrating the bulk of its cash borrowing during the period in Treasury bills.

Many analysts outside the Federal Reserve System interpreted this abrupt 1961 shift in operating technique to an emphasis on purchases of longer-term securities as evidence that the Federal Open Market Committee was trying to "twist" the yield curve on U.S. government securities. Actually, in the view of the Federal Open Market Committee, avoiding a depressing effect on bill rates was the primary consideration. In any event, econometric studies suggest that the power of open market operations to twist the yield structure—raising short and lowering long rates—is minimal. Moreover, any temporary effect the System "swaps" may have exerted on long-term rates in 1961 was swamped by the offsetting influence from the massive Treasury advance refundings undertaken at the same time.

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Since 1961, the Federal Reserve has engaged in periodic transactions in longer-term U.S. government securities. And in August 1971, its operations were extended to the full maturity spectrum of the market for federal agency securities as well. However, these transactions in longer-term securities have been restricted exclusively to purchases; they have occurred only when the Federal Reserve needed to supply reserves; and they typically—though not always—have been limited to situations in which dealers were willing sellers of securities at close to prevailing market prices.

Since these constraints on System operations in longer-term securities are now well understood by market participants, such transactions no longer create the types of uncertainties that prevailed just after the 1951 accord. Moreover, as economists have come to understand the overriding importance of expectations about market interest rates in determining the maturity structure of security yields, outside pressures on the Federal Reserve to step up its purchases of longer-term securities as a means of twisting the yield curve at times of economic recession have diminished.

### *"Even Keeling" Today*

The importance of the System's "even keel" commitment on Treasury financings—originally an avoidance of changes in monetary policy during roughly three weeks, four times a year—has also diminished in recent years. In the late 1950s and early 1960s this commitment was particularly important because Treasury refunding operations were concentrated in large quarterly financings, and the prices and coupon rates on new issues involved were set several days in advance of the offering dates. In those circumstances, the refundings were vulnerable to any updrift in market interest rates that developed between their announcement and offering dates.

During recent years, however, virtually all of the Treasury's new marketable debt offerings have been auctioned. Since auctions set the rates of new issues on the actual date of offering, rather than on the announcement date, and allow the market, rather than the Treasury, to determine the price once the Treasury has set the volume to be sold, the possibility that a financing will not be fully subscribed because of last-minute shifts in market rates has been minimized. Auctioning and other debt-management innovations have thus reduced the need to constrain monetary policy initiatives close to Treasury financing periods.

## *Return to Traditional Operating Targets*

After the spring of 1953—when the major transitional questions raised by the abandonment of pegging were fairly well resolved—the Federal Open Market Committee began to focus on the question of appropriate operating targets.[4] It soon became clear that the general terms like "neutrality," "active ease," and "restraint" that members had been using to characterize their policy preferences needed explicit definition to be meaningful.

To help meet this need, some Committee members began to support their expression of policy preferences at Federal Open Market Committee meetings with a more complete spelling out of the analytical reasoning behind them. Usually, they then specified an explicit set of near-term financial conditions that they believed would be consistent with their desired policy approach. The particular conditions specified usually included desired levels or changes in key short-term interest rates, plus related totals for member bank borrowing and excess reserves at Federal Reserve Banks. Over time the relationship between excess reserves and member bank borrowing began to be expressed as a desired range of "net free" or "net borrowed" reserves.[5]

While the staff furnished supporting detail on recent economic and financial events, no integrated projections were provided to suggest how alternative specifications of net reserves and money market rates were likely to be reflected in the behavior of money, bank credit, and bond yields, and how, under their influence, the economy itself might evolve. Each Committee member was left to judge for himself the likely results of his proposals.

In the late 1950s and early 1960s some mem-

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bers began to question the Committee's emphasis on money market conditions and net reserves as operating targets for open market policy. They noted, in particular, that the same level of net reserves could mean rather different things about the effects of policy depending on whether credit demands at banks were strong or weak. An effort by the Federal Reserve to maintain a given level of free reserves at a time when the banks, facing strong credit demands, were trying to use up their free reserves through credit expansion would lead to monetary and credit expansion. An effort to hold free reserves constant when banks, facing weak credit demands, were willing to see their free reserves rise would lead to contraction.

This point was driven home when the money supply and total reserves at banks contracted appreciably during the initial phase of the 1960–61 recession. In that period the Federal Reserve was reluctant, for balance of payments reasons, to reduce the System discount rate in line with declines in short-term market rates. With the relative cost of market sources of funds thus declining, banks elected to repay borrowings from the Federal Reserve as their customers' loan demands dropped off. The Manager of the System Open Market Account, following the Federal Open Market Committee's instructions to hold net reserves in a given range, did not permit net borrowed reserves to decline as rapidly as banks wanted. Thus the Manager held back on the provision of nonborrowed reserves, and total reserves at banks contracted. This episode contrasted sharply with some earlier ones at times when general demands for bank credit had been strong and the Committee's tendency to hold to a given net reserve target had contributed to very rapid growth in total reserves, money, and bank credit.

The Federal Open Market Committee's focus on interest rate targets, a corollary of the free reserves approach, also came into more general question at this time, on the grounds that it tended to minimize the Committee's attention to the performance of money and credit aggregates. Since interest rates are procyclical, in that they move up and down with swings in economic activity, they generally tend to make monetary policy appear countercyclical, whether money and credit are behaving countercyclically or not. Thus there was concern that emphasis on interest rate targets could induce inappropriate behavior of the monetary and credit aggregates. During the early 1960s, operating targets actually used nevertheless continued to be net reserves and money market conditions.

As the 1960s progressed, Committee members began to shift their focus to the performance of the aggregates, especially the volume of bank credit. This heightened Committee interest in the aggregates was supported by improvements in the available data and by continuing staff reviews and analyses of their behavior. In addition, the Committee began to reflect its increased attention to the importance of the monetary and credit aggregates through revisions in the structure and wording of the policy directives given monthly to the Manager.

## *Experimentation with Quantitative Targets*

Around the mid-1960s the Federal Open Market Committee and its staff began to study and experiment with more precise ways of choosing and expressing relevant targets for open market policy. As the discussion proceeded, two types of targets were differentiated.

First, it was recognized that the net reserve and money market rate variables that the Committee had stressed up to that point were essentially "operating targets," suitable for expressing immediate operating objectives and instructions. Data on these measures were available almost immediately, and System open market operations could exert an immediate impact on their behavior.[6] For this reason, the Manager of the System Account could be held responsible for reaching such targets during the period between Committee meetings.

The second type of target variable—represented by the money supply and bank credit—was of an intermediate character, less closely related to Federal Reserve operations. Data for these variables were available with longer time lags. Moreover, because they responded with a lag to changes in operating targets of the first type, they had to be influenced indirectly

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through adjustments in those targets. As a result, the Manager did not have much chance, through adjustments in the operating variables he could control, to correct target variables of the intermediate type when they deviated from the Committee's desired ranges between meetings.

Despite these limitations on the Committee's short-run ability to control the intermediate target variables, Committee members began to place a higher premium on them—initially stressing bank credit and then, as time passed, the monetary aggregates. This change of attitude reflected the developing view that bank credit and money provided a more predictable link to the ultimate policy goals of output, prices, and employment. In particular, as inflation increasingly separated real from nominal interest rates, many analysts began to view nominal rates as seriously flawed for target purposes and turned to the financial aggregates as substitutes.

The Federal Open Market Committee thus began to focus more explicitly on the linkages in the monetary process—running from the initial impacts on the money market and marginal reserves (borrowed, excess, and free reserves) through growth in money and bank credit and changes in long-term interest rates, to the ultimate behavior of output, prices, and employment. For its ongoing analysis of these linkages, the Committee needed not only studies of past relationships but also projections of future relationships. Thus, in addition to the usual reports on recent economic and financial developments, the staff began providing an integrated economic projection of future developments.

As time passed, the forecasting procedures used and the types of documentation provided by the staff became increasingly sophisticated. Basically, judgmental projections made by staff experts with long experience in forecasting were melded with results obtained from econometric models. Two types of models were used: the Board's basic model of the U.S. economy (developed initially in conjunction with consulting economists from the University of Pennsylvania and the Massachusetts Institute of Technology); and smaller models that focused more explicitly on the relationships of the money supply and interest rates to national income.

Efforts by the Committee to incorporate intermediate targets—especially the monetary aggregate targets—into its actual operating procedures evolved gradually, starting in the spring of 1966. The first step was to add a proviso clause to the policy directive the Committee used to control the Manager's operations between meetings. Prior to 1966, the operating clause of the policy directive had directed the Manager simply to gear his intermeeting actions either to the maintenance of roughly the conditions then prevailing in money markets, or to some modest tightening or easing of those conditions. The record of the Committee's discussion at the meeting was relied on to guide the Manager as to how the term ''prevailing conditions'' should be interpreted, or how much conditions should be modified if the Committee had decided on some policy tightening or easing.

With the introduction of the proviso clause, the Committee's policy directive continued to direct the Manager to seek either prevailing, or somewhat tighter or easier, money market conditions, but with the qualification that he modify this objective if bank credit (or some other aggregate measure) deviated significantly from some recent or anticipated general pattern of behavior. The following operating directive voted at the Federal Open Market Committee meeting of November 22, 1966, provides an example:

> To implement this policy, System open market operations until the next meeting of the Committee shall be conducted with a view to attaining somewhat easier conditions in the money market, unless bank credit appears to be resuming a rapid rate of expansion.

This experiment with proviso clauses was part of a more general Committee effort during the late 1960s to exert more effective control over the management of open market policy. While the language of the policy directive itself remained broad, its general wording began to be linked through staff documents prepared for the Committee to an explicit set of money market conditions and expected growth ranges for the aggregates.

At the November 1966 meeting, for example, supporting staff documents indicated that the directive language quoted would be consistent with net reserves fluctuating around zero, a

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three-month Treasury bill rate around 5 percent, and bank credit expansion in a range of 2 to 4 percent at an annual rate. These specifications, of course, were linked to the directive language actually adopted by the Committee. Similar specifications had been provided to support alternative directives, which the Committee majority had discarded.

The Committee's decision to provide explicit specifications of the financial conditions thought to be consistent with the general language of alternative directives had essentially two purposes: to improve communication among Committee members themselves as they deliberated on policy choices; and to tighten control over the intermeeting actions of the Committee's agent.

For the four years that the Federal Open Market Committee qualified its operating directive with proviso clauses, the operations of the Manager were actually modified in accordance with such clauses on only a few occasions—and then only slightly. Thus, while monetary and credit aggregates played a role, money market conditions continued to be the dominant operating targets for open market policy during those years, and there was no explicit linkage of the proviso clause to any view of a desired longer-run trend in the aggregates.

At the beginning of 1970 the Federal Open Market Committee began to change its emphasis. During the succeeding two to two and one-half years, operating directives usually stressed bank credit and money as primary targets, subordinating money market conditions to a proviso. Average growth ranges were specified for both the bank credit proxy and the money supply. The time span chosen for this specification became the two-month period encompassing the current and succeeding meetings. These target growth ranges were to be achieved provided that in the process key money market rates, chiefly the federal funds rate, did not move outside their own stated ranges. Even with this general emphasis on money and credit as primary targets, actual growth in these measures often continued to deviate significantly from the Committee's specified ranges. Since the Committee remained reluctant to authorize wide ranges for possible change in money market rates, the Manager was constrained in moving to counter deviations in money growth rates; moreover, as noted earlier, the aggregates responded to his actions with a lag.

A special subcommittee of the Federal Open Market Committee charged with suggesting means of improving control of the monetary aggregates recommended in 1972 that the Committee experiment with total or nonborrowed bank reserves as an operating target. The subcommittee acknowledged that past efforts to realize specified growth ranges for the money supply had often been frustrated by an unwillingness of the Committee to set a federal funds constraint that permitted sufficient movement in rates. It concluded that a shift of emphasis to reserves might help the Federal Open Market Committee to overcome this evident reluctance.

Responding to this suggestion, the Committee experimented first with total reserves as an operating target. They were quickly discarded, however, because wide month-to-month fluctuations in Treasury balances at banks (which are not included in the money supply) would often have resulted in negative growth rates in the target for total reserves which risked misleading outside observers. To avoid this problem, the Committee adopted "reserves against private deposits" (RPD) as its target variable.

The RPD measure also proved difficult to work with. Shifts within the deposit structure—from demand to time deposits, and from demand deposits at large banks to demand deposits at smaller banks—created marked changes in required reserves for given totals of private deposits. These variations reflected the widely differing structure of reserve requirements that apply to deposits of different types and sizes. As a result of these differences, the multiplier between RPD and the money supply proved to be highly unstable. Consequently, the Federal Open Market Committee soon concluded that money market conditions were preferable as its immediate operating target.

## *Operating Targets Now In Use*

Pursuant to the Federal Reserve Reform Act and the Full Employment and Balanced Growth Act (Humphrey-Hawkins), the Federal Reserve now reports semiannually to the banking committees of the Congress on its prospective targets for

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the annual growth of various measures of the money supply (M-1, M-2, and M-3) and of bank credit.[7] The initial report is due in mid-February after the President has presented his annual budget and economic messages to the Congress. In this report the Federal Reserve states its policy targets for the current calendar year and indicates how they are related to the short-term goals set forth in the President's Economic Report.

The second Federal Reserve report is made to the Congress in July. In it, the System explains (1) the record of actual money growth during the first half of the year, (2) any deviations that appear to be developing from the annual targets specified in February, and (3) its current growth targets for both the present and subsequent calendar years.

At each of its monthly meetings the Federal Open Market Committee sets two-month ranges of tolerance for growth in M-1 and M-2. These shorter-run ranges are intended to be broadly consistent with the calendar-year targets reported semiannually to the Congress;[8] but they are not completely constrained by those targets and may exceed or fall short of them. Since the Committee can change its calendar-year ranges in light of the economic outlook, it retains considerable discretion to adjust the two-month ranges at its monthly meetings.[9] Actions linked to these short-run ranges thus continue to be the focus of open market policy.

When the performance of the money supply appears to be deviating from the Committee's stated two-month ranges, the Manager of the System Account is still constrained in his efforts to offset these deviations by a federal funds rate proviso. He can initiate countering open market purchases or sales only so long as these operations, or other market factors, do not push the weekly average federal funds rate outside its specified range, generally 50 to 100 basis points wide. If growth rates for M-1 and M-2 (occasionally weighted unequally to minimize the impact of known distortions in the series) appear to be remaining outside the Committee's desired ranges, and the Manager's actions to counter this deviation have moved the funds rate to the upper or lower limit of its range, he must request new instructions from the Committee.

So long as the funds rate remains within its specified range, the Manager has leeway to respond to evidence that weighted growth rates for M-1 and M-2 are approaching or moving outside the limits of their ranges. The FOMC may instruct him to begin offsetting market action when the aggregates move substantially into the upper or lower halves of their ranges. Alternatively, the Committee may instruct him to take action only when growth rates for M-1 and M-2 are already close to or exceeding the limits of the ranges. In either case, these operating procedures encourage the Manager to respond more sensitively to deviations in growth of the aggregates from desired rates than was the case in the late 1960s and early 1970s. Of course, the full effect on M-1 and M-2 of a change in the funds rate occurs, not within the one-month intermeeting period, but cumulatively over a period of roughly six months.

## *Operating Problems With Monetary Targets*

With its increased emphasis on the monetary aggregates as policy targets, the Federal Reserve has had to decide how to deal operationally with difficult conceptual and statistical questions. A committee of academic experts from which the Federal Reserve solicited advice on the measurement of money described the essential requirements for an effective aggregates target:[10]

> In conducting monetary policy, the Federal Reserve should use as an intermediate target that monetary total (aggregate), or those totals, through which it can most reliably affect the behavior of its ultimate objectives—the price level, employment, output, and the like. Which total or totals best satisfy that requirement depends in turn on (1) how accurately the total can be measured; (2) how precisely, and at what costs including unwanted side effects, the Fed can control the total; and (3) how closely and reliably changes in the total are related to the ultimate policy objectives.

The Committee identified three conceptual bases for defining money. One takes money as those assets that correspond to the non-interest-bearing fiat issues of the ultimate monetary authority—or the "monetary base." In the

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United States this base consists of circulating currency plus reserves (deposits) held at Federal Reserve Banks by commercial banks that are members of the Federal Reserve System.

The second concept views money as assets that are used as media of exchange. Traditionally, this definition has included currency in circulation plus demand deposits at commercial banks (or M-1). The third concept defines money as assets that serve as a temporary abode of purchasing power and are, or are readily convertible into, media of exchange; it thus encompasses both the transactions and store-of-liquidity functions of money. The report noted that many scholars view this third basis as more closely and reliably related to ultimate policy objectives than the other two. The report also noted, however, that this basis has the most ambiguous empirical content of the three, in the sense that it could correspond to a wide range of possible broader aggregates.[11]

Under existing arrangements for data collection, constraints imposed by the time lag with which statistics become available have led the Federal Reserve to express its two-month intermeeting policy targets exclusively in terms of M-1 and M-2, with related information provided on the monetary base. While data on the broader aggregates and bank credit are available only with significantly longer lags, M-3 and bank credit are also used when the Committee sets its 12-month growth ranges.

## *Accuracy of Measurement*

The accurate measurement cited by the academic experts as necessary for a good policy target is better satisfied by the monetary base, which poses few measurement ambiguities, than by M-1 and M-2. Measurement of the monetary aggregates is complicated because public holdings of money cannot be identified directly; they have to be estimated from bank records, which are not always reported consistently and pose problems of definition and consolidation. Moreover, deposit data for banks that are not members of the Federal Reserve System have been available only for limited benchmark periods (semiannually until December 1972, quarterly since then).[12] Between benchmarks and during the delay in receiving the benchmark data, they have had to be estimated. Deposit data from a sample of nonmember banks are now being collected to fill this gap, but they are still being tested and are not yet fully incorporated into the money supply measures.

While these problems have introduced uncertainty into measurement of the aggregate supply of money, their impact on short-run changes in that supply generally appears to have been quite limited. Consequently, they have not hindered the choice of a policy target.

## *Control of the Aggregates*

On the more critical question of effective management of the aggregates, the Federal Reserve has found it difficult to exert close short-run control over M-1 and M-2 without risking unwanted side-effects on interest rates. In addition, relationships between the monetary targets and the ultimate objectives of policy have proved to be substantially less predictable than desired.

Federal Reserve efforts since 1972 to control growth in the monetary aggregates have placed the greatest emphasis on M-1.[13] These efforts have sometimes been frustrated because the ratio (or multiplier) between bank reserves and M-1 tends to vary, depending on the form that growth in M-1 takes.

Growth of M-1 in the form of an expansion of currency in circulation creates a dollar-for-dollar drain on the supply of reserves available to the banking system. This one-for-one drain does not occur, however, when the increase in M-1 reflects growth in member bank demand deposits because the banking system is subject to fractional reserve requirements. Similarly, since existing regulations call for a higher reserve requirement at the margin as the total deposits of a given member bank expand, the volume of reserves needed by the banking system to support a given growth in demand deposits will differ depending on the sizes of the banks at which that growth occurs. Finally, if banks as a group change their relative desire to hold excess reserves, the ratio between reserve growth and money growth will change.

Even if the Federal Reserve could accurately forecast the currency and deposit mix the public

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is likely to demand, and hence the reserve growth needed to accommodate some specified expansion in M-1, it would be reluctant to force the financial system to conform to this rigid pattern. Demands for M-1 also tend to vary considerably in the short run, due to institutional considerations that often are not very responsive to short-term changes in interest rates; thus a rigid Federal Reserve commitment simply to supply the reserves its projections of the deposit mix showed would be needed for a desired rate of growth in M-1 could be expected to produce marked short-run fluctuations in market interest rates.

In practice, the Federal Open Market Committee has been unwilling to seek such close short-run control over growth in the money supply. This reluctance reflects the Committee's belief that the short-run volatility in market interest rates likely to result from such a policy would risk greater disruption to the economy than the short-run instability in money growth rates the policy was seeking to avoid.

When incoming data show a sudden marked acceleration or slowing in money growth rates, the Committee must decide whether the change is a temporary aberration likely soon to be reversed, or a more fundamental change in money demands that stems from a basic adjustment in the performance of the economy. If the Committee acted immediately to counter an observed change in money growth, and the change then proved to be temporary, the action could be destabilizing and require a subsequent offsetting adjustment. Since Committee actions affect the public's willingness to hold money with a lag through their influence on interest rates, such attempts at fine tuning could produce perverse results.

To minimize this risk, the Federal Open Market Committee typically has adopted an intermediate position. Confronted with an unexpected overshoot or undershoot of its money growth targets, the Committee has taken action that neither fully ignores nor fully responds to the miss, until the underlying growth tendency can be differentiated from the "noise" of aberrations in the data. This approach poses some risk that needed countercyclical policy actions will be less timely than desired. But the Committee believes that the accentuated volatility in short-term interest rates likely to result from efforts at instantaneous fine tuning of the aggregates poses a greater risk. This belief has been bolstered by Federal Reserve research that suggests that temporary aberrations in money growth rates create few difficulties for the economy so long as desired growth rates are attained over periods of two to four quarters.

## *Relationships to Ultimate Objectives*

Relationships between the monetary aggregates and measures of ultimate economic activity have proved to be substantially looser in practice than is typically implied by economic theory. This discrepancy between theory and practice appears to have been particularly wide for the monetary base. The ratios of M-1 and M-2 to the gross national product (that is, the income velocity of money) have been somewhat more stable, but they have shifted significantly at critical times.

The growth of M-1 relative to GNP has changed in the 1970s as important institutional innovations have encouraged the public to shift transactions balances from the non-interest-bearing demand deposits that are included in M-1 to the interest-bearing accounts that are included in M-2 and M-3. In New England and New York, savings and loan associations, savings banks, and commercial banks have all been authorized to promote interest-bearing accounts that permit holders to use "negotiable orders of withdrawal" much as they would checks. Credit unions are offering "share draft" accounts that serve much the same function.

In the face of these developments, the Federal Reserve and the Federal Deposit Insurance Corporation have sought to maintain the balance of competition among banks and other types of thrift institutions by relaxing some of the restraints on offerings of savings deposits by commercial banks. For example, commercial banks have been authorized to offer savings accounts to businesses and state and local governments as well as to individuals and nonprofit institutions. Holders of savings accounts have been permitted to transfer funds from savings

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to demand deposits by telephone as well as by mail or in person. Finally, depositary institutions have been authorized to offer overdraft privileges on checking accounts that involve an automatic transfer of funds from savings accounts.[14]

All of these innovations encourage the public to economize on M-1 by holding more of their transactions balances in various interest-bearing forms of M-2 and M-3. Moreover, instruments have been developed that, although not defined as money, fulfill its liquidity function and to that extent help the public to economize on holdings of M-2 and M-3 as well. Mutual funds, for example, are now offering shares in pools of money market assets that can be liquidated on demand, while depositary institutions have increased their emphasis on security repurchase agreements with large customers. Since these RPs are secured by Treasury and federal agency debt, they are a relatively safe and liquid alternative to deposits.

The public's resort to interest-bearing transactions accounts has strengthened the case for use of a relatively broad measure of money as a policy target. The particular broader measures that have been available, however, pose important practical operating problems of their own. For one thing, large negotiable certificates of deposit at large banks—on which there are no interest rate ceilings—are excluded from M-2 on the grounds that they behave more like securities than deposits; those issued by smaller banks and all large nonnegotiable certificates remain in M-2 because historical data are lacking. Since CDs at smaller banks are similar in function to those at large banks, a strong case can be made for excluding them from M-2 as well.

Second, M-2 and M-3 also include certain smaller CD-type accounts that are subject to interest rate ceilings, offer higher yields in return for extended maturities (out to seven years), and carry substantial penalties for early withdrawal. These accounts, too, are more comparable with market securities than they are with the transactions and savings-type deposits typically viewed as money.

Relationships between changes in the broader aggregates and GNP can be further clouded by the distortions that interest rate ceilings on time and savings accounts sometimes introduce into deposit flows. When yields on competing market securities rise to levels appreciably above ceiling rates on deposit accounts, growth in M-2 and M-3 may slacken abruptly. Not only are current savings flows diverted to the higher-yielding market securities but also some thrift accounts accumulated at lower rates may be redirected into market securities. When rates on liquid market securities drop through official ceilings to levels significantly below those available on thrift accounts, flows to depositary institutions are typically augmented. For this reason, observed changes in growth rates for M-2 and M-3 have to be carefully evaluated to judge how much of the indicated shift may be attributable simply to changes in market yields relative to depositary rate ceilings.

The sensitivity of the broader aggregates to changes in relative market yields has been tempered during the past year by the introduction of money market CDs. Starting in June 1978, commercial banks and thrift institutions were authorized to offer nonnegotiable certificates having a 26-week maturity, a minimum denomination of $10,000, and a maximum rate of interest linked to the average rate paid on six-month Treasury bills in the latest Treasury auction prior to issuance of the certificates.[15] Thus holders of deposits with fixed-rate ceilings who wish to take advantage of rising market interest rates now have an alternative to a shift to market securities. And, while there were large shifts from savings accounts to the money market CDs at intermediaries following their inauguration, overall growth in thrift accounts slowed substantially less than it had in earlier periods of sharp advances in market rates.

Because the quickened pace of regulatory change and financial innovation has fundamentally altered the character of the public's monetary assets, the economic meaning of traditional measures of money has changed. In view of these marked changes, the Federal Reserve recently published a set of staff proposals designed to facilitate a discussion of possible revisions in the definition of money.[16] These proposed definitions group together similar kinds of deposits held at different types of institutions.

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Although they are designed to make the monetary aggregates more meaningful under current institutional arrangements, they recognize that no one aggregate or group of aggregates can meet all current analytical needs or even serve particular needs indefinitely.

The many practical difficulties of selecting a monetary target with predictable links to GNP reinforces a persisting strand of Federal Reserve thought: that no single formula or operating target can be relied on to work effectively in all circumstances. For this reason the Federal Reserve has typically hedged its commitment to any given operating target, constantly checking performance of the target and other relevant economic variables to determine whether the presumed linkage between them is working as expected. The future of Federal Reserve monetary policy techniques is unforeseeable, depending as it does in large measure upon developments in the economy, especially the degree to which inflation can be overcome. But the deeply rooted practice of eclectic choice among operating techniques and policy targets, rather than exclusive commitment to one, is likely to continue. □

## *Footnotes*

1. The characteristics of this wartime yield structure were a three-month rate of 3/8 percent, a seven- to twelve-month rate of 7/8 percent, and a twenty-year rate of 2½ percent. This structure was broadly believed to reflect liquidity preference—the fear that long-term rates might rise and the consequent desirability for investors seeking to avoid capital losses of staying with short-term assets.

It was widely recognized that pegging of such a rate structure was internally inconsistent. If long-term securities were expected to remain truly pegged until maturity, there was no point in holding any security with a lower yield but no lower risk. Anyone who acted on this theory and bought the 2½ percent bonds of September 1972 on the presumption that pegging by the Federal Reserve had removed the risk of investing at the long end of the market would have seen his bonds depreciate to a low of $78^{24}/_{32}$ in early 1960.

2. Federal Open Market Committee report of ad hoc subcommittee on the government securities market, November 12, 1952; reprinted in *The Federal Reserve System After Fifty Years*, Hearings before the Subcommittee on Domestic Finance of the Committee on Banking and Currency, House of Representatives, 88 Cong. 2 Sess., vol. 3 (Government Printing Office, 1964), pp. 2005-55.

3. See *Fortieth Annual Report of the Board of Governors of the Federal Reserve System Covering Operations for the Year 1953* (1954), p. 89.

4. The ultimate "target" of policy is a favorable performance of the economy as reflected in output, prices, and employment. The financial variables used to define desired policy ranges, and referred to as targets in this article, are merely means to achieve this broader end and not targets in any final sense.

5. When excess reserves exceed member bank borrowings, the net position of the banking system shows free reserves; when borrowings exceed excess reserves, there are net borrowed reserves.

6. Starting in the mid-1960s, large U.S. commercial banks with temporary reserve deficiencies began to press more actively to borrow excess reserves (called federal funds) from banks with temporary reserve surpluses, even when the interest cost was above the Federal Reserve discount rate. Member banks often elected to borrow such funds too, typically for one day at a time, apparently in order to avoid the close surveillance of their operations by Federal Reserve discount officers that traditionally accompanies borrowing from the System for any extended period. As a result of this preference, a national market for federal funds developed rapidly. And since Federal Reserve operations to ease or tighten the bank reserve base are reflected immediately in the federal funds quotation, this rate began to be viewed as the bellwether of Federal Reserve policy intentions, superseding the 90-day Treasury bill rate.

7. M-1 includes (1) demand deposits at all commercial banks other than those due domestic commercial banks and the U.S. government, less cash items in the process of collection and Federal Reserve float; (2) foreign demand balances at Federal Reserve Banks; and (3) currency outside the Treasury, Federal Reserve Banks, and vaults of all commercial banks.

M-2 includes M-1 plus time and savings deposits at commercial banks other than negotiable certificates of deposit of $100,000 or more issued by large weekly reporting commercial banks.

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

Bank credit includes total bank loans and investments (measured on a monthly average basis) less interbank loans.

8. When commercial banks were authorized to make automatic transfers from savings to demand deposits in November 1978, the Federal Open Market Committee for a short time also monitored two-month ranges for an additional aggregate, known as M-1+, which consists of M-1 plus savings deposits at banks. Data are not available on a sufficiently timely basis for M-4 and M-5 and the bank credit proxy.

9. Prior to the Full Employment and Balanced Growth Act, the Federal Reserve made quarterly reports to the Congress on its 12-month growth targets for money and credit. At each reporting the base periods for the ranges were moved ahead one quarter. This moving-base procedure was sometimes criticized because the possibility of "base drift" tended to compli-

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cate comparisons of growth performance over time. Furthermore, since new 12-month growth targets were always related to the latest base quarter, the FOMC did not explicitly account for deviations from targeted growth ranges in earlier quarters. Under the Humphrey-Hawkins reporting procedure, there is no longer a moving base because the focus at successive congressional reviews is to be on given calendar years. Thus the Federal Reserve is now required to make an explicit accounting and adjustment for deviations from its targeted growth ranges as the calendar year progresses.

10. *Improving the Monetary Aggregates: Report of the Advisory Committee on Monetary Statistics* (Board of Governors of the Federal Reserve System, 1976), p. 7.

11. The possibilities cited in the report included M-2, M-3, M-4 (M-2 plus large CDs), and M-5 (M-3 plus large CDs), and a number of permutations that combine deposit-type instruments with liquid market securities.

12. Until March 1976, the benchmark period was a single day. But starting with that month, weekly average data for the week ending on the Wednesday that includes the call date have been available for benchmarking.

13. While the Manager of the System Open Market Account has most frequently been directed to weigh M-1 and M-2 equally when evaluating their actual growth patterns in relation to the Committee's desired ranges, the fact that M-2 includes M-1 still places the greatest effective weight on M-1.

14. On April 20, 1979, the U.S. Court of Appeals for the District of Columbia Circuit invalidated the regulations of the Board and the FDIC that permitted insured banks to transfer funds from a depositor's savings account to a demand deposit account to cover overdrafts or to maintain a specified balance. The court, however, delayed the effective date of its decision until January 1, 1980, to allow the Congress time to review the matter. On August 21, 1979, the Board petitioned the U.S. Supreme Court to review the decision of the Court of Appeals.

15. Commercial banks may issue certificates with a maximum rate of interest equal to the average discount rate on six-month Treasury bills in the most recent Treasury auction. Before March 15, 1979, thrift institutions were permitted to offer 1/4 of 1 percent more on the certificates than commercial banks, regardless of the level of the six-month bill rate. Regulatory changes that went into effect on March 15, 1979, prohibited compounding of interest on subsequent issues of the certificates and authorized a full 1/4-point differential for thrift institutions only when the six-month bill rate is 8¾ percent or less. When the six-month bill rate is between 8¾ and 9 percent, commercial banks may pay the actual bill rate, while thrift institutions may pay 9 percent and, thus, experience less than a 1/4-point differential. When the six-month bill rate is 9 percent or greater, both banks and thrift institutions may pay the actual bill rate.

16. See "A Proposal for Redefining the Monetary Aggregates," *Federal Reserve Bulletin*, vol. 65 (January 1979), pp. 13–42.

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# Insured Commercial Bank Income in 1978

*This article was prepared by Barbara Negri Opper of the Board's Division of Research and Statistics.*

Net income of insured commercial banks reached $10.7 billion during 1978.[1] The 20 percent profit increase over the preceding year outpaced the 12.5 percent expansion in the assets of insured commercial banks, and return on assets increased substantially for the second consecutive year, to a level higher than in any other year since 1973. Because of this vigorous profit growth and a modest further increase in the leverage of assets with respect to equity, returns on average equity capital also reached a post-1973 high of 12.9 percent. The increase in profits during 1978 was widespread among insured commercial banks, although medium and large regional-type banks, which tend to be retail-oriented but which have flexible access to funds, experienced the largest gains.

Insured U.S. banks with foreign offices attributed more than one-fourth of their total 1978 net income to international business, according to new reports on domestic and foreign operations at those institutions. The profitability of these banks, based on data first reported for 1978, is discussed later.

The most important source of improvement in return on assets at nearly all size classes of banks was the increase in net interest margins, which are the difference between gross interest income adjusted for taxable equivalence and gross interest expense. Table 1 summarizes industry return on average assets. Rising short-term market yields during 1978 allowed banks to acquire high-yielding assets, while regulatory ceilings limited increases in the interest cost on savings and most small-denomination time deposits. This disparity in the interest rate sensitivity of assets and liabilities had its greatest impact on banks with less than $1 billion in assets, which rely most heavily on savings and small time deposits as a source of funds; their gross interest income and expense increased less than the industry averages while their net interest margin increased 25 basis points—double the rise for all other banks (chart 1). By contrast, the major money center institutions—very large banks a substantial portion of whose assets and liabilities carry returns that are highly sensitive to movements in market yields—experienced above-average increases in gross interest income

1. Income and expenses as percent of average assets, all insured commercial banks, 1976–78[1]

| Item | 1976 | 1977 | 1978 |
|---|---|---|---|
| Gross interest earned | 6.39 | 6.47 | 7.24 |
| Gross interest expense | 3.47 | 3.54 | 4.17 |
| Net interest margin | 2.92 | 2.93 | 3.07 |
| Noninterest income | .71 | .70 | .74 |
| Loan-loss provision | .32 | .26 | .25 |
| Other noninterest expense | 2.44 | 2.45 | 2.50 |
| Income before tax | .88 | .92 | 1.06 |
| Taxes[2] | .21 | .23 | .29 |
| Other[3] | .03 | .01 | −.02 |
| Net income | .70 | .71 | .76 |
| Cash dividends declared | .27 | .26 | .26 |
| Net retained earnings | .43 | .45 | .50 |
| MEMO | | | |
| Taxable equivalent net interest margin[4] | 3.33 | 3.33 | 3.48 |
| Average assets, billions of dollars[1] | 1,131 | 1,257 | 1,419 |

1. Average assets are fully consolidated and net of loan-loss reserves; averages are based on amounts outstanding at the beginning and end of each year.

1976 and 1977 interest and noninterest income have been restated slightly to conform with a 1978 definitional change that adds dividends on stock to interest income.

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

3. Includes securities and extraordinary gains or losses (−) before taxes.

4. 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. 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. This adjustment approximates the equivalent pre-tax return on state and local obligations.

1. Detailed income and expense data for all insured and all member banks from 1970 through 1978 appear in appendix tables A.1 and A.2.

The data base was developed by Nancy Pittman, and research assistance was provided by Mary McLaughlin. Peter Lloyd-Davies prepared the Technical Note.

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and expense but a below-average increase in net interest margins. At these banks, reductions in loan-loss provisions contributed about as much to improvement in net earnings as did the increase in net interest margins.

## *Interest Income*

The strong growth in gross interest income during 1978 is attributable to both the general increase in market interest rates and a portfolio shift by banks from lower-yielding securities into loans. As a percentage of average assets, gross interest earned adjusted to a taxable-equivalent basis increased 78 basis points, after only a negligible rise in 1977.

The gross portfolio yield on loans at all insured commercial banks increased 117 basis points—119 basis points net of loan-loss provisions (table 2). In addition to the influence of the general rise in market yields during the year, loan portfolios were reallocated toward loans with higher returns. Growth in real estate and personal loans accounted for about two-thirds of the addition to domestic loan portfolios at all insured commercial banks. Even on a fully consolidated basis, such loans accounted for half of the aggregate increase in loan portfolios of all insured U.S. banks. With yields on consumer loans ranging between 11 and 13 percent in 1978, returns on these loans substantially exceeded average gross yields on the loan portfolios at most banks, and were well above the average business-loan prime rate prevailing during the year.

2. Rates of return on fully consolidated portfolios, all insured commercial banks, 1976–78[1]
Percent

| Item | 1976 | 1977 | 1978 |
|---|---|---|---|
| Securities, total | 6.26 | 6.22 | 6.47 |
| U.S. government | 7.09 | 6.98 | 7.37 |
| State and local government | 5.15 | 5.08 | 5.24 |
| Other | 7.68 | 8.92 | 8.80 |
| Loans, gross | 8.89 | 9.15 | 10.32 |
| Net of loan-loss provisions | 8.24 | 8.63 | 9.82 |
| Taxable equivalent[2] | | | |
| Total securities | 8.43 | 8.43 | 8.89 |
| State and local | 10.11 | 10.18 | 10.62 |
| Total securities and gross loans | 8.72 | 8.96 | 9.95 |

1. Calculated as described in the Technical Note.
2. See note 4 to table 1.

Yields on securities held in bank portfolios also increased during 1978, although the gain—46 basis points on a taxable-equivalent basis—was less than half that for loans. As loan demand accelerated during 1978, bank securities holdings as a proportion of interest-earning assets declined by about as much as higher-yielding loans increased (table 3).

The dollar value of industry holdings of U.S. government obligations remained unchanged over the year despite some increased need for those instruments arising from their use as collateral for bank repurchase agreements (RPs), which increased rapidly during 1978, as well as for government deposits. In contrast with the pattern for federal obligations, some net new funds were invested in state and local government issues during 1978, although not in amounts large enough to maintain the share of bank assets in such obligations. Demand for those tax-exempt instruments probably stemmed from the rapid growth in taxable profits at banks. At the end of 1978, all government obligations held by banks had a longer average maturity than was the case a year earlier. There had been a shift out of U.S. government obligations maturing within one year and an increase in long-term state and local government obligations, including those with maturities of ten years or more.

The sensitivity to the credit cycle of the gross interest income of banks is influenced strongly by the maturity of loan and investment portfolios and by the use of floating-rate loan agreements. Real estate and consumer loans tend to remain outstanding longer than business loans, for example, and interest rates on such loans have been less responsive than the business-loan prime rate to cyclical shifts in market yields. Moreover, floating or variable interest rates are more prevalent on bank business loans than on real estate or consumer loans. Banks with a preponderance of the latter two types of loans consequently have tended to experience relatively low cyclical volatility in gross interest income. To illustrate, more than one-third of the loan portfolios of banks with assets less than $100 million is in real estate loans and nearly another third is in personal loans. Since 1970, gross interest income of this class of bank has

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3. Portfolio composition as percent of total assets including loan-loss reserves, all insured commercial banks, 1976–78[1]

Average during year

| Item | Domestic | | | Fully consolidated | | |
|---|---|---|---|---|---|---|
| | 1976 | 1977 | 1978 | 1976 | 1977 | 1978 |
| Interest-earning assets | 80.9 | 80.3 | 79.2 | 83.4 | 83.3 | 82.4 |
| Loans | 52.0 | 52.1 | 53.3 | 53.1 | 53.4 | 54.6 |
| Securities | 23.9 | 23.2 | 21.3 | 20.8 | 20.0 | 18.4 |
| U.S. Treasury | 9.2 | 9.2 | 7.7 | 7.9 | 7.8 | 6.5 |
| U.S. government agencies | 3.5 | 3.3 | 3.2 | 3.0 | 2.8 | 2.7 |
| State and local governments | 10.6 | 10.2 | 9.8 | 9.1 | 8.7 | 8.3 |
| Other bonds and stock | .6 | .5 | .6 | .8 | .8 | .9 |
| Gross federal funds sold and reverse RPs | 4.0 | 4.2 | 4.0 | 3.4 | 3.6 | 3.3 |
| Interest-bearing deposits[2] | 1.0 | .8 | .6 | 6.1[e] | 6.3[e] | 6.1[e] |
| MEMO | | | | | | |
| Average gross assets (billions of dollars) | 958 | 1,056 | 1,198 | 1,116 | 1,244 | 1,406 |

1. Percentages are based on aggregate data and thus reflect the heavier weighting of large banks. Data are based on averages for call dates in December of the preceding year and March, June, September, and December of the current year.
2. Interest-bearing deposits held by domestic offices first were reported in 1976. Reporting of those balances on a fully consolidated basis began in December 1978, and the number shown for 1978 is an average based upon the reported December amount and estimates for earlier call report dates. Fully consolidated interest-bearing deposits are estimated for 1976 and 1977.

shown far more secular uptrend, but less cyclical variability, than that of larger banks (top panel of chart 1).

The increase in the rate of gross interest income received by the banking industry as a whole during 1978 primarily reflects the experience of the larger banks. These institutions on average have a greater concentration of loans with shorter maturities or floating rates and thus with yields that respond quickly to changes in money market conditions. Money center banks, as shown in chart 1, are the extreme example. Of their loans except loans to individuals and those secured by single-family homes, 55 percent matured within one year and 32 percent of the longer maturities carried floating interest rates. Since the two exceptions amount to only about 10 percent of their loans, a minimum of 80 percent of the loan portfolios of money center banks is structured to respond readily to changes in open market yields. In 1978, interest income per dollar of average assets at these banks increased 99 basis points, well above the average amount.

## *Interest Expense*

The stability in the interest rate ceilings on savings and most small-denomination time deposits restrained increases in the overall cost of funds to banks in 1978—to varying degrees depending upon the nature of the bank. The six-month money market certificate, authorized in June 1978, allowed banks, for the first time, to offer a relatively small-denomination deposit with a ceiling on new accounts that varied regularly with market yields.[2] This instrument permitted banks to compete with market instruments for funds of rate-conscious consumers, but at the same time it introduced some cyclical responsiveness to the interest cost of consumer deposits.

Because of the general stability in regulatory ceilings affecting the bulk of these deposits, the effective annual interest rate paid by banks on savings and small time deposits increased only slightly during the year. (See table 4.) The relatively slight increase in effective yields on consumer-type interest-bearing deposits is attributable principally to the impact of the money market certificates, since most banks already offered regulatory ceiling rates on other savings and small time deposits. Average rates paid for large negotiable certificates of deposit (CDs), RPs, and federal funds increased more than 200 basis points, on the other hand; deposit funds raised in foreign offices of U.S. banks also cost over 200 basis points more than in 1977.

2. An examination of profit and portfolio impacts of the money market certificate on small banks appears later.

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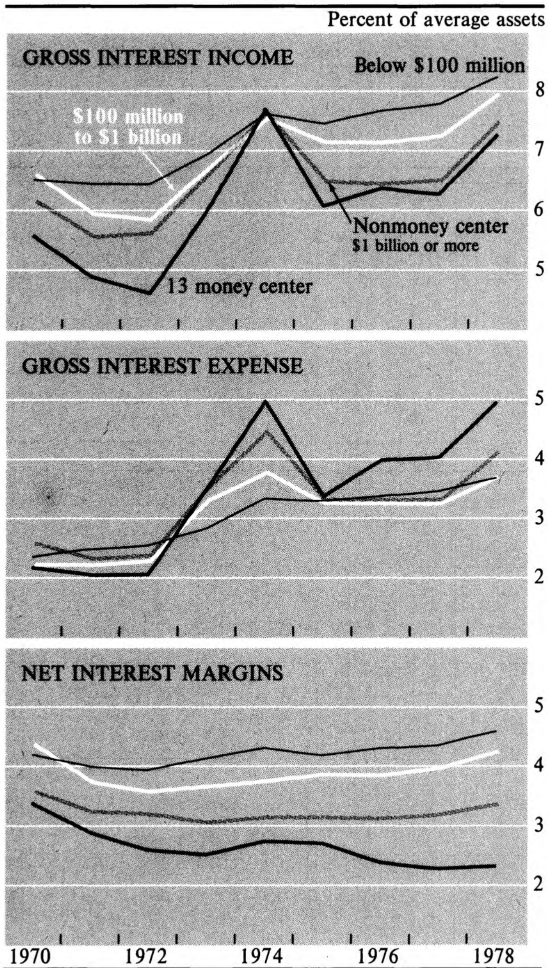
1. Components of interest margins




1. Size categories are based on year-end consolidated assets. Gross interest income is adjusted for taxable equivalence. Net interest margins are gross interest income adjusted for taxable equivalence minus gross interest expense.

Data are for domestic operations until 1976, when foreign office operations of U.S. banks were consolidated into the totals.

Although fixed-rate deposit interest ceilings limited the effective interest cost of most savings and small time deposits, they also limited the ability of banks to compete for depositors' funds against small-denomination open-market instruments, such as money market mutual funds and Treasury securities. As a consequence, banks seeking to attract loanable funds had to issue an increased proportion of liabilities with market-determined interest rates, such as CDs and nondeposit instruments. For example, the proportion of average fully consolidated assets outstanding in 1978 at all insured banks that was financed by domestic demand, savings, and small time deposits decreased 2.1 percentage points (line 2 plus line 7 of table 5), and measured from year-end 1977 to year-end 1978 (not shown), it fell 4 points to 59 percent.

The shift to higher-cost funds and the increase in yields on those sources raised gross interest expense as a percentage of average assets 63 basis points for all banks (table 1). Accentuating the increase in interest expenses was the shift of some consumer funds from non-interest-bearing demand deposits to interest-bearing transactions accounts—automatic transfer service (ATS) and negotiable order of withdrawal (NOW) balances. In addition, the U.S. Treasury tax and loan account was instituted, whereby banks holding Treasury balances were required to pay interest on them; the rate paid was a money market yield.

As would be expected, banks that relied most heavily on liabilities sheltered by regulatory ceilings experienced an increase in gross interest expense far below the average (middle panel of chart 1). For instance, banks with less than $100 million in assets, with 88 percent (down from 90 percent in 1977) of their financial liabilities in demand, savings, and small time deposits, paid only 22 basis points more interest per dollar of average assets in 1978 than in 1977. Conversely, interest expense as a percent of average assets rose 93 basis points at money center banks, at which deposits with relatively stable interest costs represented only 29 percent of total financial claims.

4. Rates paid for fully consolidated liabilities, all insured commercial banks, 1976–78[1]
Percent

| Item | 1976 | 1977 | 1978 |
|---|---|---|---|
| Time and savings accounts | 5.74 | 5.72 | 6.76 |
| Negotiable CDs[2] | 5.97 | 5.58 | 7.85 |
| Deposits in foreign offices | 5.97 | 5.94 | 8.04 |
| Other deposits | 5.58 | 5.67 | 5.81 |
| Subordinated notes and debentures | 7.43 | 7.38 | 7.77 |
| Gross federal funds purchased and RPs | 5.57 | 6.10 | 8.68 |
| Other liabilities for borrowed money | 7.96 | 7.56 | 7.00 |
| **Total** | **5.77** | **5.79** | **6.81** |
| MEMO | | | |
| Not covered by regulatory ceilings[2] | 5.96 | 5.92 | 8.02 |

1. Calculated as described in the Technical Note.
2. Does not include nonnegotiable time deposits of $100,000 or more.

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5. Composition of financial liabilities as percent of total assets including loan-loss reserves, all insured commercial banks, 1976-78[1]

Average during year

| Item | Domestic | | | Fully consolidated | | |
|---|---|---|---|---|---|---|
| | 1976 | 1977 | 1978 | 1976 | 1977 | 1978 |
| Financial claims | 89.1 | 89.4 | 89.1 | 90.1 | 90.4 | 90.2 |
| Demand deposits | 32.6 | 32.1 | 31.9 | 28.0 | 27.2 | 26.9 |
| Interest-bearing claims | 56.5 | 57.3 | 57.2 | 62.1 | 63.2 | 63.3 |
| Time and savings accounts | 49.2 | 49.0 | 48.3 | 55.5 | 55.6 | 55.2 |
| Large time[2] | 14.8 | 13.3 | 15.0 | 13.8 | 11.4 | 12.7 |
| In foreign offices | ...... | ...... | ...... | 13.2 | 14.1 | 14.5 |
| Other domestic | 34.4 | 35.7 | 33.3 | 28.5 | 30.1 | 28.1 |
| Subordinated notes and debentures | .5 | .5 | .5 | .4 | .4 | .4 |
| Other borrowings | .5 | .6 | 1.1 | .8 | .9 | 1.5 |
| Gross federal funds purchased and RPs | 6.3 | 7.2 | 7.3 | 5.4 | 6.2 | 6.2 |
| MEMO | | | | | | |
| Managed liabilities[3] | 22.1 | 21.6 | 23.9 | 33.6 | 33.1 | 35.3 |
| Average gross assets (billions of dollars) | 958 | 1,056 | 1,198 | 1,116 | 1,244 | 1,406 |

1. Percentages are based on aggregate data and thus reflect the 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.

2. Of $100,000 and over issued by domestic offices.

3. Large time deposits issued by domestic offices plus gross deposits at foreign offices, subordinated notes and debentures, RPs, gross federal funds purchased, and other borrowings.

## *Net Interest Margins*

Net interest margins widened substantially at most commercial banks, and on the whole, this expansion provided by far the single most important source of growth in industry rates of return during 1978. Small- and medium-sized banks experienced below-average increases in interest income but even smaller increases in interest expense, so their net interest margins expanded more than those at larger banks (bottom panel of chart 1). That growth was by far the largest factor contributing to the increase in before-tax returns on average assets at these banks. The impact of deposit-rate ceilings was not so decisive for banks other than the money center institutions with $1 billion or more in assets; only about half of their consolidated year-end financial liabilities were in demand, savings, and small time deposits. Instead, the increase in rates of return on their loan portfolios outpaced the additional interest expense paid during the year; as with the two smaller classes of banks, this widened margin was the most important component of growth in profitability over the 1977 rate. At money center banks, by contrast, the large increase in the rate of interest expense nearly matched that of gross interest income and the resulting small increase in net interest income was not an overwhelming element in their profit growth.

By 1978, net interest margins at most classes of banks had returned from their recent cyclical lows almost to the higher levels registered earlier in the decade (chart 1). The major money center institutions, however, had experienced a substantial and relatively persistent narrowing in net interest margins during the 1970s for several reasons. First, foreign operations are relatively important to the money center institutions.[3] Since net interest margins tend to be narrower at foreign offices than at domestic offices—in 1978 by one-third—the relatively rapid growth of the foreign-office business of the money center banks probably has tended to narrow the consolidated interest margins, although not necessarily the overall profitability, of these banks. Second, between 1970 and 1976 non-interest-bearing demand deposits as a proportion of total liabilities declined more rapidly at money center banks than at other banks. Third, major multinational corporations—important loan customers of these money center banks—have increased their reliance on such alternative short-term sources of funds as the domestic commercial paper market and banking institutions abroad; this competition for loans

3. As the note to the chart indicates, interest margins reflect only domestic-office business until 1976, when fully consolidated income and expenses first were reported.

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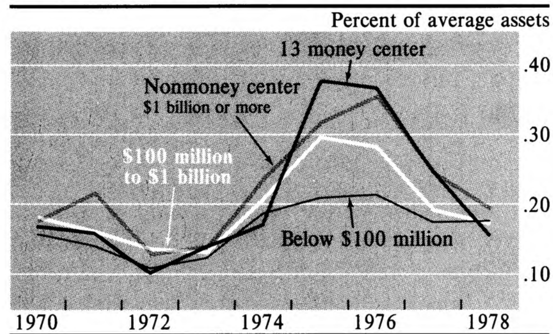
probably has induced money center banks to reduce their own differential between loan rates and cost of funds. Although money center banks have operated with a far smaller net interest margin than have other banks, this difference has been offset partially by lower noninterest expenses per dollar of assets; perhaps economies of scale coupled with relatively low servicing costs on the small proportion of demand deposit liabilities at money center banks account for the lower expense. Moreover, returns on equity at these banks, with their higher asset-to-capital leverage, have not been consistently above or below those at other banks.

2. Net loan losses charged[1]




1. As percent of average consolidated assets net of loan-loss reserves, all insured commercial banks.

## Loan Losses and Other Noninterest Expense and Income

Most insured commercial banks experienced a continued reduction in loan portfolio credit losses from the peak in those chargeoffs associated with the 1973–75 recession (chart 2). By 1978 such charges net of recoveries, expressed as a share of average assets, had fallen to pre-recession levels. At banks with assets less than $1 billion, most of the improvement had occurred during 1977, and during 1978 they experienced only a small additional decline in net loan losses. At larger banks, however, net loan losses abated considerably further during 1978; for the first time since 1974, those losses as a share of average assets were lower at money center banks than at other banks.

The decline in loan-loss provisions associated with lower actual net chargeoffs added nearly as much to the improvement in profitability at money center banks as did net interest gains. In contrast, loan-loss provisions of small banks actually increased during 1978 both in dollar terms (table 6) and as a percentage of both average assets and average loans.

Noninterest income and noninterest expenses other than loan-loss provisions both tended to increase only slightly faster than asset growth. The acceleration, minimal as it was, centered in income from nondeposit service charges, commissions, and fees, and in expenses for

6. Loan portfolio losses and recoveries, insured commercial banks, 1977 and 1978

Millions of dollars, except as noted

| Year and size of bank[1] | Losses charged | Recoveries | Net losses: Dollar amount | Net losses: Percent of loans[2] | Loan-loss provision |
|---|---|---|---|---|---|
| 1977 | | | | | |
| All banks | 3,549 | 809 | 2,740 | .41 | 3,244 |
| Less than $100 million | 720 | 210 | 510 | .33 | 632 |
| $100 million to $1 billion | 674 | 177 | 497 | .37 | 609 |
| $1 billion or more | | | | | |
| Money center | 1,147 | 218 | 929 | .45 | 1,025 |
| Not money center | 1,009 | 204 | 804 | .46 | 978 |
| 1978 | | | | | |
| All banks | 3,537 | 1,073 | 2,464 | .32 | 3,499 |
| Less than $100 million | 782 | 240 | 542 | .32 | 748 |
| $100 million to $1 billion | 689 | 194 | 495 | .32 | 667 |
| $1 billion or more | | | | | |
| Money center | 995 | 335 | 660 | .28 | 972 |
| Not money center | 1,068 | 303 | 765 | .36 | 1,112 |

1. Size categories are based on year-end fully consolidated assets.
2. Average of beginning- and end-of-year loan balances.

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salaries and employee benefits. The increase in income items approximately offset the increase in expenses, however, so these factors had no impact on growth in commercial bank earnings (table 1).

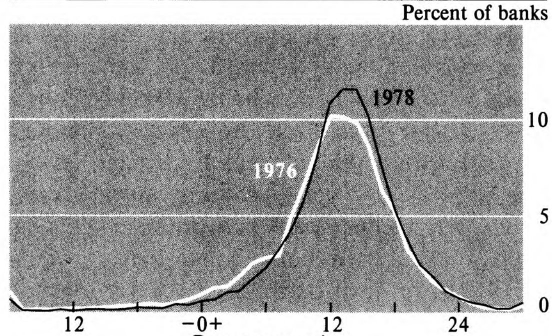
## *Profitability and Dividends*

Given the strong gains in net interest income, 1978 was a year of robust expansion in profits at most banks. Small, though widespread, losses on sales of securities occurred throughout the industry, but did not materially depress profits. The sharp increases in market yields led to a widespread erosion of capital values of securities held in portfolio, and banks may have chosen to realize losses to offset in part growth in their taxable profits and to provide funds for reinvestment at higher current yields. For all classes of banks except the large money center institutions, the increase in net income relative to average assets and average equity was sizable, bringing returns above those in any preceding year since 1973 (table 7). The profitability of money center banks also improved, and although their returns on assets remained below pre-1974 levels, their 1978 return on equity—now more highly leveraged—was commensurate with profitability in those earlier years.

Most banks allocated a smaller share of income to cash dividends on common and preferred stock during 1978 than in 1977. Cash dividends declared by large banks, most of which are affiliated with holding companies, fell from about 45 percent of after-tax income in 1977 to 40 percent in 1978. Because cash dividends grew more slowly than earnings, income retained showed an unusually large increase during 1978 (table 8). The equity capital of commercial banks expanded by nearly $8 billion in 1978, with an exceptionally large portion of that increase derived from earnings retention. Growth in equity capital, though unusually strong, nevertheless did not keep pace with growth in assets during 1978, and at banks with assets above $100 million, the average ratio of equity capital to assets diminished slightly further from 1977 levels.

The increase in the rate of return on equity appears to have been widespread among banks.

3. Net income as percent of average equity[1]




7. Profit rates of insured commercial banks, 1973–78

Percent

| Type of return and size of bank[1] | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 |
|---|---|---|---|---|---|---|
| **Return on assets[2]** | | | | | | |
| All banks | .76 | .72 | .69 | .70 | .71 | .76 |
| Less than $100 million | 1.00 | .97 | .89 | .94 | .98 | 1.04 |
| $100 million to $1 billion | .84 | .79 | .75 | .78 | .82 | .90 |
| $1 billion or more | | | | | | |
| Money center | .60 | .56 | .56 | .54 | .50 | .53 |
| Not money center | .62 | .58 | .59 | .60 | .62 | .68 |
| **Return on equity[3]** | | | | | | |
| All banks | 12.9 | 12.6 | 11.8 | 11.5 | 11.8 | 12.9 |
| Less than $100 million | 13.5 | 12.7 | 11.5 | 11.8 | 12.4 | 13.2 |
| $100 million to $1 billion | 12.6 | 11.9 | 11.1 | 11.1 | 12.0 | 13.2 |
| $1 billion or more | | | | | | |
| Money center | 13.2 | 14.1 | 13.8 | 12.3 | 11.4 | 12.8 |
| Not money center | 12.0 | 11.7 | 11.2 | 10.6 | 11.2 | 12.5 |

1. Size categories are based on year-end fully consolidated assets.
2. Net income as a percent of the average of beginning- and end-of-year fully consolidated assets net of loan-loss reserves.
3. Net income as a percent of the average of beginning- and end-of-year equity capital.

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8. Sources of increase in total equity capital, all insured commercial banks, 1973–78[1]

Millions of dollars, except as noted

| Year | Net retained income[2] | | Net increase in equity capital | | Increase in equity capital from retained income (percent) | |
|---|---|---|---|---|---|---|
| | Total | Large banks[3] | Total | Large banks[3] | (1)/(3) | (2)/(4) |
| | (1) | (2) | (3) | (4) | (5) | (6) |
| 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 |
| 1978 | 7,019 | 2,947 | 7,961 | 3,304 | 88 | 89 |

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

2. Net income less cash dividends declared on preferred and common stock.

3. Banks with fully consolidated assets of $1 billion or more.

The distribution of individual rates of return on equity has shifted noticeably from 1976 to 1978; far more banks now record high rates of return and far fewer experience losses (chart 3).

## *Government Profit Guidelines*

In early 1979, the President's Council on Wage and Price Stability (COWPS) implemented bank profit guidelines as a counterpart to the overall wage and price guidelines already set for unions and nonfinancial firms. Those profit guidelines recognized the central role that interest rates play in an anti-inflationary effort and, further, acknowledged the decisive impact of policy regarding deposit-rate ceilings on profit growth at most banks. Instead of formulating interest rate restrictions, as the Committee on Interest and Dividends had done in 1973–74, COWPS devised a profits measure and set as a guideline the average of such returns in the three most profitable years in the period 1973 through 1978. As many as one-third of all insured commercial banks are estimated to have to reduce profits from 1978 levels or to adopt the alternative restrictions on dividends and service fees applicable to banking institutions that do not meet the profit constraint.

## *Money Market Certificates*

Money market certificates (MMCs), introduced in June 1978, provided banks a new opportunity to compete for consumers' funds when rising yields on market instruments open a large gap over fixed interest rate ceilings on other small-denomination deposits. By year-end, MMCs outstanding at insured banks had grown to $22 billion, with small banks having issued a disproportionately large two-fifths of that amount. By the end of 1978, as indicated in table 9, MMC balances averaged only 1.6 percent of total financial liabilities of the biggest banks, compared with about 2.5 percent of those claims at small and medium-sized banks. Because these smaller banks had limited ability to issue large-denomination money market liabilities, the MMCs played an important part in sustaining their asset growth during 1978 as market yields rose above fixed deposit-rate ceilings.

To assess the effects of this new deposit on

9. Use of money market certificates, insured commercial banks, by size of bank, December 31, 1978

| Measure of MMCs and size of bank[1] | Mean | Mode | Lowest value in quartile[2] | | |
|---|---|---|---|---|---|
| | | | Second | Third | Fourth |
| *MMCs as percent of total financial liabilities* | | | | | |
| Less than $100 million | 2.5 | 0 | 0 | 2.1 | 3.9 |
| $100 million to $1 billion | 2.7 | 0 | 1.6 | 2.6 | 3.5 |
| $1 billion or more | 1.6 | 0 | .1 | 1.4 | 2.1 |
| *MMCs as percent of small time deposits* | | | | | |
| Less than $100 million | 9.6 | 0 | 0 | 6.8 | 13.7 |
| $100 million to $1 billion | 15.0 | 0 | 8.8 | 13.5 | 19.6 |
| $1 billion or more | 15.9 | 0 | 11.2 | 14.7 | 19.2 |

1. Size categories are based on year-end fully consolidated assets.
2. In all cases, zero was the lowest value in the first quartile.

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10. Comparison of operating results, second half of 1978, small insured commercial banks with greatest and least reliance on MMCs [1]

Means in percent except as indicated

| Item | Quartile | |
|---|---|---|
| | Highest | Lowest |
| *Growth* | | |
| Total domestic assets | 8.5 | 5.7 |
| Domestic liabilities | 9.0 | 6.0 |
| *Income and expense scaled to average consolidated assets*[2] | | |
| Interest income | 7.97 | 7.62 |
| Interest expense | 3.83 | 3.26 |
| Net interest margin | 4.14 | 4.35 |
| Taxable equivalent | 4.64 | 4.81 |
| Noninterest income | .55 | .48 |
| Loan-loss provisions | .33 | .28 |
| Other noninterest expense | 3.17 | 3.24 |
| Profit before tax | 1.20 | 1.32 |
| Net income | .90 | .97 |
| Dividends | .28 | .31 |
| *Changes in asset allocations (percentage points)*[3] | | |
| Short term assets[4] | .12 | −.24 |
| Real estate loans | .53 | .53 |

1. Top and bottom quartiles, as determined by share MMCs represented of total financial claims at the end of 1978, of all banks with year-end assets below $100 million.
The differences between means of the two groups are statistically significant below the 1 percent level except the value for noninterest expense, which is significant below the 2 percent level, and the proportion of assets allocated to real estate loans, which is not statistically significant.
2. These are annual rates calculated by doubling rate for second half.
3. The percent of total domestic assets represented by the indicated item in December minus that percent in June. A value of 3.5 percent indicates a drop in the proportion of assets so invested by about one-half of 1 percentage point.
4. U.S. government, Treasury, and agency securities maturing within one year plus federal funds sold and reverse RPs.

smaller banks in greater detail, a special analysis of banks with less than $100 million in assets was undertaken. Those banks were grouped according to the percentage of their total financial liabilities represented by MMCs as of December 1978. Statistical tests of the differences between certain operating characteristics were performed on small banks in the lowest and highest quartiles. The lowest quartile had no MMCs outstanding, and the highest had at least 3.9 percent of total financial claims from MMCs (table 9).

Higher use of MMCs clearly was associated with more rapid growth rates of assets and liabilities during the second half of 1978, after the MMC was instituted (table 10). The mean growth rates of assets and liabilities of the top quartile—8½ and 9 percent respectively—were half again as fast as those of the lowest quartile, and the differences between the means of these two groups were significant at the 1 percent level.

On balance, however, the profitability of the more intensive users of MMCs was lower than that of banks with none. Part of this difference, also statistically significant at the 1 percent level, can be related to MMC use. Banks in the top MMC quartile paid 57 basis points more per dollar of assets for funds, as would be expected, but they only partly recovered that difference by earning 40 basis points more in interest. Net interest margins, consequently, were lower for banks in the top quartile than for those in the lowest. Although noninterest expenses also were lower and noninterest income was higher at small banks in the top MMC quartile, those differences were too small to offset fully the lower net interest margins. Whereas small banks in the top quartile had substantially higher interest expense relative to average assets, most of which went to depositors, they paid 3 basis points less to stockholders than did those in the lowest quartile.

A combination of factors may help to account for the higher asset yield earned by banks in the top quartile. For one, the increase in market yields during the second half of 1978 probably brought returns on new loans and investments above average portfolio yields. With their faster asset growth, banks in the top quartile probably acquired, on net, more loans and investments yielding high current returns than did their slower-growing counterparts that did not use MMCs. In addition, during the second half of 1978, banks in the top MMC quartile increased their share of assets invested in short-term instruments including U.S. government and agency obligations maturing within one year, reverse RPs, and federal funds; banks in the lowest quartile reduced that proportion. As market yields increased, the term structure of yields shifted so that returns on short-term investments exceeded those on long-term assets; other things being equal, portfolios with more short-term assets during the second half of 1978 were likely to experience the higher yields. No difference between the two groups of banks was shown in the share of assets allocated to real estate loans.

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## U.S. Insured Commercial Banks with Foreign Offices

The rapid growth of business in foreign offices of U.S. banks has been an important development in commercial banking during this decade. In 1970, 61 U.S. banks had foreign offices, which together held less than $50 billion in assets; by the end of 1978, 155 banks had foreign-office assets of $260 billion. Eight of the ten largest commercial banks held at least one-third of their consolidated assets at their foreign offices by year-end 1978 and one bank held more than half. Although virtually all banks with foreign offices are large institutions, foreign-office business is concentrated at 13 money center banks, which at year-end held 80 percent of total foreign-office assets.

In 1978, domestic banks with foreign offices began to supply income and expense data on the operations of their domestic and foreign offices separately. These institutions also began to provide substantially more balance-sheet information for their domestic and foreign operations, including detail on selected balances according to whether or not the customer was domiciled within the United States.

The new data illustrate some dissimilarities between the foreign and domestic business of these multinational banks. Foreign offices relied heavily on interest-bearing deposits, which amounted to three-fourths of their liabilities (table 11). They also relied on funds supplied by their domestic affiliates, which amounted to 6 percent of their total December 1978 liabilities. At the end of 1978, sources of funding for domestic offices were primarily from nonaffiliates and were much more varied: nondeposit

11. Assets and liabilities of U.S. insured commercial banks with foreign offices, December 31, 1978

| Item | Domestic offices | | Foreign offices | |
|---|---|---|---|---|
| | Billions of dollars | Percent of total | Billions of dollars | Percent of total |
| **Total assets** | 608 | 100 | 259 | 100 |
| Cash and due from banks | 107 | 18 | 96 | 37 |
| Federal funds sold and reverse RPs | 24 | 4 | * | * |
| Securities | 87 | 14 | 7 | 3 |
| Loans | 318 | 52 | 144 | 56 |
| Other | 72[1] | 12 | 1 | 5 |
| **Total liabilities** | 569 | 100 | 250 | 100 |
| Deposits | 440 | 77 | 220 | 88 |
| Noninterest bearing[2] | 198 | 35 | 19 | 8 |
| Interest-bearing | 242 | 43 | 201 | 80 |
| Savings and small time | 115 | 20 | n.a. | n.a. |
| Time over $100,000 | 127 | 22 | n.a. | n.a. |
| Nondeposit financial claims | 90 | 16 | 11 | 4 |
| Federal funds purchased and RPs | 70 | 12 | * | * |
| Subordinated notes and debentures | 3 | 1 | 1 | * |
| Other liabilities for borrowed money | 17 | 3 | 10 | 4 |
| Other | 39 | 7 | 20[1] | 8 |
| MEMO: Remaining maturities | | | | |
| **Total assets** | 608 | 100 | 259 | 100 |
| Selected assets[3] | 418 | 69 | 241 | 92 |
| One year or less | 260 | 43 | 168 | 64 |
| One to five years | 90 | 15 | 54 | 21 |
| Over five years | 67 | 11 | 19 | 7 |
| **Total liabilities** | 569 | 100 | 250 | 100 |
| Selected liabilities[4] | 480 | 84 | 201 | 80 |
| Subject to call | 197 | 35 | 20 | 8 |
| Other three months or less | 205 | 36 | 154 | 62 |
| Over three months | 78 | 14 | 29 | 12 |

1. Of this amount, $15 billion represents net funds advanced by domestic offices to their own foreign branches.
2. Demand deposits in domestic offices, noninterest-bearing deposits in foreign offices.
3. For foreign offices, maturity detail is provided for all loans and interest-bearing balances due from banks. Maturity detail is not reported for domestic-office holdings of consumer loans and single-family home mortgages, which amounted to $53 billion and $42 billion respectively and which tend to have relatively long original maturities. Maturities represent all other loans and all securities at domestic offices; included in the shortest category also are federal funds sold and reverse RPs as well as $80 billion of cash items in process of collection, demand deposits held at other banks, and currency.
4. For foreign offices, maturity detail is provided for all interest-bearing deposits. For domestic offices, deposits subject to call are demand deposits. Other domestic-office liabilities maturing within 3 months include all savings and 4 percent of small time deposits, large negotiable CDs with that remaining maturity, RPs, and federal funds. Over 3 months includes 96 percent of small time deposits, subordinated notes and debentures, and all other large negotiable CDs.

* Less than $500,000 or 0.5 percent.
n.a. Not available.

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12. Customers of U.S. insured commercial banks with foreign offices, December 31, 1978

Billions of dollars

| Item | Domestic offices | Foreign offices |
|---|---|---|
| **Total loans, gross** | 323 | 145 |
| Real estate | 75 | 4 |
| To financial institutions | 39 | 23 |
| In the United States | 19 | 3 |
| Outside the United States | 10 | 16 |
| Not specified | 9 | 5 |
| Commercial and industrial | 128 | 86 |
| To U.S. addressees | 119 | 3 |
| To non-U.S. addressees | 9 | 82 |
| To individuals | 53 | 5 |
| To foreign governments | 2 | 23 |
| Other | 26 | 4 |
| MEMO | | |
| To U.S. addressees | 138 | 6 |
| To non-U.S. addressees | 21 | 121 |
| Not specified | 162 | 18 |
| **Total deposits** | 437 | 220 |
| Individuals, partnerships, and corporations | 340 | 68 |
| U.S. federal, state, and local governments | 28 | ... |
| Foreign governments and official institutions | 8 | 34 |
| Commercial banks in the United States | 42 | 16 |
| Banks in foreign countries | 9 | 100 |
| Certified and officers' checks | 9 | 3 |

funds accounted for 16 percent of total liabilities at year-end, and deposits themselves were an amalgam of interest-bearing and non-interest-bearing, demand and fixed-term accounts. With demand deposits amounting to 35 percent and deposit-rate-regulated savings and small time deposits amounting to another 20 percent, more than half of the liabilities of domestic offices carried constraints on their ability to respond to rising market yields. At both sets of offices, about two-thirds of total liabilities matured in less than three months.

Almost two-thirds of foreign-office assets matured within one year, and only 7 percent in five or more years. Although less maturity detail is available for domestic offices of these banks, it appears that their asset term structure was more varied, with perhaps as much as one-fifth maturing in five or more years.[4]

Customers of domestic offices of U.S. banks with foreign offices also were more diversified than those of foreign offices, especially with respect to type of borrower (table 12). At the end of 1978, about 40 percent of domestic-office loans had been extended to commercial and industrial borrowers, about 25 percent was secured by real estate, and about 10 percent each was allocated to financial institutions and individuals. By contrast, commercial and industrial loans accounted for about 60 percent of foreign-office loans, and nearly all of the remainder was divided equally between financial institutions and foreign governments. As might be expected, loans at foreign offices were extended predominantly to borrowers domiciled outside the United States, while those at domestic offices were extended to borrowers within the United States. More than three-fourths of the depositors at domestic offices were individuals, partnerships, or corporations, whereas less than one-third of foreign-office deposits came from those sources. Banks in foreign countries supplied nearly half of the deposits at foreign offices, but at domestic offices, both U.S. and foreign banks supplied only slightly more than 10 percent of total deposits.

Differences between the effective rates of return at foreign and domestic offices reflect the dissimilarities in the composition of their assets and liabilities and probably differences in lending and borrowing practices as well (table 13). Although loan portfolios at both sets of offices grew 16 percent during 1978, the apparently greater concentration of short-term and variable-rate loans at foreign offices provided the opportunity for more rapid portfolio response to the marked escalation of yields during 1978. Average loan portfolio yields consequently were much higher at foreign offices than at domestic

13. Rates of return and rates paid for funds, U.S.-insured commercial banks with foreign offices, 1978[1]

| Item | Domestic offices | Foreign offices |
|---|---|---|
| Loans | 9.93 | 10.59 |
| Interest-earning assets[2] | 9.67 | 9.38 |
| Interest-bearing deposits | 6.54 | 7.95 |
| Interest-bearing liabilities | 6.97 | 8.01 |

1. Calculated as described in the Technical Note.
2. Converted to a taxable equivalent basis for domestic offices according to the approximation method described in table 1, note 4.

4. Eleven percent of assets are reported to mature in five or more years; not reported are maturities for single-family home mortgages and consumer loans, amounting to $42 billion and $53 billion respectively. Home mortgages, in particular, tend to carry original maturities of well over five years.

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14. Interest income and expense as percent of average assets, U.S. insured commercial banks with foreign offices, 1978

| Item | Domestic offices | Foreign offices |
|---|---|---|
| Gross interest income | 6.50 | 8.34 |
| Gross interest expense | 3.78 | 6.33 |
| Net interest margin | 2.72 | 2.00 |
| Taxable equivalent[1] | 3.10 | 2.00 |

1. Approximated for domestic offices as described in table 1, note 4.

offices in 1978. Rates paid for funds also averaged substantially higher in foreign than in domestic offices. One factor in that difference was that deposit-rate ceilings, affecting some of the liabilities of domestic offices but none of those in foreign offices, were substantially below market yields during 1978. Another, a counterpart to loan portfolio behavior, was the relatively greater influence of rising market yields in 1978 on the higher proportion of short-term rate-sensitive liabilities at foreign offices. In addition, nominal market yields prevailing on Eurodollar deposits were higher than those on domestic large certificates of deposit.

Rates of gross interest income and expense on average office assets were influenced not only by effective interest rates but also by differences in the proportion of assets and liabilities that did not bear interest (table 14). The rate of gross interest income at foreign offices was above that in domestic offices, for example, partly because domestic offices tend to have a larger portion of assets that do not bear interest than do foreign offices. At year-end, for example, 18 percent of assets at domestic offices was allocated to non-interest-earning reserves of member banks, premises, and fixtures. Only 5 percent of foreign office assets was so allocated. Similarly, non-interest-bearing deposits—inconsequential at foreign offices, but representing more than one-third of domestic office liabilities—reduced stated interest costs of domestic offices to three-fifths of that in foreign offices, despite a differential of only 15 percent in the effective rates paid for interest-bearing liabilities. As a result of all these factors, the net interest margins of domestic offices were 50 percent above those in foreign offices.

On a fully allocated basis, reflecting all income and expenses attributable to international business whether conducted in domestic or in foreign offices, U.S. banks with foreign offices earned \$2.4 billion before taxes from their international business out of total pretax income of \$7.3 billion (tables A.3 and 15). International business contributed 0.16 percent, or about one-fourth, to the total 0.59 percent rate of return on assets earned by these banks during 1978. □

15. Consolidated income and expenses of insured commercial banks with foreign offices, 1978

| Item | Percent of average assets |
|---|---|
| Gross interest income | 7.09 |
| Gross interest expense | 4.58 |
| Net interest margin | 2.51 |
| Taxable equivalent[1] | 2.77 |
| Noninterest income | .82 |
| Loan loss provisions | .25 |
| Other noninterest expense | 2.14 |
| Income before tax | .93 |
| Foreign offices[2] | .25 |
| Domestic offices[2] | .68 |
| Net income | .59 |
| International business[2] | .16 |
| Domestic business[2] | .43 |

1. Approximated as described in table 1, note 4.
2. See table A.3. Reflects amounts attributed, giving full allocation of income and expenses.

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## 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 | 1978 |
|---|---|---|---|---|---|---|---|---|---|
| **Operating income—Total** | **34,574** | **36,204** | **40,065** | **52,794** | **67,872** | **66,285** | **80,388** | **90,069** | **113,170** |
| Interest | | | | | | | | | |
| Loans | 22,859 | 22,954 | 25,498 | 35,213 | 46,942 | 43,197 | 51,471 | 58,881 | 75,948 |
| Balances with banks | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 4,459 | 4,860 | 6,662 |
| Federal funds sold and securities purchased under resale agreement | 1,004 | 870 | 1,023 | 2,474 | 3,695 | 2,283 | 1,979 | 2,471 | 3,664 |
| Securities (excluding trading accounts) | | | | | | | | | |
| Total interest income | 6,523 | 7,660 | 8,329 | 9,138 | 10,344 | 12,201 | 14,333 | 15,140 | 16,432 |
| U.S. Treasury securities | 3,069 | 3,384 | 3,376 | 3,436 | 3,414 | 4,415 | 5,952 | 6,369 | 9,335 |
| 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 | 6,003 |
| Other bonds, notes, and debentures | 151 | 238 | 319 | 372 | 467 | 532 | 750 | 858 | 1,094 |
| 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 | 2,138 |
| Direct lease financing | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 534 | 699 | 862 |
| Service charges on deposits | 1,174 | 1,226 | 1,256 | 1,320 | 1,450 | 1,547 | 1,629 | 1,797 | 2,039 |
| Other charges, fees, etc. | 839 | 981 | 1,079 | 1,247 | 1,405 | 1,647 | 2,175 | 2,404 | 2,930 |
| Other operating income | 1,043 | 1,256 | 1,512 | 1,942 | 2,530 | 3,811 | 2,011 | 1,903 | 2,495 |
| On trading account (net) | 348 | 344 | 257 | 341 | 430 | 508 | 717 | 420 | n.a.[2] |
| Other | 695 | 912 | 1,255 | 1,601 | 2,100 | 3,303 | 1,205 | 1,350 | n.a.[2] |
| Equity in return of unconsolidated subsidiaries | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 89 | 133 | n.a.[2] |
| **Operating expenses—Total** | **27,465** | **29,511** | **32,836** | **44,113** | **58,645** | **57,313** | **70,466** | **78,484** | **98,104** |
| Interest | | | | | | | | | |
| Time and savings deposits | 10,444 | 12,168 | 13,781 | 19,747 | 27,777 | 26,147 | 34,894 | 38,701 | 50,054 |
| 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 | 11,693 |
| Deposits in foreign offices | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 8,745 | 10,216 | 14,559 |
| Other deposits | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 19,066 | 21,753 | 23,802 |
| 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 | 7,247 |
| Other borrowed money[3] | 464 | 139 | 115 | 499 | 912 | 374 | 665 | 816 | 1,452 |
| Capital notes and debentures | 104 | 142 | 212 | 253 | 280 | 292 | 343 | 391 | 445 |
| Salaries, wages, and employee benefits | 7,683 | 8,355 | 9,040 | 10,076 | 11,526 | 12,624 | 14,686 | 16,276 | 18,654 |
| Occupancy expense | 1,547 | 1,721 | 1,915 | 2,141 | 2,424 | 2,739 | 3,247 | 3,587 | 5,559 |
| 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 | 3,499 |
| Other operating expenses | 4,525 | 4,337 | 4,640 | 5,432 | 6,514 | 7,149 | 8,456 | 9,561 | 11,194 |
| Minority interest in consolidated subsidiaries | ........ | ........ | 1 | 1 | ........ | ........ | 29 | 24 | n.a.[2] |
| Other | 4,525 | 4,337 | 4,639 | 5,431 | 6,514 | 7,149 | 8,427 | 9,537 | n.a.[2] |
| Income before taxes and securities gains or losses | 7,109 | 6,693 | 7,229 | 8,681 | 9,227 | 8,973 | 9,922 | 11,585 | 15,067 |
| Applicable income taxes | 2,173 | 1,688 | 1,708 | 2,120 | 2,084 | 1,790 | 2,287 | 2,829 | 4,155 |
| Income before securities gains or losses | 4,936 | 5,005 | 5,522 | 6,560 | 7,143 | 7,182 | 7,635 | 8,756 | 10,911 |
| Net securities gains or losses (−) after taxes | −105 | 210 | 90 | −27 | −87 | 35 | 190 | 95 | −225 |
| Extraordinary charges (−) or credits after taxes | −13 | −1 | 18 | 22 | 12 | 32 | 24 | 47 | 45 |
| Net income | 4,818 | 5,213 | 5,630 | 6,555 | 7,068 | 7,249 | 7,849 | 8,898 | 10,731 |
| Cash dividends declared | 2,036 | 2,227 | 2,191 | 2,423 | 2,760 | 3,025 | 3,029 | 3,299 | 3,714 |
| MEMO | | | | | | | | | |
| Number of banks | 13,502 | 13,602 | 13,721 | 13,964 | 14,216 | 14,372 | 14,397 | 14,397 | 14,380 |
| Average fully consolidated assets (billions of dollars) | 570 | 646 | 738 | 857 | 987 | 1,052 | 1,123 | 1,257 | 1,418 |

1. Included in income from other bonds, notes, and debentures.
2. Because of an abbreviation in the income report filed by small banks, these items will not be available on an aggregated basis after 1977. Bracketed items similarly indicate combinations made for small bank reporting.
3. Includes interest paid on U.S. Treasury tax and loan account balances, which were begun in November 1978.
n.a. not available.

NOTE. For "Notes on comparability of commercial bank income data before 1976," see BULLETIN, June 1978, page 446.

## 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 $A(t)$ represents the value of the assets at time $t$, where $t$ is the fraction of the year that has elapsed, then

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

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 beginning-of-year 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 thus:

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

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## A.2 Report of income for member commercial banks

Amounts shown in millions of dollars

| Item | 1970 | 1971 | 1972 | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 |
|---|---|---|---|---|---|---|---|---|---|
| **Operating income—Total** | **27,902** | **28,665** | **31,344** | **41,616** | **53,837** | **51,368** | **63,639** | **70,514** | **89,130** |
| Interest | | | | | | | | | |
| Loans | 18,698 | 18,315 | 20,053 | 28,266 | 38,063 | 33,749 | 40,901 | 46,060 | 59,925 |
| Balances with banks | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 4,263 | 4,671 | 6,387 |
| Federal funds sold and securities purchased under resale agreement | 781 | 676 | 794 | 1,847 | 2,724 | 1,716 | 1,511 | 1,918 | 2,808 |
| Securities (excluding trading accounts) | | | | | | | | | |
| Total interest income | 4,832 | 5,661 | 6,087 | 6,532 | 7,237 | 8,559 | 10,111 | 10,584 | 11,328 |
| U.S. Treasury securities | 2,209 | 2,434 | 2,412 | 2,393 | 2,343 | 3,166 | 4,248 | 4,478 | 6,179 |
| 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 | 4,255 |
| Other bonds, notes, and debentures | 118 | 182 | 234 | 268 | 326 | 354 | 612 | 712 | 894 |
| 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 | 1,912 |
| Direct lease financing | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 508 | 664 | 806 |
| Service charges on deposits | 867 | 895 | 905 | 940 | 1,023 | 1,086 | 1,122 | 1,206 | 1,334 |
| Other charges, fees, etc. | 682 | 796 | 864 | 998 | 1,152 | 1,359 | 1,808 | 1,967 | 2,400 |
| Other operating income | 970 | 1,130 | 1,372 | 1,789 | 2,261 | 3,442 | 1,789 | 1,662 | 2,230 |
| On trading account (net) | 346 | 340 | 254 | 338 | 425 | 497 | 696 | 407 | n.a.[2] |
| Other | 624 | 800 | 1,118 | 1,451 | 1,836 | 2,945 | 1,009 | 1,124 | n.a.[2] |
| Equity in return of unconsolidated subsidiaries | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 86 | 131 | n.a.[2] |
| **Operating expenses—Total** | **22,184** | **23,342** | **25,648** | **35,037** | **46,815** | **44,410** | **55,924** | **61,706** | **77,783** |
| Interest | | | | | | | | | |
| Time and savings deposits | 8,189 | 9,426 | 10,518 | 15,382 | 21,812 | 19,800 | 27,745 | 30,363 | 39,808 |
| 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 | 9,586 |
| Deposits in foreign offices | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 8,672 | 10,124 | 14,401 |
| Other deposits | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 13,178 | 14,778 | 15,821 |
| 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 | 6,803 |
| Other borrowed money[3] | 444 | 127 | 103 | 473 | 871 | 336 | 638 | 790 | 1,403 |
| Capital notes and debentures | 90 | 123 | 184 | 204 | 217 | 228 | 273 | 303 | 334 |
| Salaries, wages, and employee benefits | 6,154 | 6,638 | 7,096 | 7,808 | 8,834 | 9,624 | 11,301 | 12,395 | 14,116 |
| Occupancy expense | 1,275 | 1,408 | 1,556 | 1,724 | 1,929 | 2,155 | 2,564 | 2,804 | 4,224 |
| 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 | |
| Provisions for loan losses | 534 | 682 | 768 | 994 | 1,858 | 3,050 | 3,042 | 2,633 | 2,771 |
| Other operating expenses | 3,674 | 3,346 | 3,484 | 4,079 | 4,870 | 5,275 | 6,323 | 7,100 | 8,324 |
| Minority interest in consolidated subsidiaries | | | | | | | 28 | 22 | n.a.[2] |
| Other | ...... | ...... | ...... | ...... | ...... | ...... | 6,295 | 7,078 | n.a.[2] |
| Income before taxes and securities gains or losses | 5,718 | 5,322 | 5,696 | 6,679 | 7,022 | 6,958 | 7,715 | 8,807 | 11,347 |
| Applicable income taxes | 1,774 | 1,348 | 1,356 | 1,653 | 1,591 | 1,453 | 1,929 | 2,311 | 3,327 |
| Income before securities gains or losses | 3,942 | 3,974 | 4,340 | 5,025 | 5,431 | 5,505 | 5,786 | 6,496 | 8,020 |
| Net securities gains or losses (−) after taxes | −107 | 144 | 47 | −30 | −69 | 17 | 111 | 40 | −185 |
| Extraordinary charges (−) or credits after taxes | −15 | −3 | 14 | 15 | 3 | 23 | 17 | 38 | 27 |
| Net income | 3,821 | 4,116 | 4,401 | 5,011 | 5,365 | 5,546 | 5,914 | 6,576 | 7,863 |
| Cash dividends declared | 1,753 | 1,907 | 1,804 | 2,019 | 2,271 | 2,476 | 2,451 | 2,640 | 2,928 |
| MEMO | | | | | | | | | |
| Number of banks | 5,767 | 5,727 | 5,704 | 5,735 | 5,780 | 5,787 | 5,758 | 5,668 | 5,565 |
| Average fully consolidated assets (billions of dollars) | 468 | 530 | 606 | 705 | 788 | 857 | 907 | 1,003 | 1,128 |

1. Included in income from other bonds, notes, and debentures.
2. Because of an abbreviation in the income report filed by small banks, these items will not be available on an aggregated basis after 1977. Bracketed items similarly indicate combinations made for small bank reporting.
3. Includes interest paid on U.S. Treasury tax and loan account balances, which were begun in November 1978.
n.a. not available.

NOTE. For "Notes on comparability of commercial bank income data before 1976," see BULLETIN, June 1978, page 446.

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## A.3 Income attributable to international business of U.S. commercial banks with foreign offices, 1978

Millions of dollars

| Item | Amount |
|---|---|
| Pre-tax income attributable to foreign offices[1] | 1,946 |
| Plus: Pre-tax income attributable to international business conducted in domestic offices | 567 |
| Less: adjustment amount[2] | 72 |
| Pre-tax income attributable to international business | 2,441 |
| Less: All income taxes attributable to international business | 1,166 |
| Net income attributable to international business | 1,275 |
| MEMO | |
| Provision for possible loan losses attributable to international business | 419 |
| Noninterest income attributable to foreign offices[1] | 1,126 |
| Noninterest income attributable to international business | 1,299 |
| Noninterest expense attributable to foreign offices | 2,467 |
| Noninterest expense attributable to international business | 2,828 |
| Intra-company interest income attributable to international business | 1,764 |
| Intra-company interest expense attributable to international business | 3,140 |
| Interest income of domestic offices from foreign-domiciled customers | 1,973 |
| Fully consolidated | |
| Pre-tax income | 7,333 |
| Total applicable taxes | 2,511 |
| Net income[3] | 4,690 |
| Average total assets | 796,151 |

1. Including Edge and Agreement subsidiaries.
2. Reflects the amount necessary to reconcile the preceding two amounts with pre-tax income attributable to international business. This may reflect, as an example, net income in foreign offices derived from business with U.S.-domiciled customers.
3. After gains and losses from securities transactions and extraordinary items.

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# New Measures of Commercial Bank Credit and Bank Nondeposit Funds

*This article was prepared by Edward R. Fry of the Board's Division of Research and Statistics.*

The series on commercial bank credit and estimates of assets and liabilities of all commercial banks that are published each month in the statistical section of the FEDERAL RESERVE BULLETIN have been revised. The revised series reflect both conceptual and statistical improvements. The series have been expanded to cover more banking institutions operating in the United States, and lease financing receivables have been included for the first time. With the addition of U.S. agencies of foreign banks, New York investment company subsidiaries of foreign banks, and Edge Act corporations, the U.S. banking system is defined for purposes of these series to include all institutions located in the 50 states and the District of Columbia that are engaged in commercial banking activities. The revised bank credit series measures credit extended by such banking institutions to all U.S. or foreign customers other than commercial banks in the United States and other than directly related institutions.

Among the statistical changes in the revised series are improved blowup procedures for estimating data for domestically chartered banks, more frequent benchmarking of current estimates, and substitution of monthly averages for data for the last Wednesday of the month. In addition, the revised series provide new detail on loan components, separate data for domestically chartered banks and foreign-related institutions, and a new measure of nondeposit funds of commercial banks.[1]

The need for revision of U.S. banking statistics has become increasingly apparent in view of the exceptionally rapid growth of banking assets of foreign-related institutions, the large revisions in estimated components of nonmember banks, and the volatility of the single-date observations. Over the past year, reporting and estimating procedures have been changed to improve monthly estimates for both domestically chartered banks and U.S. branches of foreign banks covered by the bank credit series. The additional coverage of foreign-related institutions in the new series provides a more comprehensive measure of commercial banking in the United States, and the conversion from a last-Wednesday-of-month to a monthly average basis reduces the volatility of the series. The inclusion of lease financing operations in the bank credit series is in accordance with the generally held view that such business is a form of credit extension.

The revised series have been estimated for the period from December 1972 to date. From now on, the revised bank credit series and data on assets and liabilities will be published monthly in the BULLETIN and respectively in the Board's monthly G.7 statistical release and in the weekly H.8 statistical release, which will resume publication on a revised basis. A new series on nondeposit funds—which includes estimates of bank borrowings in domestic and

1. Domestically chartered banks are those with national or state charters whether incorporated or unincorporated, insured or uninsured, foreign or domestically owned. Foreign-related banking institutions are U.S. branches, agencies, and New York investment company subsidiaries of foreign banks, and Edge Act corporations. Edge Act banking subsidiaries of commercial banks are chartered as U.S. banking corporations, but in the new series they are grouped with the foreign-related component because of the international character of their business. Among foreign-related institutions, only the branches have been included in U.S. banking statistics in the past. A fuller description of the institutional structure and activities of foreign banks in the United States will appear in next month's BULLETIN.

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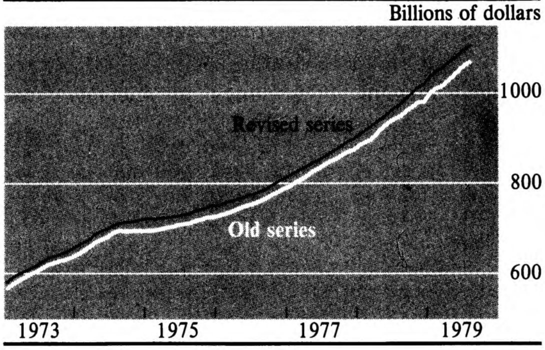
foreign markets—will be published in the BULLETIN and in a new statistical release, "Major nondeposit funds of commercial banks," G.10. These banking data, together with the data on bank deposits published with the monetary aggregates, will facilitate analysis of developments in commercial bank credit and the sources of funding used by banks in maintaining their credit operations.

## *Revised Bank Credit Series*

The principal effects of this revision of the bank credit series have been to raise the level of total loans and investments and to smooth somewhat fluctuations in the series (chart 1). Estimated total loans and investments were raised $24 billion in June 1979 as a result of the expanded institutional coverage and another $8 billion through the addition to the series of lease financing receivables. While the addition of lease receivables increased the trend rate of growth of the revised series only slightly on average—0.1 percent per year—the additional coverage of agencies, New York investment companies, and Edge Act corporations tends to accelerate growth in expansion periods. As table 1 shows, yearly growth rates are higher for the new series than the old in 1973–74 and 1978; they tend to be slightly lower in intervening years. This difference arises largely from variations in loan growth at U.S. agencies of foreign banks, especially in loans to commercial and industrial firms. Such loans account for a substantially higher proportion of the loan portfolios of agencies than of domestic banks. Agencies increased their total loans in 1973–74 at an average annual rate of about 35 percent, more than twice the rate of expansion at domestically chartered banks. In 1975, when business loan demands subsided, U.S. agencies of foreign banks as well as domestically chartered banks experienced reductions in loan growth. The largest reduction in loans of agencies occurred after loan growth at domestically chartered banks began to increase again in 1977, reflecting conversion of a number of agencies to branch status. Thus, the inclusion of agencies in the bank credit series removes an upward bias in growth rates for 1977 that had resulted from including branch data that were inflated by the agency conversions.

The revised series again shows greater expansion in loans and investments in 1978 than the old series, with most of this difference due to sharply higher loan growth. Faster loan expansion at agencies was a major source of the increase in the growth rate shown by the new series.[2] Agencies expanded their loans to non-

1. Total loans and investments[1]




1. Growth in commercial bank credit

Seasonally adjusted annual rates of change, in percent

| Period | Total loans and investments | | Total loans | |
|---|---|---|---|---|
| | Old series | Revised series | Old series | Revised series |
| 1973 | 13.8 | 14.7 | 18.8 | 19.5 |
| 1974 | 9.3 | 10.3 | 11.5 | 13.1 |
| 1975 | 4.3 | 4.3 | −.7 | −.6 |
| 1976 | 8.6 | 7.9 | 8.2 | 7.1 |
| 1977 | 11.0 | 10.9 | 14.6 | 14.0 |
| 1978 | 12.1 | 13.6 | 15.9 | 18.0 |
| 1979 H1 | 14.3 | 12.8 | 15.5 | 14.9 |
| 1978 Q1 | 10.6 | 12.8 | 12.7 | 16.8 |
| Q2 | 17.0 | 13.2 | 19.1 | 16.7 |
| Q3 | 11.1 | 13.3 | 14.2 | 15.9 |
| Q4 | 7.9 | 12.7 | 14.1 | 18.2 |
| 1979 Q1 | 14.1 | 13.2 | 15.5 | 15.1 |
| Q2 | 14.0 | 11.9 | 14.9 | 14.2 |
| 1979 Jan. | 25.3 | 18.7 | 28.0 | 20.6 |
| Feb. | 10.9 | 13.1 | 9.6 | 16.1 |
| Mar. | 5.8 | 7.4 | 8.2 | 8.2 |
| Apr. | 13.8 | 14.1 | 15.4 | 17.3 |
| May | 12.1 | 8.3 | 10.6 | 9.5 |
| June | 15.7 | 12.8 | 18.2 | 15.1 |
| July | 13.0 | 13.2 | 13.5 | 15.0 |
| Aug. | 11.1 | 10.1 | 15.6 | 12.5 |

2. Revisions in previous estimates of loans at U.S. branches of foreign banks also raised the growth rate of the revised series.

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financial businesses about 60 percent during the year, nearly four times the relatively rapid rate of advance at domestically chartered banks, and they also sharply expanded their loans to unaffiliated banks in foreign countries.

In the first half of 1979, the revised series indicates slightly slower bank credit expansion than the old series—a 12¾ percent seasonally adjusted annual rate of growth compared with an estimated 14¼ percent on the old basis. This revised growth rate is just under the rapid pace of 1978, in contrast with the further acceleration that had been indicated by the old series. In the old series, growth in the first half had exceeded the high rate of expansion in 1973, but according to the revised series it was 2 percentage points below that in 1973.

The shift to monthly averages from month-end observations and the differences in seasonal adjustments tended to smooth fluctuations in the total bank credit series. Over the past year and a half, annualized quarterly growth rates for the new series stayed within a relatively narrow range—12¾ to 13¼ percent compared with fluctuations in growth rates on the old basis in a range of 8 to 17 percent for the same period. But the new series displays significantly slower growth in the first half of 1979 as a result of reduced growth of Treasury securities and, to a lesser extent, loans. Formerly, the seasonally adjusted Treasury security component of bank credit was derived as a residual because of the extreme volatility of the end-of-month data. This procedure was changed with conversion of the series to monthly averages. On the revised basis, Treasury securities are seasonally adjusted directly, and total bank credit is derived by summing securities and loan components.

## *New Bank Credit Detail*

The new information on loans and investments by type of institution and by type of lending allows analysis of current developments in bank credit in greater depth. Table 2 indicates major

2. Assets of all commercial banks in the United States, June 1979

Monthly averages, not seasonally adjusted

| Type | Number of banks | Total assets | Loans and investments[1] | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Total | Securities | | Loans and leases | | | |
| | | | | U.S. Treasury | Other | Total | Commercial and industrial | To foreign banks | All other |
| | Amounts outstanding, billions of dollars | | | | | | | | |
| All commercial banks | 14,959 | 1,383.0 | 1,083.2 | 95.1 | 182.7 | 805.3 | 272.1 | 21.6 | 511.6 |
| Domestically chartered[2] | 14,620 | 1,274.8 | 1,024.8 | 93.7 | 181.3 | 749.8 | 239.2 | 6.8 | 503.8 |
| Foreign-related[3] | 339 | 108.2 | 58.4 | 1.5 | 1.4 | 55.6 | 32.9 | 14.8 | 7.9 |
| U.S. branches | 123 | 60.5 | 34.4 | .6 | .6 | 33.1 | 17.9 | 10.5 | 4.7 |
| U.S. agencies and agreement corporations | 150 | 34.9 | 19.6 | .7 | .5 | 18.4 | 12.8 | 3.0 | 2.6 |
| New York investment company subsidiaries | 6 | 2.2 | 1.4 | .1 | .1 | 1.2 | .8 | .2 | .3 |
| Edge Act corporations | 60 | 10.7 | 3.0 | 0 | .2 | 2.8 | 1.5 | 1.1 | .2 |
| | Share of total outstanding, percent | | | | | | | | |
| All commercial banks | | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Domestically chartered[2] | | 92.2 | 94.6 | 98.5 | 99.2 | 93.1 | 87.9 | 31.5 | 98.5 |
| Foreign-related[3] | | 7.8 | 5.4 | 1.6 | .8 | 6.9 | 12.1 | 68.5 | 1.5 |
| U.S. branches | | 4.4 | 3.2 | .6 | .3 | 4.1 | 6.6 | 48.6 | .9 |
| U.S. agencies and agreement corporations | | 2.5 | 1.8 | .7 | .3 | 2.3 | 4.7 | 13.9 | .5 |
| New York investment company subsidiaries | | .2 | .1 | .1 | .1 | .1 | .3 | .9 | .1 |
| Edge Act corporations | | .8 | .3 | 0 | .1 | .3 | .6 | 5.1 | 0 |

1. Excludes loans to commercial banks in the United States.
2. Banks with national or state charters located in the 50 states and the District of Columbia.
3. Includes U.S. branches, agencies, and New York investment company subsidiaries of foreign banks and Edge Act corporations engaged in international banking business in the 50 states and the District of Columbia.

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3. Portfolios of domestically chartered and foreign-related institutions

Monthly averages, June 1979

| Type of asset or ratio | All banks | Domestically chartered | Foreign-related | |
|---|---|---|---|---|
| | | | Amount | Share of total (percent) |
| *Loans and investments* (in billions of dollars except as noted) | | | | |
| Total[1] | 1,083.2 | 1,024.8 | 58.4 | 5.4 |
| U.S. Treasury securities | 95.1 | 93.7 | 1.5 | 1.6 |
| Other securities | 182.7 | 181.3 | 1.4 | .8 |
| Total loans[1] | 805.3 | 749.8 | 55.6 | 6.9 |
| Business | 272.1 | 239.2 | 32.9 | 12.1 |
| Acceptances | 7.5 | 3.6 | 3.9 | 52.0 |
| Other | | | | |
| U.S. | 248.2 | 229.5 | 18.8 | 7.5 |
| Foreign | 16.6 | 6.3 | 10.3 | 62.0 |
| Real estate | 225.5 | 225.5 | (2) | (2) |
| Individuals | 176.8 | 176.8 | (2) | (2) |
| Agricultural | 29.2 | 29.2 | (2) | (2) |
| Security loans | 23.2 | 21.4 | 1.8 | 7.8 |
| Nonbank financial institutions | 28.1 | 27.3 | .8 | 2.8 |
| Lease financing receivables | 8.1 | 8.1 | (2) | (2) |
| All other | 42.3 | 22.2 | 20.1 | 47.5 |
| Foreign banks | 21.6 | 6.8 | 14.8 | 68.5 |
| Other | 20.7 | 15.4 | 5.3 | 25.6 |
| *Portfolio ratios* (in percent) | | | | |
| Total loans to total loans and investments | 74.3 | 73.2 | 95.2 | ............ |
| Business loans to total loans | 33.8 | 31.9 | 59.1 | ............ |
| Foreign business loans to total business loans | 6.1 | 2.6 | 31.3 | ............ |
| Acceptances to total business loans | 2.8 | 1.5 | 11.9 | ............ |
| Foreign bank loans to total loans | 2.7 | .9 | 26.6 | ............ |

1. Excludes loans to commercial banks in the United States.

2. Not available separately. Small amounts are included in all other loans.

asset holdings of domestically chartered banks and foreign-related institutions and the relative importance of each type of institution. Domestically chartered banks have either national or state charters, and most have federal deposit insurance. Domestically chartered banks whose majority owners are foreign banks are included in the domestically chartered component rather than with foreign-related institutions. These foreign-owned banks operate in the same statutory and regulatory environment as other domestically chartered banks, and their portfolios are more like those of other domestically chartered banks than of institutions included in the foreign-related component.

U.S. branches of foreign banks are institutions that have been licensed to do a full banking business by the states in which they are located. U.S. agencies of foreign banks also have operated under state banking statutes with unrestricted lending and investment activities, but they are not permitted to hold deposits—only credit balances that arise in the course of their business. New York investment company subsidiaries of foreign banks are corporations chartered by New York State with lending activities and deposit restrictions similar to those of agencies. Edge Act corporations are international banking subsidiaries of commercial banks that are chartered in the United States under provisions of the Federal Reserve Act. Although New York investment companies and Edge Act corporations are chartered in the United States, they have been grouped with branches and agencies of foreign banks because of the international character of their business. Among the institutions in the foreign-related group, branches and agencies account for the bulk of loans and investments (93 percent), and they have been most sensitive to changing loan demands.

Foreign-related institutions as a group account for only about 8 percent of banking assets in the United States (table 3). Their security holdings are relatively small, and their lending operations are more specialized than those of domestically chartered banks. Most of their loan portfolios are concentrated in loans to foreign and domestic nonfinancial business and to foreign banks. Although they account for only 7 percent of total loans of the banking system, foreign-related institutions hold 12 percent of outstanding total business loans, 62 percent of loans to foreign businesses, and 69 percent of

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loans to foreign banks. As a group they have a high proportion of acceptances and loans to foreign businesses in their portfolios.

Foreign-related institutions are also characterized by greater dependence on nondeposit funds. Statutory and regulatory restrictions have been important in limiting the scope of the lending and funding by these institutions. In some cases, lending has been restricted to financing of international transactions, and deposits and credit balances of some institutions have been restricted to those arising in the course of international business. In addition, these institutions have been hampered in their ability to attract deposit funds, especially at the retail level, by lack of familiarity and by the absence of federal deposit insurance. Consequently, they have tended to rely more on funding from directly related institutions. However, the International Banking Act has altered the statutory and regulatory environment for these institutions in the direction of greater equality of treatment, and they may become more similar to domestically chartered banks. As they expand into retail banking activities such as lending to consumers and competing for consumer deposits, the new series will make it possible to measure such developments.

The expanded detail on loans, shown in table 3, provides considerably more information on loan developments for the banking system as a whole than had been available previously. In the past, only total loans and commercial and industrial loans were published for the last Wednesday of each month in the BULLETIN; weekly detail on loans for large banks and quarterly data for all commercial banks also were published. The new estimates based on monthly averages were derived from these sources, from weekly data that have been reported by small member banks since the beginning of 1979, from month-end data reported by U.S. agencies and New York investment company subsidiaries of foreign banks, and from a combination of month-end and quarterly reports of Edge Act corporations.

Table 4 shows growth rates for the most significant components of loans as estimated from the revised series on monthly averages. The degree of estimation required varies considerably by loan component because of variations in the share of loans held by reporting banks. Reporting banks account for the highest percentage of total amounts outstanding in security loans, loans to nonbank financial institutions, and lease financing receivables. Large weekly reporting banks hold from three-quarters to seven-eighths of total outstandings in these categories. Small additional amounts of security loans and loans to nonbank financial institutions are reported monthly by foreign-related institutions. Estimates of commercial and industrial loans, the largest loan component, are derived from weekly reports of large banks and from a weekly report of a sample of small banks covering 56 percent of total business loans; another 12 percent of total business loans is available from monthly reports of foreign-related institutions. Real estate loans reported weekly by domestically chartered banks represent 45 percent of total real estate loans at all commercial banks. Loans to individuals at present are derived from month-end reports covering about 24 percent of the total for all banks; later, weekly coverage will be increased to about 43 percent of the total. Agricultural loans are based on the thinnest sample, 17 percent, reflecting the relatively small amounts of such loans at large weekly reporting banks.

Blowup factors derived from quarterly call reports are applied to the data reported weekly to estimate nonreporting domestically chartered banks in the totals for each component. This procedure requires revisions in the estimated series when new blowup factors become available at the end of each quarter.

The growth rates shown in table 4 cover two periods of rapid loan expansion and the intervening period of slack loan demands. The largest loan components—commercial and industrial, real estate, and individual—are dominant in the trend-cycle variation of the total. Following extremely rapid expansion in 1973, growth of real estate loans and loans to individuals slowed abruptly, which led to a sharp reduction in growth of total loans. Business loans continued to increase rapidly in 1974, but demand fell off after 1974 as businesses responded to declining economic activity and also as they began to fund their short-term debt in the capital mar-

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4. Loans at all commercial banks, by type of loan [1]

Seasonally adjusted annual rates of change, in percent

| Period | Total | Commercial and industrial | | | | Real estate | Individuals | Agricultural | Nonbank financial institutions | Security loans | Foreign banks | Lease financing |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Total | Acceptances | Other | | | | | | | | |
| | | | | U.S. | Foreign | | | | | | | |
| 1973 | 19.2 | 21.5 | 6.6 | 22.0 | 17.0 | 20.3 | 15.2 | 20.4 | 31.1 | −17.0 | 59.6 | 46.0 |
| 1974 | 12.9 | 19.4 | 45.8 | 19.0 | 20.0 | 10.7 | 3.8 | 6.4 | 21.9 | −2.6 | 34.2 | 53.7 |
| 1975 | −.6 | −3.8 | 68.1 | −6.4 | 30.3 | 3.1 | 2.3 | 9.9 | −16.0 | 4.9 | 8.3 | 23.5 |
| 1976 | 7.3 | 1.4 | 31.2 | −.4 | 17.4 | 10.2 | 10.9 | 15.5 | −9.2 | 30.1 | 28.1 | 27.8 |
| 1977 | 13.9 | 10.5 | −3.1 | 11.8 | −2.0 | 17.8 | 18.9 | 11.3 | −2.1 | 17.8 | 17.6 | 13.5 |
| 1978 | 18.3 | 16.8 | −9.6 | 17.0 | 32.3 | 20.0 | 19.4 | 9.3 | 5.4 | −5.9 | 57.1 | 29.4 |
| 1979 H1 | 15.0 | 19.3 | 21.2 | 17.4 | 55.0 | 14.1 | 15.0 | 5.9 | 8.6 | 38.3 | −4.4 | 18.4 |
| 1978 Q1 | 17.1 | 18.7 | −61.1 | 20.6 | 52.3 | 18.1 | 17.9 | 1.6 | −7.1 | 1.7 | 57.7 | 14.4 |
| Q2 | 16.9 | 16.7 | −1.1 | 18.1 | 0 | 18.3 | 20.5 | 9.3 | 6.0 | 15.7 | 1.3 | 20.0 |
| Q3 | 15.9 | 12.7 | 21.4 | 11.5 | 32.1 | 20.4 | 17.9 | 15.1 | 8.9 | −17.8 | 40.0 | 25.9 |
| Q4 | 18.7 | 14.9 | 6.4 | 14.1 | 33.1 | 17.8 | 15.9 | 10.2 | 12.1 | −22.5 | 97.7 | 46.8 |
| 1979 Q1 | 15.4 | 21.4 | 24.3 | 16.2 | 97.7 | 14.6 | 16.3 | 8.5 | −1.7 | 31.9 | 3.6 | 14.3 |
| Q2 | 14.1 | 17.1 | 17.0 | 17.3 | 9.8 | 13.0 | 12.4 | 4.2 | 13.3 | 40.0 | −12.2 | 20.8 |
| 1979 June | 15.3 | 16.6 | 42.4 | 15.3 | 14.5 | 14.0 | 10.3 | 0 | −12.0 | 10.5 | 54.3 | 29.6 |
| July | 15.0 | 20.0 | 80.0 | 20.0 | 43.1 | 15.4 | 6.1 | 4.1 | 55.9 | 31.2 | −11.5 | 29.6 |
| August | 12.5 | 16.8 | −30.0 | 18.2 | 41.6 | 16.3 | n.a. | 4.1 | 12.3 | −35.4 | −29.1 | 28.9 |
| MEMO: Percent of total loans | 100.0 | 33.7 | .9 | 30.7 | 2.1 | 28.1 | 22.1 | 3.6 | 3.5 | 2.9 | 2.6 | 1.0 |

1. Excludes loans to commercial banks in the United States.

n.a. Not available.

kets. This slack demand for business loans was responsible for the relative weakness in growth of total loans that continued after real estate and individual loans began to expand again in 1976. Growth in business loans lagged the upturn of real estate and individual loans, which were expanding rapidly by 1977. With all three major loan components increasing rapidly in 1978 and with loans to foreign banks also up sharply, total loan growth returned nearly to the 1973 pace. In the first half of 1979, business loan expansion accelerated further, but total loan growth slowed somewhat as real estate loans and loans to individuals increased more slowly.

While other types of loans have less impact on movements in total loans, they are of considerable importance in financing particular economic and financial activities. Agricultural loans are loans other than those secured by real estate that are made to finance agricultural production, including the growing, storage, and marketing of agricultural products, as well as to finance family and other household expenditures of farmers. Loans to nonbank financial institutions include loans to many types of financial intermediaries such as finance companies, factors, thrift institutions, real estate investment trusts, mortgage companies, bank holding companies, and insurance companies. Thus, for example, bank loans to these institutions indirectly finance inventories, construction, and consumer outlays, and they reflect such events as outflows of thrift deposits and inability of nonbank financial institutions to obtain funds in the commercial paper or longer-term capital markets. Security loans are made primarily by large banks to brokers and dealers to finance trading positions in securities, often the portion that the dealers have not been able to finance elsewhere. Security loans at banks fluctuate widely with the dates of major Treasury financings, according to the relative cost or availability of dealers' nonbank funds.

Loans to foreign banks have shown large shifts over the period covered by the new series. As noted previously, about two-thirds of such loans are held by the foreign-related banking institutions. Foreign banks often perform an intermediary function in channeling funds advanced by banking offices in the United States to foreign nonbank borrowers.

Lease financing receivables, a new and still minor component of the bank credit series, have been expanding rapidly for many years. These receivables reflect the residual value of property acquired by banks for the purpose of leasing to customers who otherwise might borrow to purchase the property directly.

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## *New Series on Nondeposit Funds*

Measures of bank sources of funds are of interest because they indicate how banks finance their credit operations in terms of suppliers of funds, cost of funds, and maturity structure. They also help to track responses of banks to monetary policy and to other factors affecting deposit growth. Deposits remain the most important sources of funds for banks; but when market interest rates rise above regulatory deposit ceiling rates, deposits so constrained flow out of the banks. The cost of reserve requirements further affects the cost of deposits relative to alternative sources of funds. In recent years, banks have turned more to nonreservable borrowings (mainly federal funds and security RPs) supplementing deposit flows with these nonreservable and other borrowings.

As a supplement to current measures of bank deposits, such as deposit components of the monetary aggregates and negotiable certificates of deposit, a new measure of estimated nondeposit funds has been developed from several data sources. This measure includes federal funds purchased, sales of securities under agreements to repurchase (RPs), and other borrowings from nonbanks, as well as loans sold to affiliates and net balances due to directly related foreign institutions (net Eurodollar borrowing).

The series on nondeposit funds has the same institutional coverage as the revised bank credit series discussed earlier. For domestically chartered banks, borrowings from nonbank customers and loans sold to affiliates are monthly averages of Wednesday data, and net Eurodollar borrowings are monthly averages of daily figures.[3] For foreign-related institutions, the monthly estimates reflect averages of current and previous month-end observations.

Federal funds, RPs, and other borrowings from nonbank customers together constitute the largest component of the nondeposit funds series (Table 5). Federal funds purchases most often are unsecured, are for one day only, and are settled in immediately available funds. In some instances, federal funds purchases are secured, and they may be arranged for more than one day or renewed on a "continuing contract" basis until terminated by either party. An RP is an agreement by means of which a borrower sells securities but contracts with the purchaser to repurchase them at a stated price at some

3. A small and relatively stable amount of nonmember bank net balances due to own foreign branches is derived from quarterly call reports.

5. Commercial bank nondeposit funds[1]

Monthly averages, billions of dollars

| Period | Total nondeposit funds | Federal funds, RPs, and borrowings from nonbanks, SA[2,3] | Loans sold to affiliates, NSA[2] | Net balances due to directly related foreign institutions, NSA | | |
|---|---|---|---|---|---|---|
| | | | | Total | Domestically chartered banks[4] | Foreign-related institutions[3] |
| *December* | | | | | | |
| 1972 | 28.0 | 16.5 | 2.6 | 8.9 | 1.9 | 7.0 |
| 1973 | 45.5 | 34.0 | 4.4 | 7.2 | 1.3 | 5.9 |
| 1974 | 49.1 | 35.4 | 4.8 | 8.9 | .9 | 8.0 |
| 1975 | 43.0 | 33.2 | 4.5 | 5.4 | −2.1 | 7.5 |
| 1976 | 55.4 | 47.1 | 3.8 | 4.5 | −5.2 | 9.7 |
| 1977 | 62.7 | 58.4 | 4.8 | −.5 | −11.6 | 11.1 |
| 1978 | 84.9 | 74.8 | 3.8 | 6.3 | −10.2 | 17.0 |
| *1979* | | | | | | |
| Jan. | 83.1 | 73.2 | 3.6 | 6.3 | −10.1 | 16.4 |
| Feb. | 95.8 | 80.2 | 3.6 | 12.0 | −6.3 | 18.3 |
| Mar. | 100.7 | 80.9 | 3.5 | 16.3 | −4.5 | 20.8 |
| Apr. | 104.8 | 82.3 | 3.6 | 18.9 | −1.9 | 20.8 |
| May | 111.2 | 84.3 | 3.7 | 23.2 | 2.5 | 20.6 |
| June | 115.8 | 84.5 | 3.8 | 27.5 | 5.8 | 21.7 |
| July | 119.4 | 86.5 | 3.7 | 29.1 | 6.3 | 22.8 |
| Aug.[e] | 127.7 | 91.2 | 3.7 | 32.7 | 8.9 | 23.8 |

1. Includes national and state-chartered banks plus foreign-related banking institutions in the United States (branches, agencies, and New York investment company subsidiaries of foreign banks) and Edge Act corporations.
2. Wednesday data for domestically chartered banks.
3. Current and preceding month-end data for foreign-related institutions.
4. Daily data.
e Estimated.
SA Seasonally adjusted.
NSA Not seasonally adjusted.

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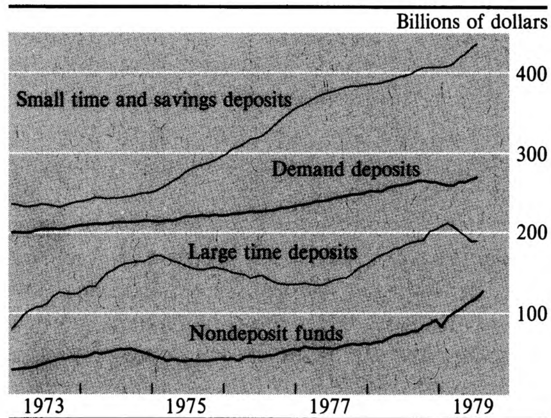
specified future date. RPs typically have short maturities, often one day; however, they may be continuing contracts that can remain in effect until canceled. Federal funds borrowing and lending transactions are exempt from explicit interest rate ceilings and reserve requirements, but the market participants are restricted by regulation to banks in the United States, savings and loan associations, savings banks, U.S. government agencies, and a few other institutions. RP borrowings that are secured by U.S. Treasury and federal agency securities also are exempt from interest rate ceilings and reserve requirements. Federal funds and RP transactions may result in the transfer of balances at Federal Reserve Banks from one member bank to another, or they may simply reflect the conversion of deposit balances at a commercial bank to a nonreservable borrowing.

Other borrowings are funds raised on promissory notes, bills and notes rediscounted, due bills, and other instruments given for the purpose of borrowing money for use in the bank's business. These include term federal funds and borrowings from Federal Reserve Banks, overdrawn "due from" bank balances, loans sold under RPs, sales of participations in pooled loans, and direct borrowings from unrelated foreign banks. Such borrowings from nonbanks are a relatively small part of total borrowings.

Net balances due to directly related foreign institutions consist of the net liabilities of domestically chartered banks due to their own foreign branches plus the net liabilities of foreign-related U.S. banking institutions due both to their parent banks or holding companies and to other directly related institutions in foreign countries. These net due-to balances are a measure of the extent to which the U.S. banking system uses the Eurodollar market in funding credit activities in the United States.[4]

4. Changes in net due-to balances reflect changes in either balances due from or liabilities due to related foreign institutions. Foreign-related institutions generally maintain net due-to positions with directly related foreign institutions, while U.S. member banks moved into large net due-from positions during the period from 1975 to 1978, which reduced the level of net Eurodollar borrowings and total nondeposit funds measured by this series.

2. Commercial bank deposits and nondeposit funds




Loans sold to affiliates are a measure of the utilization by domestically chartered banks of funds raised by affiliates—for example, in the commercial paper and Eurodollar markets. This component specifically measures the funds obtained through bank holding company affiliates or foreign branches only by means of the sale of loans to these institutions. It does not include proceeds of commercial paper sales by bank affiliates that are channeled to the banks through direct deposits.

As shown in chart 2, nondeposit funds have become increasingly important to banks, supplementing—and at times replacing—deposit funds. In the 1973–74 period, when credit demands were high and flows into deposits subject to interest rate ceilings were disrupted, U.S. banks obtained additional funds through borrowings that were exempt from interest ceilings. Eurodollar borrowings, which were subject to reserve requirements at the time, changed little; but other borrowings from nonbank sources increased sharply (chart 3).

The use of nondeposit funds decreased in late 1974, as credit demands eased and market interest rates generally remained lower than the fixed-deposit ceiling rates. Net utilization of funds from the Eurodollar market declined as large domestically chartered banks advanced funds to their foreign branches for use abroad. These banks continued to advance funds net to branches until 1978. In the same period, foreign-related institutions behaved differently,

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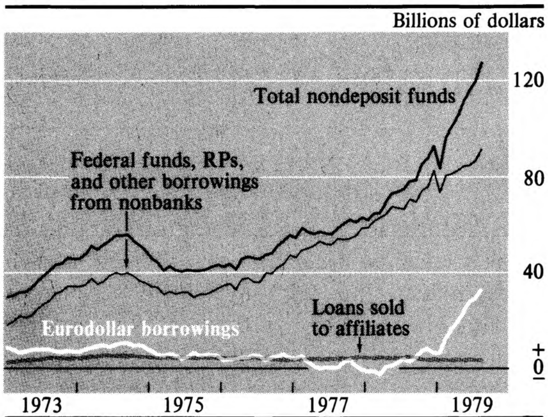
3. Nondeposit funds at commercial banks




increasing their net balances due to related foreign institutions moderately through 1977 to fund their U.S. operations. U.S. banks resumed the expansion of their domestic borrowings in late 1975, and these borrowings have remained an important source of funds. In 1978, with loan demands in the United States strengthening, both domestically chartered banks and foreign-related institutions began to raise more funds abroad. Since early 1978, foreign-related institutions have sharply increased their net balances due to foreign-related institutions to finance rapid expansion in business and foreign bank loans. Domestically chartered banks increased their net balances due to foreign branches moderately in 1978 while depending primarily on other borrowings and deposit flows to fund strong credit expansion. However, their net due-to balances have spurted at an unprecedented rate in the first half of 1979 in response to continued strong bank credit demands in the United States, to relatively small deposit inflows early this year, and to changes in reserve requirements that affected the relative costs of alternative sources of funds in late 1978.[5]

Back data for the series on bank credit and nondeposit funds are available from December 1972 to date. Requests for these data or for the statistical releases for these series may be sent to Publications Services, Division of Support Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

5. Reserve requirements on member banks' net liabilities to their own foreign branches were reduced to zero from 4 percent in August 1978, and a supplemental reserve requirement of 2 percentage points was added to the existing requirements on large time deposits in November 1978.

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# Survey of Standby Letters of Credit

*Peter R. Lloyd-Davies of the Board's Division of Research and Statistics prepared this article.*[1]

Standby letters of credit issued by U.S. banks have increased rapidly during the last six years. The amount of such letters of credit issued by U.S. insured commercial banks (consolidated with their domestic and foreign branches and subsidiaries) was about $5 billion in December 1973, when these data were first collected. By December 1978, the amount had risen above $25 billion.

A standby letter of credit is issued by a bank to assure the beneficiary of the credit that he will not suffer loss should the bank's customer fail to fulfill a contractual obligation to him. If such a loss should occur, the beneficiary is entitled to obtain reimbursement from the bank; the bank's customer is then liable to the bank for amounts disbursed. The underlying contractual obligation of the bank's customer to the beneficiary may be either financial or nonfinancial; examples include construction contracts, contracts to ship merchandise, borrowing in the commercial paper market, and commodity futures contracts.

In December 1978, Senators William Proxmire and Edward W. Brooke expressed their concern that these instruments might constitute undue risk for banks and the banking system and asked the Federal Reserve to prepare a report on them. In response to this request, a questionnaire was sent to a sample of 28 banks to gather information about the types of underlying contracts, the use of collateral, and the bank's takedown and loss experience.[2] The results indicate that, although standby letters of credit have the same risk potential as a direct loan of funds, in practice they result in much lower losses. Takedowns are fairly rare, but, more important, the amounts disbursed are almost always recovered promptly by the bank from its customer. The bank may facilitate this recovery by requiring its customers to post collateral. The smaller banks in the survey tended to have more takedowns than the larger banks and at the same time to have higher collateral requirements. The survey found no obviously imprudent uses of the instrument, and consequently no additional regulations or legislation was recommended.

## *The Sample*

The 28 commercial banks surveyed, which were all members of the Federal Reserve System, included the 11 largest issuers of standby letters of credit. These large banks (each with total assets over $18 billion) each had more than $200 million outstanding as of September 30, 1978; as a group they accounted for about three-quarters of all standby letters of credit issued by insured commercial banks. The remaining 17 banks in the sample were smaller banks that issued large amounts of this instrument relative to their size; they accounted for 4 percent of the total outstanding. The smaller banks fulfilled two conditions: (1) they had at least $20 million of standby letters of credit outstanding as of September 30, 1978; and (2) their total outstanding was at least 2 percent of their fully consolidated assets.

1. Valuable assistance in preparing the survey was provided by Messrs. John J. Mingo, Michael G. Martinson, Benjamin Wolkowitz, Stanley J. Sigel, Oscar B. Barnhardt, and Ms. Arlene E. Lustig. Thanks are also due to the staff of the Reserve Banks who administered the survey and to the staff of the participating banks.

2. The survey was conducted jointly by the Division of Research and Statistics and the Division of Supervision and Regulation.

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The bulk of the total amount outstanding was in the New York Federal Reserve District. The eight respondents located in that district reported $15 billion in standby letters of credit out of the survey total of $21 billion. Three banks, with a total of $3.5 billion outstanding, were from the San Francisco District; four, with $2 billion outstanding, were from the Chicago District; and the other thirteen, all smaller banks and accounting for only a small proportion of the total outstanding, were located in the Richmond, Minneapolis, Kansas City, and Dallas Districts.

## *Takedown and Loss Experience*

Banks were asked to provide data on total drafts paid under standby letters of credit during 1978 and also on amounts that were not recovered immediately from the bank's customer following such disbursements. The responses revealed that losses resulting from takedowns of standby letters of credit were extremely small compared with losses from ordinary loans. For the 28 banks, about 0.41 percent of average loans outstanding were charged off against reserves during 1978.[3] This contrasts sharply with their experience with standby letters of credit. Although takedowns represented 2.03 percent of standby letters of credit outstanding, more than 98 percent of the amounts paid out were recovered immediately by the banks from their customers, leaving only about 0.03 percent of standby letters of credit as potential losses to the bank. Even this percentage may exaggerate the loss: amounts not immediately recovered are typically booked as loans to the bank's customer, a part of which is probably recovered as the loan is repaid.

Banks had different experiences, depending on their size. The 11 large banks had significantly lower takedown rates than the smaller banks: 1.86 percent compared with 4.65 percent. But all of the smaller banks reported that all amounts disbursed were recovered immediately from their customers, whereas the large banks reported that on average 1.83 percent of amounts disbursed were not immediately recovered. Performances differed, too, among the large banks. One bank reported that immediate recoveries were as low as 62 percent of takedowns, while others reported recoveries of up to 100 percent. The percentage of takedowns showed surprisingly little correlation with amounts not immediately recovered; for the sample as a whole, this correlation was negative, reflecting the higher takedown and lower loss experience of the smaller banks.[4]

## *Collateral and Types of Contract*

The table shows total standby letters of credit classified by the type of underlying contract.[5] It also gives the amount of collateral or other indemnification against loss for each type identified.[6] Collateral was used in connection with almost all types of underlying contracts, although the size of collateral requirements depended on the size of the bank. The 11 large banks reported collateral amounting on average to 18 percent of the value of standby letters of credit outstanding; the comparable figure for the

3. This figure is obtained by dividing 1978 gross loan chargeoffs (before deducting recoveries) by the average of total loans outstanding at the beginning and end of 1978.

4. Although the coefficient of correlation between takedowns and losses among the 11 large banks was positive, it was only 0.08, implying that a relatively high takedown experience was not strongly associated with large losses.

5. Because the detailed information on collateral and on the nature of the underlying contract normally is not readily available in machine-readable form, banks were given the option of responding to these questions on the basis of a sample of standby letters of credit covering at least 80 percent of their total outstanding. Most of the large banks took advantage of this opportunity and selected a sample either by dropping certain overseas branches or by eliminating all credits under a certain dollar limit. The numbers reported on a sample basis were then grossed up so as to correspond with the total outstanding for the bank. This procedure probably introduced certain minor biases into the results. Standby letters of credit to foreign beneficiaries were somewhat understated, as were those issued for small dollar amounts, which are perhaps more likely to be collateralized.

6. Collateral and other idemnification include cash; marketable securities; readily marketable commodities; and guarantees or standby letters of credit issued by the government, insurance companies, and other banks.

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Standby letters of credit: uses and collateral[1]

Millions of dollars

| Type of underlying contract and purpose of letter of credit | U.S. beneficiary | | Non-U.S. beneficiary | |
|---|---|---|---|---|
| | Amount outstanding | Collateral or indemnification | Amount outstanding | Collateral or indemnification |
| | Full sample | | | |
| Nonfinancial | 2,344 | 208 | 8,304 | 1,643 |
| To ensure contract performance associated with construction projects | 759 | 57 | 5,676 | 1,268 |
| To ensure merchandise delivery | 456 | 41 | 1,621 | 257 |
| Other nonfinancial | 1,129 | 110 | 1,007 | 119 |
| Financial | 7,362 | 1,766 | 3,376 | 458 |
| To back commercial paper | 1,102 | 286 | 98 | 7 |
| To back other loans | 1,873 | 289 | 1,904 | 249 |
| To ensure performance on options or futures contracts | 1,077 | 120 | 174 | 28 |
| Other financial | 3,310 | 1,072 | 1,200 | 174 |
| **Total** | **9,706** | **1,974** | **11,680** | **2,101** |
| | 11 large banks | | | |
| Nonfinancial | 2,033 | 91 | 8,198 | 1,620 |
| To ensure contract performance associated with construction projects | 653 | 23 | 5,630 | 1,259 |
| To ensure merchandise delivery | 397 | 20 | 1,592 | 253 |
| Other nonfinancial | 983 | 49 | 975 | 108 |
| Financial | 6,657 | 1,482 | 3,306 | 427 |
| To back commercial paper | 960 | 206 | 98 | 7 |
| To back other loans | 1,696 | 204 | 1,869 | 247 |
| To ensure performance on options or futures contracts | 1,001 | 108 | 174 | 28 |
| Other financial | 3,001 | 964 | 1,165 | 144 |
| **Total** | **8,691** | **1,573** | **11,504** | **2,046** |
| | 17 smaller banks | | | |
| Nonfinancial | 310 | 116 | 106 | 24 |
| To ensure contract performance associated with construction projects | 106 | 34 | 46 | 9 |
| To ensure merchandise delivery | 59 | 21 | 29 | 4 |
| Other nonfinancial | 146 | 61 | 32 | 10 |
| Financial | 705 | 284 | 70 | 31 |
| To back commercial paper | 142 | 81 | 0 | 0 |
| To back other loans | 177 | 84 | 35 | 2 |
| To ensure performance on options or futures contracts | 77 | 12 | 0 | 0 |
| Other financial | 310 | 108 | 35 | 29 |
| **Total** | **1,015** | **401** | **176** | **55** |

1. Details may not sum to totals because of rounding.

smaller banks was 38 percent. The smaller banks required more than 40 percent collateral for financial contracts and 34 percent for nonfinancial contracts. Small banks may anticipate their somewhat higher incidence of takedowns and protect themselves by requiring additional collateral.

Standby letters of credit issued in support of commercial paper had a relatively high level of collateral. The 11 large banks reported that on average 21 percent of the value of letters of credit in favor of holders of U.S. commercial paper was supported by collateral; for the smaller banks this percentage was 57 percent. These collateral requirements significantly alter the character of the overall transaction from the point of view of the borrower, since borrowing in the commercial paper market is normally on an unsecured basis.

The largest single category of standby letters of credit, accounting for more than a quarter of the total, served to ensure performance of construction projects abroad. These were issued almost exclusively by the largest banks, generally for the account of large multinational corporate customers that expose the bank to

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relatively little risk despite the low level of collateral. In some cases, the issuance of a letter of credit may be little more than a pro forma step to satisfy the requirements of the government of the country in which the project is located.

Data were also collected on the extent to which standby letters of credit are used in connection with transactions with the U.S. and local governments and to support the activities of subsidiaries and affiliates of the issuing bank. Credits totaling almost $1 billion were issued in favor of governmental units, mostly to guarantee payment of financial obligations. About $725 million in credits were issued for the account of subsidiaries and affiliates, almost all of this amount for the account of consolidated subsidiaries overseas to enable them to use the credit standing of the parent bank to borrow in their local market areas. □

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# Treasury and Federal Reserve Foreign Exchange Operations

*This 35th joint report reflects the Treasury–Federal Reserve policy of making available additional information on foreign exchange operations from time to time. The Federal Reserve Bank of New York acts as agent for both the Tresury and the Federal Open Market Committee of the Federal Reserve System in the conduct of foreign exchange operations.*

*This report was prepared by Scott E. Pardee, Manager of Foreign Operations of the System Open Market Account and Senior Vice President in the Foreign Function of the Federal Reserve Bank of New York. It covers the period February through July 1979. Previous reports have been published in the March and September* BULLETINS *of each year beginning with September 1962.*

By early 1979, progress was clearly under way in resolving the disparities in economic performance among industrial countries that had been of concern to policymakers and exchange-market participants alike for several years. The U.S. economy was beginning to cool down under policies of restraint, while the economies of several other industrial countries were picking up steam under policies of stimulus. These shifts in relative demand conditions, coming on top of the long-awaited adjustments in trade volumes as a result of previous exchange-rate changes, were reducing the serious trade and current-account imbalances of recent years. The sharp drop in Japan's trade surplus and the further narrowing of the U.S. trade deficit were especially encouraging. Nevertheless, those processes were far from complete, and inflation in the United States remained uncomfortably high.

In the early months of 1979, the exchange markets were responding favorably to the November 1 measures by the U.S. and foreign authorities to correct what had become an excessive decline of dollar rates. The follow-through on those measures included heavy intervention in the exchange market by the U.S. authorities in coordination with the central banks of Germany, Switzerland, and Japan, the maintenance of a firm monetary policy by the Federal Reserve, and the sale of foreign currency notes by the U.S. Treasury in the German and Swiss capital markets. These actions helped to restore a sense of two-way risk in the market, and with interest rate differentials strongly favoring the United States, funds began to flow back into dollars. This reflux took the form of unwinding previously adverse leads and lags, covering of speculative positions, and the reversal of portfolio shifts out of the dollar, which had built up last year.

1. Federal Reserve
reciprocal currency arrangements
Millions of dollars

| Institution | Amount of facility, July 31, 1979 |
|---|---|
| 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 | 6,000 |
| Bank of Italy | 3,000 |
| Bank of Japan | 5,000 |
| Bank of Mexico | 360[1] |
| Netherlands Bank | 500 |
| Bank of Norway | 250 |
| Bank of Sweden | 300 |
| Swiss National Bank | 4,000 |
| Bank for International Settlements | |
| Swiss francs/dollars | 600 |
| Other authorized European currencies/dollars | 1,250 |
| **Total** | **29,760** |

1. Increased to $700 million effective August 17, 1979.

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While progress was being made on past problems, market participants and policymakers had to contend with new shocks to the international economy. A shortfall in world oil supplies emerged abruptly in early 1979, following the political upheavals in Iran, which temporarily cut off crude oil exports from that country. The ensuing scramble for spot crude pushed spot market prices to astronomical highs and prompted individual members of the Organization of Petroleum Exporting Countries to jack up their posted prices.

These events favored the dollar in two ways. The bidding up of the spot oil price had the direct effect of generating additional demand for dollars in the exchange market to pay for the oil. In addition, markets for individual currencies were influenced by assessments by traders of the relative impact of the oil supply and price strains on different countries. Currencies of countries that were most heavily dependent on oil imports for their energy needs, such as Japan and several continental European countries, came under selling pressure. By contrast, the currencies of countries with near self-sufficiency in oil, such as the United Kingdom and Canada, came into demand. The United States was viewed as better able than most others to cope with short-term oil supply problems, and so long as the scramble for oil persisted the dollar was also in demand.

The surge in world oil prices aggravated inflation pressures generally, since it came at a time when a number of important international commodity prices were also advancing. The economies of Japan and continental Western Europe were no longer shielded from these price increases as they had been earlier when their currencies were appreciating against the dollar. Consequently, wholesale and consumer prices abroad jumped sharply. Since inflation had also accelerated in the United States, this jump raised concern over the possibility of a renewed worldwide price spiral such as that in the early 1970s.

For their part, foreign central banks moved to tighten monetary conditions to avoid further exacerbation of inflationary pressures as a result of domestic credit demand or international influences, and short- and long-term interest rates advanced fairly sharply in most countries. In addition, to avoid the inflationary effects of a depreciation, the authorities intervened force-

2. Foreign exchange operations: Summary, January 1–July 31, 1979

Millions of dollars equivalent

| Type of transaction | Transactions with German Federal Bank |
|---|---|
| *Reciprocal currency arrangement*[1] | |
| Commitments outstanding, January 1, 1979 | 4,434.2 |
| Drawings, or repayments (–) | |
| 1979 Q1 | 334.2<br>–1,762.8[2] |
| 1979 Q2 | 790.8<br>–3,020.8[2] |
| July 1979 | 1,377.1<br>–114.6 |
| Commitments outstanding, July 31, 1979 | 2,053.3 |
| *U.S. Treasury swap arrangement*[1] | |
| Commitments outstanding, January 1, 1979 | 889.4 |
| Drawings, or repayments (–) | |
| 1979 Q1 | –878.2[3] |
| 1979 Q2 | 0 |
| July 1979 | 0 |
| Commitments outstanding, July 31, 1979 | 0 |
| | **Transactions with Swiss National Bank** |
| *Reciprocal currency arrangement*[1] | |
| Commitments outstanding, January 1, 1979 | 786.3 |
| Drawings, or repayments (–), | |
| 1979 Q1 | 74.1<br>–860.5 |
| 1979 Q2 | 36.2 |
| July 1979 | 31.7<br>–36.2 |
| Commitments outstanding, July 31, 1979 | 31.7 |
| *Special swap arrangement*[1] | |
| Commitments outstanding, January 1, 1979 | 157.3 |
| Repayments | |
| 1979 Q1 | –156.5 |
| 1979 Q2 | –.9 |
| July 1979 | 0 |
| Commitments outstanding, July 31, 1979 | 0 |
| | **Transactions with Bank of Japan** |
| *Reciprocal currency arrangement*[1] | |
| Commitments outstanding, January 1, 1979 | 106.5 |
| Drawings, or repayments (–) | |
| 1979 Q1 | –106.5 |
| 1979 Q2 | 0 |
| July 1979 | 0 |
| Commitments outstanding, July 31, 1979 | 0 |

1. Data are on a value-date basis.

2. Repayments include revaluation adjustments from swap renewals, which amounted to $15.2 million for drawings on the German Federal Bank renewed during the period.

3. Repayments include revaluation adjustments from swap renewals, which amounted to $11.3 million for drawings on the German Federal Bank during the period.

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fully in the exchange markets whenever their currencies came on offer.

In an effort to attain greater stability of exchange rates within the European Community (EC), the member countries launched the European Monetary System (EMS), which included new intervention arrangements and a partial pooling of reserves. As some strains developed among the EMS currencies, the arrangements provided the context in which some countries stepped up their intervention or tightened monetary policy when their currencies came under selling pressure. The U.K. authorities had decided not to join the intervention arrangements of the EMS for the time being, and when sterling came into heavy demand in the spring, rather than create substantial new domestic liquidity through intervention, they allowed the rate to rise.

With the dollar in generalized demand through much of the spring, the U.S. authorities had acquired sufficient currencies to repay by the end of April all of their previous foreign currency indebtedness to other central banks. Subsequently, considerable progress was made in rebuilding balances drawn out of the resources acquired under the various parts of the November 1 program. Most of the currencies purchased during the period came out of direct transactions with correspondents, but the Trading Desk also bought currencies in the market on occasion when the bidding for dollars was particularly strong.

In sum, by mid-June the U.S. authorities had purchased a total of $8,123.5 million of currencies and had repaid $6,126.5 million of outstanding debt, holding the rest in balances. In addition, $1,351.5 million equivalent of marks was acquired by a further medium-term issue in the German capital market. Aside from $628.1 million of foreign currency sales during some days of market nervousness in early February, the Desk did not intervene as a seller of foreign exchange from late February to mid-June.

By late spring, however, the balance of market sentiment began to swing against the dollar. Traders saw that the reflux of last year's outflow was coming to an end, leaving the dollar vulnerable on the downside. Moreover, the U.S.

3. Drawings and repayments by foreign central banks and the Bank for International Settlements under reciprocal currency arrangements[1]

Millions of dollars; drawings, or repayments (–)

| Bank drawing on Federal Reserve System | Outstanding, Jan. 1, 1979 | 1979 Q1 | 1979 Q2 | 1979 July | Outstanding, July 31, 1979 |
|---|---|---|---|---|---|
| Bank for International Settlements (against German marks)[2] | 0 | 0 | { 31.0<br>–31.0 } | 0 | 0 |

1. Data are on a value-date basis.
2. BIS drawings and repayments of dollars against European currencies other than Swiss francs to meet temporary cash requirements.

trade deficit was widening again somewhat, and in view of the prospective sharp increase in our oil import bill, private forecasts were being revised to show larger deficits than had been predicted earlier.

Indeed, just when the bidding for dollars by other major countries to pay for spot oil began to slacken, the United States was encountering serious gasoline shortages and an uncertain outlook for heating oil supplies. These developments, plus the continuing debate over energy policy generally in this country, led many market participants to question whether the United States was better able to cope with oil price and supply problems after all. In addition, interest rate trends internationally had become a matter of concern. Even though inflation had accelerated in the United States and the Federal Reserve had firmed interest rates somewhat further in April, widespread talk of recession led market participants to expect that interest rates might not be raised in line with those abroad and might even decline somewhat.

By mid-June, following further interest rate hikes in several major foreign countries, these various concerns came to a head. The dollar suddenly came on offer in the exchanges, and many market participants hastened to shift out of dollars on the expectation of an even greater decline. In these highly unstable market conditions, the U.S. authorities intervened forcefully to check the decline, particularly on days surrounding the OPEC meeting and the Tokyo summit in late June. The intervention operations by the United States were mainly in marks, but

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4. U.S. Treasury securities, foreign currency denominated, January 1–July 31, 1979[1]

Millions of dollars equivalent; issues, or redemptions (–)

| Issues | Outstanding, Jan. 1 | Q1 | Q2 | July | Outstanding, July 31 |
|---|---|---|---|---|---|
| *Government series* | | | | | |
| Swiss National Bank | 600.4 | –597.2 | –3.2 | 0 | 0 |
| *Public series* | | | | | |
| Switzerland | 0 | 1,203.0 | 0 | 0 | 1,203.0 |
| Germany | 1,595.2 | 1,351.5 | 0 | 0 | 2,946.7 |
| Total | 2,195.6 | {–597.2 / 2,554.5} | –3.2 | 0 | 4,149.7 |

1. Data are on a value-date basis.

also in Swiss francs. The German and Swiss central banks intervened in their own markets.

The outcome of the OPEC meeting, which resulted in an agreement that set the average OPEC price some 60 percent over last year's levels, gave rise to expectations of a strong policy response by the United States and other countries, and the communique from the Tokyo summit reinforced those expectations. But the tide of market sentiment was running so strongly against the dollar that political and economic events in the United States over the next few weeks were interpreted bearishly. The dollar came under repeated bouts of selling pressure, especially following the President's energy speech on July 15 and over subsequent days during which the President made several changes in the Cabinet.

The U.S. authorities intervened vigorously in German marks to head off a possible generalized decline of the dollar, which might exacerbate inflationary pressures in the United States. Those operations, conducted both in New York and in the overnight markets in the Far East, were coordinated with those of the German Federal Bank in Frankfurt and helped to blunt the immediate pressures on the dollar. In addition, on July 20 the Federal Reserve raised the discount rate 1/2 percent to a record 10 percent and moved to firm money market rates as well. Once the new appointments were made, with G. William Miller moving to the Treasury as Secretary and Paul A. Volcker becoming Chairman of the Federal Reserve Board, the market quieted down and dollar rates firmed somewhat at the end of July.

From the end of January to the end of July, the U.S. dollar declined a net 2¼ percent against the continental Western European currencies, 2½ percent against the Canadian dollar, and 13 percent against the pound sterling. It rose a net 7½ percent against the Japanese yen.

Intervention sales of foreign currencies by the U.S. authorities in June and July totaled $5,414.4 million equivalent. The bulk of this total was in marks, of which $2,758.9 million was sold by the Treasury out of balances and $2,537.6 million was sold by the Federal Reserve out of balances and through drawings on the swap line with the German Federal Bank. Drawings of marks by the Federal Reserve during June and July amounted to $2,167.9 million, of which $2,053.3 million was outstanding on July 31. In addition, the System sold $117.9 million of Swiss francs in June and July, and at the end of July $31.7 million of swap draw-

5. U.S. Treasury and Federal Reserve foreign exchange operations[1]

Millions of dollars; net profits, or losses (–)

| Period | Related to current operations: Federal Reserve | Related to current operations: U.S. Treasury: Exchange Stabilization Fund | Related to current operations: U.S. Treasury: General Account | On liquidations of foreign currency debts outstanding as of Aug. 15, 1971: Federal Reserve | On liquidations of foreign currency debts outstanding as of Aug. 15, 1971: Exchange Stabilization Fund |
|---|---|---|---|---|---|
| 1979 Q1 | .7 | 5.7 | 17.3 | –139.1 | –531.0 |
| 1979 Q2 | 30.8 | 4.6 | 21.7 | –.7 | –2.8 |
| July 1979 | –.2 | 22.5 | 20.7 | 0 | 0 |
| Valuation profits and losses on outstanding assets and liabilities as of July 31, 1979 | 5.6 | –209.1 | –62.0 | ... | ... |

1. Data are on a value-date basis.

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ings on the Swiss National Bank was still outstanding from that series of operations. From mid-June through the end of July, the U.S. authorities purchased $670.6 million equivalent of marks and Swiss francs, mainly from correspondents.

During the first half of 1979 both the Federal Reserve and the Treasury realized net profits on liquidations of current swap debt and sales of currencies out of balances held by the System, the Exchange Stabilization Fund (ESF), and the Treasury General Account. The figures appear in table 5. During July the System realized a small net loss on its operations, but the ESF and the General Account earned profits. The valuation profits and losses for all three accounts reflect revaluation of System and Treasury assets and liabilities as of July 31. Table 5 also shows losses on the final liquidation of pre-August 1971 Swiss franc debts.

## *German Mark*

For some time the German authorities had sought to generate a more rapid rate of domestic growth without undercutting the clear progress they had made in slowing inflation in recent years. Much of the stimulus had come from fiscal policy, with a substantial increase in the budget deficit by the public sector. Although Germany's growth rate had advanced in 1978 to 3.4 percent, the solidity of the expansion was still in question late in the year when huge amounts of hot money flowed into the mark from the dollar and from other EC currencies. The rise in the mark rate in the exchange market, particularly against the dollar, had threatened to impede real growth as German businessmen became apprehensive of their ability to compete in their own or in foreign markets. At the same time, intervention by the German Federal Bank and foreign authorities to counter the mark's rise was swelling liquidity in Germany, thereby threatening to unleash serious inflationary pressures from the monetary side.

The German authorities joined with those of the United States, Switzerland, and Japan in the coordinated effort starting last November 1 to correct what had been an excessive decline of the dollar and to avoid the recurrence of such a decline. The resolve of the authorities had been put to a severe test in November and December, and intervention—particularly by the U.S. authorities—had been very heavy. But pressures eased off on the dollar in early 1979. Already in January a reflux of funds had begun, and the U.S. authorities were able to begin acquiring marks from correspondents and in the market to reduce their swap debt to the German Federal Bank. At the end of January, the Federal Reserve's swap debt in marks amounted to $4,168.2 million equivalent, and the U.S. Treasury's swap debt in marks was $613.0 million equivalent. With the exchange markets in better balance, the German Federal Bank moved cautiously to absorb the excess liquidity generated by the late-1978 intervention.

The fragility of this balance was underscored when the dollar came under a brief bout of selling pressure in early February, as the market responded nervously to political developments in Iran. The spot mark was quickly bid up from around DM 1.86 to DM 1.83 to the dollar, but heavy intervention again helped to contain the immediate pressures. In New York, the Desk sold $507.1 million equivalent of marks over three trading days through February 8. Of this total, $317.3 million equivalent was from U.S. Treasury balances and $189.8 million equivalent was for the Federal Reserve, of which $145.5 million was drawn under the swap line with the German Federal Bank and the rest was from balances.

Meanwhile, as a further follow-up to the November 1 program, the U.S. Treasury announced that it would issue a second mark-denominated note, equivalent to $1,351.5 million in the German capital market, with the payment date on March 1. Following these actions, the exchange market came into better balance again, and the process of unwinding resumed.

As the exchanges became more settled, market participants attempted to assess the implications for monetary policy and interest rates of the changing conditions in Germany's domestic economy. A harsh winter and a metal workers' strike had temporarily depressed production, but most analysts expected fairly strong growth to continue through 1979. At the same time, how-

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ever, with the exchange rate no longer appreciating and thereby not shielding the domestic economy from rising prices of international oil and raw materials, Germany was hit by the same burst of inflation as other industrial countries.

With the mark on offer in the exchanges, the German Federal Bank took advantage of the opportunity to intensify its efforts to absorb liquidity, to signal its intention that funds would no longer be so readily available, and otherwise to bring down the growth of central bank money to its target range of 6 to 9 percent. In the market, concerns that interest rates would rise sharply in Germany prompted investors to shift funds from marks into higher-yielding assets in dollars, sterling, and currencies linked to the mark in the EMS.

These outflows occurred at a time when the dollar was in demand in the exchanges for other reasons. It was benefiting from evidence of a slowdown in the U.S. economy, news of a sharp improvement in the U.S. trade deficit in February, and some expectation of a moderation of inflationary pressures. Moreover, because of its role as a transaction currency, the dollar was being increasingly well bid as the scramble for oil and other dollar-based commodities intensified. As a result, the selling of marks at times put considerable pressure on the mark rate. By early April the mark dropped to trade as low as DM 1.9050. In addition, the mark was on offer against other European currencies.

As the mark came on offer, the German Federal Bank sold increasingly large amounts of dollars to maintain orderly trading conditions and to absorb some of the excess liquidity in the domestic money market. For their part, the U.S. authorities continued to take advantage of the opportunity to cover outstanding swap commitments and to replenish foreign currency resources, largely on the basis of direct transactions with official correspondents. But as pressure against the mark intensified in early April, the Trading Desk also intervened by buying marks in the market to maintain orderly trading conditions. Before long, these combined operations had drained so much liquidity in Germany as to exert strains on the banks' reserve positions. Accordingly, the German monetary authorities acted to provide liquidity in a short-term and easily reversible manner so as not to signal any change in their efforts to resist inflationary pressures. In particular, they raised banks' rediscount quotas with the central bank by DM 5 billion on April 1, and subsequently engaged in foreign exchange swaps with commercial banks, mostly for three-month maturities. But in response to continuing expansion in bank lending, the Federal Bank also acted to raise the cost of credit, increasing both its discount and its Lombard rates 1 percentage point to 4 percent and 5 percent respectively.

By the spring months, it was becoming clear that the adjustment of Germany's external position was under way, as the trade and current-account surpluses were sharply reduced from last year's levels. Imports were being boosted both by a sharp rebound in domestic demand and by the higher prices of oil and other international commodities. Uncertainties over energy continued to weigh on the mark. Since Germany is almost wholly dependent on imported oil for its petroleum needs, the further escalation of oil prices threatened to inflate the oil import bill even more. Moreover, the nuclear accident in the United States raised concern that Germany's efforts to shift toward greater reliance on nuclear power might be undercut and that large contracts to export nuclear plants might be delayed or canceled.

By contrast, the United States was seen as being better able to cope with oil price and supply problems than most other countries. Thus, the offering of marks was increasingly being reinforced by commercial selling and adverse reactions to each news report suggesting yet another price hike for oil. In addition, through April and early May, the exchange markets were reacting favorably to the further firming of interest rates by the Federal Reserve in response to the rapid rise in the monetary aggregates and to evidence of a further narrowing of the U.S. trade deficit.

Selling pressure on the mark continued and pushed the mark to a low of DM 1.9220 at one point late in May, some 3½ percent below levels in early February. In the four and one-half months to mid-June, the German Federal Bank was a substantial seller of dollars. The U.S. authorities also purchased a total of $5,963.2

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million equivalent of marks. These purchases permitted the System and the Treasury to liquidate, respectively, their remaining $4,355.2 million equivalent and $613.3 million equivalent of swap debt to the German Federal Bank by the end of April. In addition, they provided the U.S. Treasury the opportunity to make substantial progress in restoring its resources under the November 1 package so as to be available to finance future operations.

By early June, however, the balance of market forces was beginning to shift. After nearly six months, the process of unwinding commercial leads and lags and other types of foreign exchange positions was virtually completed. The scramble for oil was tapering down, as many of the important importers abroad had by now made alternative arrangements to secure their supplies. Meanwhile, the political scrap over energy policy in the United States cast doubts in the market over this country's ability to deal effectively with the oil supply and price situation. Moreover, interest rate differentials were narrowing. U.S. interest rates had leveled off since April or eased somewhat, and talk of a possible recession gave rise to expectations that rates might begin to decline significantly.

In Germany by that time most of the earlier strains that had generated such large capital outflows had disappeared, but interest rates were some 1 to 2 percentage points higher than before. And the market was concerned that, to prevent rising oil and other commodity prices from further exacerbating inflation in Germany, the authorities in that country would tighten monetary policy sharply. Indeed, German banks were facing seasonal liquidity pressures during June and, in any case, the German Federal Bank raised the Lombard rate a further 1/2 percentage point, tempering these immediate pressures by offering a new repurchase-agreement type of facility for the banks based on interest rates close to those prevailing in the market.

As money market rates in Germany rose, the German mark advanced to the upper intervention point against other currencies in the EMS. Already the participating central banks had sold a sizable amount of marks, and some had increased their own official lending rates. The market was therefore uncertain about the implications for the relatively new intervention arrangements in the EC should monetary policy be tightened further in Germany. At the same time, many market participants felt there was little downside risk for the mark in view of continuing sales of dollars by the German Federal Bank and purchases of marks by the U.S. authorities.

Under these circumstances, the mark immediately became the focus of heavy demand when the dollar suddenly came on offer on June 15; in one day it jumped 1 percent through DM 1.90, even as the Trading Desk stepped in to contain the rise. By comparison with the relatively limited rate fluctuations of previous months, market participants were impressed by the magnitude of the mark's rise, and the bidding for marks quickly cumulated even in the face of stiff resistance by the authorities who continued to intervene in sizable volume. Moreover, as the OPEC meeting in late June approached, the feeling in the market strengthened that the German authorities might welcome an appreciation of the mark to cushion the inflationary impact of rising oil prices. Also, news of a worsening in both the U.S. trade deficit for April and our consumer price index for May had heightened concerns in the market about the performance of the U.S. economy.

In these market conditions, the Trading Desk at the Federal Reserve Bank of New York intervened almost daily for the rest of the month, operating not only in New York but also in the overnight markets in the Far East during the week of the OPEC meeting and the Tokyo summit, June 25–29. In all, the Desk sold $2,429.9 million equivalent of marks by the end of the month, of which $842.1 million equivalent was financed by new drawings by the System on its swap line with the German Federal Bank and the rest was drawn out of System and Treasury balances. On several days, the German Federal Bank also intervened forcefully. By the end of the month the spot rate had advanced above DM 1.84.

Early in July, the results of the OPEC pricing meeting and the Tokyo summit set up expectations in the market that there would be strong official reactions to the higher-than-expected increases in new oil prices. In fact, participants

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at the Tokyo summit committed themselves to limit oil imports. The market responded nervously to the postponement of President Carter's energy speech. Meanwhile the German Federal Bank, following up on the rise in domestic interest rates in Germany, raised its discount and Lombard rates on July 12 to 5 percent and 6 percent respectively. This action had been anticipated, but it nonetheless reinforced concerns in the market over the further narrowing interest differentials between Germany and the United States.

Even before the President had completed his energy address on Sunday evening, July 15, the mark advanced sharply in the overnight markets in Singapore and Hong Kong, and the Desk intervened vigorously in those markets through banks in the United States with offices in those countries. Subsequently, the announcement that the entire U.S. Cabinet and senior White House staff had offered their resignations to President Carter distressed the market. The dollar came under a renewed burst of selling pressure and the Desk stiffened its resistance. On July 20, the Federal Reserve raised its discount rate 1/2 percentage point to 10 percent and short-term money market rates were moved up as well.

The mark nevertheless remained in heavy demand, as commercial and professional market participants undertook a hard reassessment of the dollar's prospects. Over subsequent days, U.S. corporate interests that had previously been hesitant to turn their positions began to unwind their forward mark sales and to cover future mark needs in the spot market. In this unsettled environment, reports that central banks were diversifying out of dollar-denominated assets spread throughout the market.

In response to such pressures, U.S. authorities provided heavy and sustained support in both the U.S. and the Far Eastern markets, and the German Federal Bank also bought dollars in Frankfurt. This intervention blunted the immediate selling pressures, and the mark rate, which briefly reached DM 1.80, dropped back on some covering of short dollar positions. Moreover, the appointments of G. William Miller as Secretary of the Treasury and of Paul A. Volcker to replace him as Chairman of the Federal Reserve helped to reassure the market that lower inflation and a stable dollar would continue to be of the highest priority for economic policy in the United States. In addition, in late July statistics were released showing a widening in the German current-account deficit and a narrowing in the U.S. trade deficit during June. The mark eased back to DM 1.8335 on July 31. At this level the mark was up a net 2 percent over the six-month period.

In July the Desk's intervention sales of marks amounted to $2,866.6 million equivalent, of which $1,225.6 million was out of Treasury balances and $1,641.0 million was for the Federal Reserve. The System's operations were mainly financed by an additional $1,325.8 million equivalent of drawings on the swap line with the German Federal Bank, with the remainder coming out of balances. Toward the end of the month the Desk was able to acquire some marks from correspondents and to liquidate some $114.6 million equivalent of swap drawings. At the month-end, System swap debt with the German Federal Bank totaled $2,053.3 million equivalent.

During the period, German reserves were influenced by a revaluation of some of Germany's gold holdings when, during March, 20 percent of all gold and foreign exchange was transferred into the European Monetary Fund against the receipt of claims denominated in the European currency unit (ECU). Germany's reserves were also affected when the German Federal Bank executed foreign exchange swaps during April and May to provide temporary liquidity to the domestic market. Excluding the impact of these transactions, Germany's foreign exchange reserves declined $6.6 billion from the end of January through May, reflecting almost equally the German Federal Bank's intervention in dollars and in EMS currencies. By contrast, foreign exchange reserves rose $5 billion during June and July.

## *Swiss Franc*

Coming into 1979, the persistent rise in the Swiss franc was finally blunted. Concerned that excessive appreciation might drive the economy into recession, the Swiss National Bank had intervened massively in the exchanges and had

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accepted the huge injection of liquidity that resulted from the heavy intervention. As part of the November 1 dollar-support package, the Federal Reserve also sold large amounts of Swiss francs in its efforts to correct an excessive decline in the dollar, and the U.S. Treasury had arranged a $1,203.0 million equivalent placement of Treasury notes in the Swiss capital market. The market had been impressed by these initiatives and by the priority that the Swiss government was giving to stabilizing the franc. As a result, the franc had started coming on offer in January, enabling the Federal Reserve to reduce its outstanding swap debt incurred last year with the Swiss National Bank to $446.7 million equivalent by the time the period began.

In early February the franc was again bid up when the dollar came briefly on offer following the cancellation of large military contracts with Iran. The rate jumped 3¼ percent above its SF 1.70 opening, prompting the Swiss National Bank and the U.S. authorities to intervene. The System sold $45.8 million equivalent of francs financed by drawings of $40.4 million on the swap line with the Swiss National Bank and from balances while the Treasury sold $24.8 million equivalent of francs out of the proceeds of its recent borrowing. These operations quickly brought the market into better balance and reaffirmed to the market the authorities' determination to contain any further rise in the Swiss franc. Thus, the franc settled back to SF 1.67 by midmonth while trading around SF 0.9000 against the German mark.

Meanwhile, the turnaround in the Swiss franc was generating fears that the sharp rise in oil and other international commodity prices would be transmitted more rapidly to the Swiss economy. Also, an improved business outlook had set in as new orders recovered somewhat from the depressed condition of earlier months. Against this background, market participants, looking for parallels between developments in Germany and Switzerland, were sensitive to the possibility that the Swiss authorities would tighten liquidity, just as the German Federal Bank had done, should the recovery in activity threaten domestic price stability. But, in fact, the Swiss expansion was not nearly so well established as that in Germany, and the Swiss authorities repeatedly reaffirmed that economic policy was still focused on the need to stabilize exchange relationships.

By early March the relatively comfortable conditions in Switzerland's money and capital markets were in clear contrast to the tightening taking place in Germany. As a result, Switzerland emerged as one of the most favorable markets for placing new loans. Indeed, borrowers from Asia, Europe, and North America flocked to Zurich to take advantage of the attractively low interest rates for as long as they might last. Thus, the buildup of a heavy calendar of new foreign issues weighed on the Swiss franc for some time. As the near-term outlook for the franc faded, nonresidents also shifted some of their funds out of francs into higher-yielding assets in other currencies, and the leads and lags built up last year continued to be unwound.

These various developments kept the franc on offer against both the dollar and the mark during most of the spring months. Between mid-February and early May, the franc declined 3 percent to SF 1.7228 against the dollar and had slipped to trade around SF 0.9060 against the German mark. As the franc eased, Swiss authorities became more concerned that a sharp decline in the franc would magnify the effect of rising oil prices and otherwise exacerbate inflationary pressures. The Swiss National Bank, therefore, came into the market to support the franc and to absorb domestic liquidity by selling large amounts of dollars in the market while also continuing with its dollar sales under its capital export conversion program.

For its part the Federal Reserve bought francs in the market and directly from the Swiss National Bank to repay the remaining $487.1 million equivalent of market-related swap debt incurred with that bank last year and during February. The Treasury also purchased francs to restore its Swiss franc balances. In addition, the U.S. authorities accelerated the program for orderly payment of the pre-August 1971 Swiss franc debt, so that the System and the Treasury were able to repay $139.3 million equivalent of special swap debt and $531.2 million equivalent of Treasury securities respectively. Con-

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sequently, by early April the United States had no outstanding obligations to the Swiss National Bank for the first time since August 1970. Once the debt was repaid the Federal Reserve acquired modest balances in Swiss francs.

During May the unwinding of commercial leads and lags and the heavy volume of capital outflows gradually tapered off. But the heavy intervention to moderate the franc's decline had generated severe strains in the Swiss money market. To some extent, the authorities had offset these strains by lending francs against dollars through foreign exchange swaps with maturities of up to six months. By this time, they had also allowed Swiss interest rates to rise to contain monetary growth and to reduce inflationary pressures. In addition, during May the Swiss National Bank liberalized its exchange controls by removing requirements that nonresidents convert franc borrowings with the Swiss central bank, that commercial banks balance foreign currency claims and liabilities at the end of each day, and that nonbank residents receive official approval for placing loans abroad. These regulatory changes were well received in the market and contributed to a bottoming-out of the franc around the end of May.

As a result of the relaxation of the exchange controls and some narrowing in interest differentials between the United States and Switzerland, the Swiss franc was poised for a recovery at the time the dollar started its decline in mid-June. Bidding for francs put the rate under strong upward pressure. Leading the rise in foreign currencies against the dollar, the franc soared almost 4½ percent to as high as SF 1.6475 on June 22. To avoid an excessive appreciation of the franc, the Swiss National Bank reacted by intervening massively both in Zurich and through the Trading Desk in New York. In addition, during June the Federal Reserve sold \$86.2 million equivalent of francs with \$36.2 million equivalent drawn on the swap line with the Swiss National Bank and the remainder financed from balances.

This forceful and concerted operation by the Swiss and U.S. authorities impressed the market, and the franc eased back to SF 1.6565 around the month-end. Thereafter, the franc moved up again with the other European currencies in response first to the postponement and then to the disappointment in the market over President Carter's energy speech and the subsequent resignation of the U.S. Cabinet. But the franc did not lead this rise, and its advance was contained with only modest intervention by the Swiss authorities and by the System, which sold \$31.7 million equivalent of francs in the market financed by swap line drawings.

Once the President had completed the reorganization of his economic team, the franc fell back more rapidly than the mark. The Swiss National Bank sold dollars in the market, and the Federal Reserve was able to buy directly from the Swiss National Bank a sufficient amount of the proceeds of this intervention to repay \$36.2 million equivalent of swap debt with the Swiss National Bank. At month-end, System swap debt with the Swiss National Bank was \$31.7 million equivalent. By the close of the six-month period under review, the franc had eased back to SF 1.6610 for a net gain of 2¼ percent on balance. Meanwhile, during the first four months of this period, Switzerland's foreign exchange reserves declined \$3.6 billion. In June and July foreign exchange reserves declined a further \$500 million as the effect of money market operations more than offset spot foreign exchange market intervention for a net decline of \$4.1 billion over the six-month period.

### *Japanese Yen*

By early 1979 the Japanese economy had entered a period of strong recovery, spurred first by public investment, then by private investment and personal consumption. Progress was being made in reducing Japan's massive trade and current-account surpluses as export growth had slackened for several months while imports expanded briskly in response to rising domestic demand, to last year's sharp appreciation of the yen, and to government programs to encourage imports.

The yen had fallen back more sharply than most other major currencies after the announcement of the November 1 measures and concerted intervention by U.S. and Japanese authorities and was trading at ¥202 on February

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1. Even so, economic policy under the new Ohira government continued to focus on the need to cut the current-account surplus further. The government's budget for the fiscal year beginning April 1979 contained another substantial increase in spending to maintain real growth at 6.3 percent even if production for foreign markets slowed further. On this basis, the government forecast an impressive 50 percent fallback in the current-account surplus to $7.5 billion for the fiscal year. Meanwhile, monetary policy remained accommodative, so as to provide support to the economic recovery and to an outflow of capital that would offset the continuing current-account surplus. But expansion of bank credit had become a matter of concern.

As a followup to the November 1 actions, the U.S. authorities remained prepared to intervene in yen. And so, on one occasion when the dollar came under selling pressure in early February, the Desk sold $50.4 million equivalent of yen in the New York market, of which $33.8 million equivalent was from Federal Reserve balances and $16.6 million equivalent from Treasury balances. But for the most part the yen was under selling pressure over the late winter and early spring. The U.S. authorities thus took advantage of the opportunity to acquire yen to add to balances of the System and the Treasury.

Much of the flow out of yen continued to reflect the reversal of commercial leads and lags that had built up in 1978 when the yen had been appreciating rapidly. In addition, with interest rates in Japan well below those in the U.S. and Eurodollar markets, capital moved out of yen once the spot rate began to decline. Japanese residents shifted funds abroad and nonresidents ran down their free-yen deposits in Japan. Moreover, a number of foreign borrowers took advantage of both favorable rates and ample liquidity in the Tokyo market to issue bonds and to place syndicated loans denominated in yen. The continued conversion of the proceeds of sizable issues over a short period of time also weighed on the exchange market.

In addition, the decline in the rate reflected a deterioration in market sentiment toward the yen during the early spring. Now that the sharp rise in the spot rate had been broken, the adjustment in Japan's trade position was no longer masked in the monthly figures by a continuous improvement in the terms of trade. At the same time, the oil shortage triggered by the protracted shutdown of Iranian production was highlighted, even more in Japan than elsewhere, when multinational oil companies phased out shipments to their nonaffiliates, thereby sharply reducing deliveries of crude oil to Japan's refineries. Fears over the availability of supplies, as well as concern over rapidly rising international prices, led to an increase in imports of oil and other commodities. This increase was reflected in a scramble for dollars in the exchange market, which added to the pressure against the yen. While other major currencies were weakening only slightly against the dollar, the spot yen dropped a full 4½ percent below levels in early February to ¥211.60 by early April.

With the yen on offer and declining almost daily, the Japanese authorities acted to moderate the selling pressures, in part, through the continued liberalization of exchange controls on capital inflows. Limitations on nonresident purchases of yen bonds were progressively eliminated, a marginal reserve requirement on increases in nonresident free-yen accounts was phased out, and the period for converting the proceeds of nonresident issues of yen-denominated bonds was extended. The Bank of Japan also intervened massively in the exchange market, selling dollars and thereby absorbing yen.

As the pressures continued to build, the authorities became concerned that the decline in the yen would undercut the progress already achieved in reducing the large trade and current-account surpluses of recent years. At the same time, the sharp depreciation of the yen magnified the effect of rapidly rising commodity prices, thereby aggravating domestic inflationary pressures. With these concerns in mind, on April 17 the Bank of Japan raised its discount rate 3/4 percentage point to 4¼ percent. Selling pressure on the yen nevertheless continued into early May at which point the rate had fallen to ¥225.25, some 11½ percent below the level in early February and fully 27¾ percent below its peak just before the November 1 program.

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By May, expressions of concern by senior Japanese and U.S. officials that the yen may have reached excessively low levels sparked a sudden scramble for yen. In a surge of profit taking and short covering, the spot rate shot up more than 6 percent to ¥211.50 toward midmonth. Once these immediate demands passed, however, the yen came on offer again and the rate eased to around ¥218 to ¥220 by early June. The Japanese authorities did not intervene as heavily as before in the market, but reflecting the sustained heavy intervention over the early months of the year, Japan's foreign exchange reserves declined $8.7 billion from January through May.

In early June, selling pressure on the yen gradually tapered off, but the yen did not participate in the generalized rise against the dollar that set in at midmonth. The market remained cautious about the outlook for Japanese trade and current-account positions, with the further rise in the oil prices adding to Japan's oil-import bill and a possible slowdown in the United States cutting into Japanese exports. Not until selling pressure on the U.S. dollar intensified in July, amid concern over the management of U.S. energy policy and of economic policy more generally, did the yen begin to advance. By that time, the pickup of inflationary pressures in Japan and the rapid growth in the money supply prompted the Bank of Japan to raise its discount rate 1 percentage point to 5¼ percent. The market responded favorably to this action, and the yen edged higher to close around ¥217. At this level, the yen showed a net 7½ percent decline over the six-month period under review. Japan's foreign exchange reserves posted little further change in June and July, closing the period at $21 billion, compared with $28.8 billion at the end of January.

## *STERLING*

Coming into 1979, sterling was firm in the exchange markets. Underpinning the pound were the relatively high yields available on British gilt-edged securities and other instruments denominated in sterling. Also, the U.K. government had indicated that, even though it would not initially join the exchange intervention arrangement in the EMS, it would seek to keep sterling relatively stable vis-à-vis the currencies of its major trading partners. The comfortable level of foreign exchange reserves, which were at $15.6 billion at the end of January, gave credibility in the market to this pledge. Moreover, Britain's near self-sufficiency in oil was seen as insulating the U.K. economy from the disruption in Iranian oil supplies and its balance of payments from the effects of skyrocketing oil prices. Thus, the pound traded comfortably around the $2.00 level in early February, and on the effective trade-weighted basis used by the U.K. authorities, it remained around 63 percent of its Smithsonian parity.

Meanwhile, Britain's economic performance was falling short of market expectations. The recovery of the domestic economy had run out of steam, inflationary pressures were accelerating, and the current account was showing little improvement despite the increasing contribution of North Sea oil to the balance of payments. Looking ahead, a public-sector borrowing requirement that was larger than expected, labor union demands for large pay increases to make up for four years of wage restraint, and spiraling commodity prices all aggravated the outlook for inflation. Interest rates continued to move up in London's financial markets, and on February 8 the Bank of England raised its minimum lending rate from 12½ percent to 14 percent.

During February a massive reflow of German marks, Swiss francs, and Japanese yen was getting under way. Much of this reflux was into dollars. But with so much money on the move at a time when interest rates in the United Kingdom were higher than in other major countries, including the United States, there was a tendency for some of these funds to gravitate into sterling. In addition, sterling was buoyed by Britain's near self-sufficiency in oil. In response to a continuing inflow of funds, the Bank of England cut its minimum lending rate 1 percentage point to 13 percent on March 1. The sterling rate was allowed to rise gradually, and it advanced to nearly $2.06 by late March. The Bank of England moderated the rise in the rate by intervening fairly heavily, and this intervention was reflected in the $1.3 billion increase

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in U.K. foreign exchange reserves in February and March.

On March 28 the Labour government lost a no-confidence vote in Parliament, thereby opening the way for a general election in early May. Coming into the campaign, the two major parties offered clearly different approaches for bolstering the British economy. The Labour Party pointed to its record in gaining trade union acceptance of wage restraint and its plans to use North Sea oil earnings to strengthen British industry. The Conservative Party put emphasis on restoring incentives for long-term recovery by stimulating the private sector, reducing the government's role in the economy, and lowering inflation by setting firm limits on the growth of the money supply. Public opinion polls, showing the Conservative Party to be heavily favored, were viewed by many market participants as a bullish factor for sterling. Thus, the injection of election uncertainties at first gave little pause to the bidding for sterling.

The persistent inflows of funds into sterling raised a serious policy dilemma for the U.K. authorities. Exchange-market intervention to keep spot sterling from rising sharply risked generating a substantial burst in the monetary aggregates beyond the targeted levels. Cuts in interest rates aimed at reducing the attractiveness of sterling investments could instead spark additional demand from investors on expectations of capital gains and undermine efforts to rein in monetary expansion.

Complicating matters further was the lack of reliable data on current economic developments in the United Kingdom as a result of a civil servants' strike affecting data collection and of a series of strikes elsewhere in the economy, which were having imponderable effects on overall employment and production levels. On April 5 the Bank of England once again cut its minimum lending rate 1 percentage point to 12 percent. At the same time, concerned that continued heavy intervention to restrain the rise of sterling was generating excessive growth of the money supply, the U.K. authorities decided to scale back the magnitude of their intervention.

The initial response in the market to these steps was a further rush into sterling. By mid-April, the spot rate had been bid up above $2.10 against the dollar and to nearly 68 percent in effective terms. The demand for sterling then ran out of steam and the rate eased back as traders sensed that interest rates would not be allowed to fall further in the United Kingdom, particularly following evidence that domestic inflation was accelerating. Moreover, the market turned cautious ahead of the general election, as the public opinion polls indicated a narrowing of the margin in favor of the Conservatives. Spot sterling fluctuated rather widely over the last weeks before the election. The immediate reaction to the May 3 election results, a clear majority for a new Conservative government led by Prime Minister Margaret Thatcher, was some further bidding for pounds, and the spot rate advanced to as high as $2.0843. Although the Bank of England remained prepared to intervene to counter excessively disorderly conditions in the market, it continued to allow sterling to move rather widely in response to market forces. Sterling soon settled back somewhat as the market assessed the prospects for the Conservative Party program, to be laid out in some detail in a budget message on June 12.

By this time, available evidence suggested that output had fallen during the first quarter and that both the trade and the current accounts had been in uncomfortably large deficit. Wage increases had been much higher than anticipated, which, together with the upsurge of raw material and oil prices, contributed to the acceleration of inflation. The pace of monetary expansion had quickened substantially, largely because of strong demands for bank credit. Some tightening measures were therefore expected.

The market was nonetheless caught by surprise by the boldness of the initiatives announced by Chancellor Howe in the budget address, which adhered closely to the principles set forth in the campaign. The projected public-sector borrowing requirement for the current fiscal year was to be cut nearly £1 billion below its current level to £8¼ billion. Substantial reductions in income taxes were to be financed by large cuts in public spending, increases in the value-added tax, and the sale of some government holdings to the private sector.

In the meantime, to keep inflation in check,

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the authorities imposed stricter monetary restraints. They reduced the money growth target to a range of 7 percent to 11 percent. To bring the actual growth of sterling M-3 down into the middle of this range, the minimum lending rate was raised 2 percentage points to 14 percent; and the supplementary special deposit scheme, which had been imposed last summer to restrict the growth of commercial bank interest-bearing eligible liabilities, was extended for a further three-month period. With the intention of allowing U.K. residents much freer use of sterling resources, certain capital controls were also liberalized. These changes included freer availability of official exchange for outward direct investment, abolition of the requirement that two-thirds of overseas profits be repatriated, the end to controls on dividends, and the relaxation of controls on travel and emigration allowances.

The exchange market's response was exceedingly bullish, with the pound coming into heavy commercial and professional demand from financial centers the world over. The jump in interest rates had particularly marked effects as foreign investors joined in the scramble to buy government securities, and several issues of government tap stocks were sold out quickly. Rumors of a large new oil find in the North Sea reinforced favorable market sentiment toward sterling at a time when the world oil price and policies were under active debate within OPEC and among the major industrial countries. With the increased volume of funds flowing into sterling, the British authorities continued to intervene to avoid excessively disorderly markets but allowed the exchange rate to take the brunt of the demand pressures. As a result, the pound shot up to $2.21 by early July, some 6 percent above levels in early May. Sterling rose against other major currencies as well, advancing to 70.8 percent in effective terms.

The relatively high level of U.K. interest rates, the security of British oil supplies, and the depth and diversity of the U.K. money market all benefited sterling when the dollar came on offer during July. In response to the uncertainties surrounding U.S. energy policy and the general outlook for energy policy in the United States, funds from multinational corporations, OPEC members, and market professionals continued to flow heavily into London. The perception that the Bank of England, reluctant to compromise its control of the money supply, would restrain its intervention in the exchanges also propelled sterling higher. In these circumstances, the authorities accelerated their policy of relaxing exchange controls by lifting totally all restrictions on overseas direct investment and easing those on outward portfolio investment.

But these measures had little immediate impact and the pound rocketed up to a four-year high of $2.3324 on July 26. By that time, British manufacturers were expressing open alarm over a possible loss of competitive positions that could result with sterling at such a high level. Once the immediate concern over U.S. economic policy eased in late July, the flow into sterling suddenly dried up. Spot sterling dropped away as sharply as it had risen, receding to $2.2480 by the month-end. Nevertheless, compared with six months earlier, sterling had risen on balance 13 percent against the dollar and 14¾ percentage points to 72.7 percent on the trade-weighted index.

During the period, the government took advantage of sterling's strength in the exchanges to repay previously incurred external debt while also extending the maturities of remaining external public debt. These repayments included the prepayment of $1 billion to the International Monetary Fund (IMF), liquidating Britain's remaining credit tranche drawings with the Fund, as well as the repayment of a large portion of public-sector debt that was coming up for early maturity. Even so, reserves rose another $2.3 billion above levels at the end of March to $19.2 billion at the end of July, reflecting the accumulation of dollar intervention by the Bank of England.

## *EUROPEAN MONETARY SYSTEM*

On March 13 the EMS was formally inaugurated. Aimed at achieving greater exchange-rate stability in Europe, the new system supplanted the EC snake, which had been in existence since 1972 but by this time had lost more than half its membership. Within the EMS the new joint

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floating arrangement included the currencies still remaining in the EC snake, together with the French franc, the Italian lira, and the Irish pound. As in the EC snake, the member nations agreed to maintain their currencies in a 2¼ percent band against each other, except for Italy, which was allowed a wider 6 percent margin for the lira. The United Kingdom decided not to bring the pound sterling into the exchange-rate arrangement at this stage, though participating in other aspects of the EMS.

The launching of the EMS was the culmination of nearly a year's intensive efforts by officials of the nine participating nations. The new system was designed to promote monetary stability by appropriate and timely policy measures and by a strengthening of existing financing arrangements, including the creation of ECUs (European currency units) against central bank deposits of gold and dollars. In addition, the participating governments agreed to limit fluctuations in their currencies against the ECU, a weighted basket of all currencies. A nation whose currency deviates beyond an agreed limit from the ECU is expected either to intervene, to apply domestic monetary measures, to adjust other economic policies, or to explain to the other members why none of these actions would be sufficient or adequate to bring its currency back into line.

Initially, the exchange market had been skeptical about the practicality of a joint floating arrangement, given the persistently wide disparities in the inflation and trade performances of the respective economies. Expectations of a realignment prior to or just after the EMS got under way had generated large movements of funds between member currencies. But once the monetary authorities of the EC snake countries let it be known that the bilateral central rates then in force between the "snake" currencies would be maintained in the new system, tensions eased and most speculative positions were unwound before the EMS was finally launched.

In this context, interest differentials increasingly dominated exchange-rate movements within the EMS as elsewhere. Funds flowed heavily out of the German mark, where interest rates were low, into assets of other currencies where interest rates were much higher. Among the beneficiaries of these flows was the French franc, which settled into the middle of the new band. It benefited also from an improved external position and favorable market reaction to the sustained commitment of the French government to fight inflation and to increase the competitiveness of French industry. The Italian lira also was well bid, moving quickly to its 6 percent upper limit, as higher interest rates, restrictions on domestic credit expansion, and the market's awareness of the sizable foreign exchange reserves that the Bank of Italy had amassed over the previous two years encouraged Italian companies to satisfy their financing needs through external borrowings.

The lira was buoyed, too, by Italy's current-account position, which remained in sizable surplus even after a rebound in economic activity over the winter and early spring. In addition, the Danish krone, as well as the Irish pound, which remained tied to sterling, moved to the top of the 2¼ percent band as capital inflows were attracted by the exceptionally high interest rates in Denmark and the United Kingdom. In fact, when interest-sensitive funds continued to pour into sterling, the Central Bank of Ireland was forced on March 30 to suspend its currency's longstanding link with sterling in order to keep the Irish pound from bursting through the top of the joint float.

By contrast, the commercial Belgian franc, after having already reached its lower intervention limit against the Danish krone during April, weakened against the mark. In part, this weakening reflected the deterioration in Belgium's current-account deficit from an upsurge in imports associated with the expansion in Belgian economic activity. But in addition, with German interest rates rising, the mark moved up to the top of the 2¼ percent band in the second half of May. Once the mark hit its upper intervention limit against the Belgian franc, rumors circulated of a possible realignment within the joint float. As a result, the Netherlands guilder moved down close to the Belgian franc amid signs of a widening in the Dutch trade deficit. At the same time, the Danish krone dropped to the bottom of the band as earlier capital inflows dried up and were even reversed.

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As German interest rates rose higher, pressures within the EMS intensified. However, in this first test of the durability of the new arrangement, the participating central banks provided strong support for their currencies through sales of dollars and marks both at the intervention limits against the mark and within the margins. Moreover, the authorities were quick to raise domestic interest rates to maintain interest differentials against the mark. In mid-June, when the mark started to rise against the dollar, other EMS currencies had difficulty keeping pace. But once the mark's advance was checked, pressures within the joint float were alleviated. As a result, the weaker EMS currencies moved above their lower intervention points, and tensions eased within the EMS during July.

## *Canadian Dollar*

By early 1979, Canada's current account remained in substantial deficit despite the sharp depreciation of the Canadian dollar over the previous two years. The growth of export earnings was insufficient to offset rising imports and the increasing burden of Canada's interest payments on external debt. Long-term capital inflows from abroad were not large enough to close the payments gap left by the current-account deficit. Moreover, the persistent decline in the Canadian dollar was complicating the task of winding down inflation, since the foreign sector had become a principal source of upward pressure on Canadian prices and costs. Therefore, the authorities had intensified their efforts to check the decline of the exchange rate.

The Bank of Canada had intervened substantially at times. It had also increased its discount rate in several stages to 11¼ percent by early January and acted to firm up yields in the bond market, thereby maintaining favorable interest rate differentials vis-à-vis the United States. To replenish Canada's reserves and to supplement long-term capital inflows, the government had previously borrowed large sums in the U.S. and German capital markets and had drawn $2.7 billion under two revolving standby credit facilities with foreign commercial banks. In addition, early this year the government raised about $500 million and $900 million equivalent in the Japanese and Swiss capital markets respectively.

Exchange-market pessimism toward the Canadian dollar was deeply entrenched, however, following the extended slide of the exchange rate, and this mood was reinforced by uncertainties in advance of the national election to be held in 1979. The Canadian currency therefore remained on offer in the early weeks of the year and reached Can.$1.2019, a 46-year low, on February 1. Against the U.S. dollar, this low represented a cumulative decline of 20½ percent since November 1976 and an even greater fall against currencies of many of its other trading partners.

In early February, the Canadian dollar began to rally, partly in response to the worldwide scramble for oil and other commodities. Canada with its rich supplies of natural gas, oil, and other minerals was considered less vulnerable than other industrial countries to energy shortages. Moreover, in March, Canada's role as an energy producer was highlighted when the National Energy Board determined that Canada's natural gas reserves were sufficient to warrant an increase in exports. Once it was clear that the spot exchange rate had bottomed out, the adverse leads and lags and short trading positions that had been built up began to be unwound, and favorable short-term interest rates also helped to draw liquid funds into Canadian dollars.

The higher yields on government bonds also attracted investment funds from abroad, including substantial amounts from Europe, Japan, and the OPEC countries. By late April, the Canadian dollar had been bid up to as high as Can.$1.1401, some 5 percent above lows in early February. During the advance the Bank of Canada bought substantial amounts of U.S. dollars on days when the Canadian dollar was in demand, in accordance with the approach of the Canadian authorities of intervening to moderate exchange-rate movements in either direction.

Meanwhile, Canada's external position had failed to improve. Export growth turned sluggish, and the possibility of a slowdown in the United States worsened prospects for the near

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term, while imports continued to grow more than expected. With respect to capital flows, the expansion of the domestic economy was generating sufficient liquidity in the corporate sector to provide for the financing of new investment out of internal sources rather than depending so heavily on foreign borrowing. At the same time, there were prospective outflows in connection with takeovers by Canadian companies of U.S.-owned operations. Moreover, in assessing the prospects for the Canadian dollar, many market participants viewed the sizable intervention purchases of U.S. dollars as an indication that the Canadian authorities were resisting an appreciation of the rate in order to maintain the competitiveness of Canadian exports and to build up reserves.

These uncertainties reinforced existing bearish sentiment in the exchange market, and the Canadian dollar came increasingly on offer. Also, with the approach of the May 22 general election, market participants became concerned over the possibility that a weak minority government might emerge, which many thought would be unable to deal effectively with Canada's economic problems. The spot rate fell back to as low as Can.$1.1626 in mid-May, with the Bank of Canada intervening to moderate the decline.

The election provided a near majority to the Progressive Conservative Party under Joseph Clark and helped to clear the air somewhat. But the release of recent trade figures confirmed Canada's disappointing trade performance. Also, the $1.1 billion decline in Canada's foreign exchange reserves during May suggested that there had been more support for the Canadian dollar than the market had realized. The Canadian dollar dropped off to Can. $1.1780, almost 3½ percent below the high in mid-April.

As attention again shifted to world energy problems in advance of the OPEC meeting and Tokyo summit in late June, market sentiment toward the Canadian dollar improved somewhat, and reports of several large natural gas discoveries in Canada prompted some bidding up of the Canadian dollar. Therefore the exchange market came into better balance over the rest of June and through July. Following the further advance of interest rates in the United States and in European centers, the Bank of Canada raised its discount rate 1/2 percentage point to 11¾ percent on July 23. At the end of July the Canadian dollar was trading at Can.$1.1700, up a net 2½ percent against the U.S. dollar over the six-month period. After the large reserve swings earlier in the period, there was little change in June and July. At the close of the period Canada's reserves totaled $2.1 billion, down a net $60 million from the level of January 31, after official borrowings of $1.4 billion and repayments of $2.2 billion under the standby facilities with commercial banks. □

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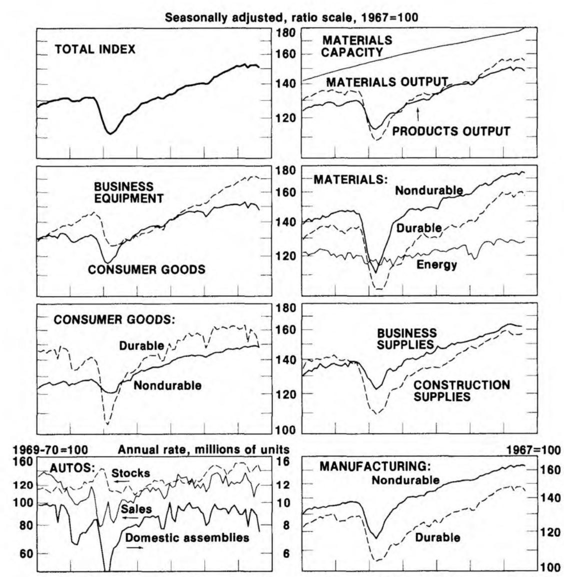
# Industrial Production

*Released for publication September 14*

Industrial production declined an estimated 1.1 percent in August after an increase of 0.1 percent in July and no change in June. Output of durable consumer goods was reduced sharply in August for the third successive month, as the production of autos and personal-use trucks and vans was cut further. Business equipment and materials declined 0.8 percent and 1.0 percent respectively. Reductions in output apparently occurred in most other components of the index as well. At 150.9 percent of the 1967 average, the total index was 1.4 percent below the peak level of March 1979 and 2.0 percent above that of a year earlier.

Output of consumer durable goods fell 5.4 percent in August, as auto assemblies were reduced about 15 percent and the production of home goods, such as carpeting, furniture, and appliances, was cut back. Auto assemblies, at a 7.5-million-unit annual rate in August, are tentatively scheduled to increase in September, but are expected to remain well below the annual rate of 8.9 million units in the first half of 1979. Output of consumer nondurable goods also declined. Production of business equipment was lower in August than in July because of declines in business vehicles and a strike-related cut in power equipment. Output of construction supplies was about unchanged.

Production of durable goods materials in August was reduced 1.8 percent, as widespread declines occurred in all components, particularly in parts for consumer durable goods and in basic metals, such as raw steel. Output of nondurable goods materials declined moderately. Energy materials increased 0.7 percent as coal production rose.




Federal Reserve indexes, seasonally adjusted. Latest figures: August. Auto sales and stocks include imports.

| Industrial production | 1967 = 100 | | Percentage change from preceding month to | | | | | | Percentage change 8/78 to 8/79 |
|---|---|---|---|---|---|---|---|---|---|
| | 1979 | | 1979 | | | | | | |
| | July[p] | Aug.[e] | Mar. | Apr. | May | June | July | Aug. | |
| **Total** | **152.6** | **150.9** | **.7** | **−1.4** | **1.1** | **.0** | **.1** | **−1.1** | **2.0** |
| Products, total | 149.8 | 148.0 | .6 | −1.6 | 1.3 | −.1 | −.2 | −1.2 | 1.0 |
| Final products | 147.2 | 145.1 | 1.0 | −1.9 | 1.7 | −.1 | −.3 | −1.4 | .6 |
| Consumer goods | 150.9 | 147.7 | .9 | −2.5 | 1.9 | −.2 | −.5 | −2.1 | −1.9 |
| Durable | 155.8 | 147.4 | 1.6 | −7.3 | 5.9 | −1.2 | −1.7 | −5.4 | −8.7 |
| Nondurable | 148.9 | 147.9 | .6 | −.4 | .5 | .2 | −.1 | −.7 | 1.1 |
| Business equipment | 171.6 | 170.3 | 1.1 | −1.2 | 1.6 | .1 | .0 | −.8 | 4.2 |
| Intermediate products | 159.4 | 159.1 | −.6 | −.4 | −.1 | −.2 | .1 | −.2 | 2.2 |
| Construction supplies | 156.8 | 156.9 | −1.4 | −.7 | .3 | −.1 | .4 | .1 | 2.0 |
| Materials | 156.9 | 155.3 | .7 | −1.2 | .8 | .2 | .6 | −1.0 | 3.4 |

p Preliminary. e Estimated. NOTE. Indexes are seasonally adjusted.

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# Statements to Congress

*Statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System, before the Committee on the Budget, U.S. House of Representatives, September 5, 1979.*

I am pleased to be able to participate in these hearings on the Second Concurrent Budget Resolution for fiscal 1980. I might say that on receiving your invitation, I felt it a bit incongruous that my first appearance before a committee of the House as Chairman of the Federal Reserve Board would occur in the context of consideration of fiscal, rather than monetary, policy. But the plain fact is that our nation faces serious problems that require interrelated governmental action, involving all of the main instruments of economic policy. In no place are the interrelationships more important than in the area of fiscal and monetary policy. I hope that our dialogue this afternoon will help throw light on the proper role for those policy instruments in today's setting.

Surveys and other evidence indicate that the most pressing economic concern of the American people today is the persistent and rapid rise of prices. In my judgment, that concern is not misplaced.

As you know, the acceleration of inflation this year can be traced in considerable part to so-called exogenous forces—the rise in food prices, and much more importantly the decision of the Organization of Petroleum Exporting Countries to raise oil prices in an amount that, in absolute terms, approaches the increase in 1973 and 1974. But even in appraising these sources of inflationary pressure, I believe it would be wrong to consider them independent of more general inflationary pressures in the United States and elsewhere. For instance, the desire of oil suppliers to recover losses in real income implied by rising prices of other goods and the weakness of the dollar appeared to be one factor contributing to the OPEC pricing decision. Moreover, part of the challenge to economic policy today is to avoid to the extent possible a kind of "leap-frogging" process whereby rising prices and costs in one sector—energy is the notable case—set off a whole sequence of adjustments in wages and prices in other sectors, as workers and businesses engage in a vain attempt to achieve and maintain levels of real purchasing power that simply cannot be sustained in an economy experiencing higher real energy costs and virtually no growth in productivity.

To be sure, the impact of inflation is uneven. Those on fixed incomes suffer, while some people who are well positioned—either by clever design or by good luck—do manage to increase their wealth. Even for the fortunate, however, such a result is at best precarious, frequently built on heavy indebtedness or highly speculative investments. In an environment of virulent inflation, such as we find ourselves in today, there are no reliable havens, and so the discomfort of our citizens is hardly surprising.

Even these capricious effects on individuals and the related concern reflected in the surveys do not capture the insidious and debilitating effects of inflation and inflationary expectations on our economic performance and growth prospects. It is not entirely a coincidence that we can observe in these recent inflationary years a declining tendency in the profitability of investment. Calculations differ because of the accounting problems associated with changing prices. However, one estimate indicates that the annual after-tax return on corporate net worth, measured, as it reasonably should be, against the replacement cost of inventories and fixed assets, has averaged 3.8 percent during the 1970s, a period characterized by rapid inflation, as compared with 6.6 percent in the 1960s. At

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the same time, the uncertainty about future prospects associated with high and varying levels of inflation tends to concentrate the new investment that does take place in relatively short, quick payout projects. Or firms may simply delay investment commitments until the pressures of demand on capacity are unambiguously compelling—with the result that capacity pressures can become strong even before the labor force is fully utilized.

In other areas, inflationary expectations are reflected in a diversion of energies into essentially speculative activities—ranging from the "froth" of investing in art objects to the considered purchase, at the expense of heavy indebtedness, of larger or second homes as an inflation hedge. When returns from these activities are often judged greater than those from usual patterns of work and saving, normal incentives are plainly distorted in a manner inconsistent with orderly growth.

Another obvious result of our distressingly poor price performance has been the recurrent weakness of the dollar in foreign exchange markets. During much of 1978, the cumulating decline in the value of the dollar abroad added an important further element of uncertainty and instability to the economies of the United States and other countries. Following the vigorous program introduced in November of last year, the dollar rose somewhat against other major currencies, helped by an improvement in our current account and by indications of a relative strengthening of economic expansion abroad. But the value of the dollar internationally began to be questioned again as the trend of U.S. inflation worsened noticeably and as many of our trading partners acted forcefully to retard inflationary tendencies in their own economies. Although the situation in exchange markets appears to have stabilized recently, that stability ultimately rests on our ability to cope with inflation.

We need to deal with inflation and a vulnerable dollar in the context of the slowing in domestic economic activity that has developed in recent months. A moderation in the growth of aggregate demand was welcome this year—even essential—if the economy was to avoid the kind of pressures on capacity that could only aggravate inflationary forces. Policies of monetary and fiscal restraint were directed toward that aim. Now it is apparent that the drain of purchasing power implicit in the sudden runup in our oil import bill and in energy prices generally—combined with the actual and feared shortages of gasoline—has led to a contraction of real incomes and final demands. During the second quarter, real gross national product fell, primarily reflecting a drop in consumer spending, and further declines in some areas of business activity continued into the summer. With sales falling, businesses have experienced some involuntary accumulation of inventories—most strikingly in the auto industry, but to a lesser degree in other sectors as well.

Our reading of the most recent economic indicators suggests that a correction of these inventory imbalances is well under way. Orders have been reduced, production schedules have been cut back, and hiring has slowed. These adjustments need not by themselves set in motion a deep or prolonged contraction in activity. Indeed, while the inflationary process itself has introduced important new uncertainties, some of the economic and financial dislocations and imbalances that usually have presaged severe cyclical declines have been avoided. To be sure, the transfer of income to foreign oil producers will continue to exert a depressing effect on aggregate demand over the near term. But the position taken in the Board's midyear report to the Congress—that the economy should grow moderately in 1980—still seems reasonable.

In the present circumstance, we need to be especially cautious in interpreting any business forecast; there are vulnerabilities in the present situation on the downside, and there is also the possibility that the downturn will prove shorter and shallower than many now expect. The shaping of policy must appreciate and take account of the risks on both sides. For instance, the traditional response throughout the postwar period to any prospect of declining production and rising unemployment has been a sharp shift in monetary and fiscal policy toward expansion and the enhancement of aggregate demand—even at the risk of adding to inflation. A decade or two ago, with prices historically fairly stable, that risk was discounted. But now we have to

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face squarely the adverse consequences of premature or unduly large moves to stimulate the economy. In exacerbating the already serious problems of inflation and the dollar, such moves would also feed back on the underlying problems of investment, productivity, and growth.

Some observers have suggested that this situation presents an intractable dilemma for policymakers: the need to sacrifice one set of economic goals in the pursuit of another. But this dilemma seems to me more apparent than real. Even in the relatively short run, premature stimulative actions could well prove ineffective rather quickly, and even counterproductive, as their force is dissipated in higher prices rather than real growth—in more uncertainty, rather than less. Ultimately the perceived "trade off" between unemployment and inflation would only be worsened—the lesson of the 1970s, not just in the United States but elsewhere.

I think we would all agree that, over the years, labor and product markets have developed an increasing sensitivity to inflation. Expectations about inflation are an important factor in wage bargaining, in price setting for many goods and services, and certainly in interest rates. The plain danger is that actions rightly interpreted as doing little or nothing toward dealing with our underlying persistent problems of productivity and investment, but all too likely to produce more inflation, will in fact have only a small and short-lived expansionary effect, regardless of their intent. Our ability to avoid future instability in employment, or to deal with chronic unemployment in urban areas and among our young, would be damaged, not enhanced.

Similar behavior dominates the foreign exchange markets: exchange rates usually respond quickly—and sometimes excessively—when incoming economic data or news about policy actions alter the outlook for inflation. Adverse repercussions on the dollar generate in turn new uncertainty and inflationary pressures, partly because of the direct effects on costs of imports and partly through the reduced competitive restraints on prices of domestically produced goods. We have tasted too much of the vicious circle of domestic inflation and external depreciation to want to see that pattern repeated. The dangers would extend beyond the domestic economy. Because of the dollar's role as an international store of value and medium of exchange—a role we cannot simply shrug off or dismiss consistent with our own interests and those of our trading partners—its instability could pose a major threat to the world system of finance and commerce and even to our political leadership.

Obviously, then, our current economic difficulties are tightly interwoven. They will not be resolved unless we deal convincingly with inflation. Progress won't come easily or suddenly; among other things the adjustment in prices of energy and petroleum-based products is far from complete. But what we can do—what we must do—is begin the process and prevent the inevitable rise in real energy prices from fanning out into an acceleration of general inflation.

Monetary and fiscal policies are not the only tools we should bring to bear. But both monetary discipline and fiscal discipline—policies that are *seen* to be disciplined—are absolutely basic to restoring and maintaining a greater sense of stability.

For its part, the Federal Reserve intends to continue its efforts to restrain the growth of money and credit, a growth that in recent months has been excessive in terms of our own 1979 objectives—objectives that have only recently been reviewed by our congressional oversight committees. Those efforts, combined with heavy credit demands, have had the visible consequence of some increases in short-term interest rates as the availability of reserves has been limited through open market operations. But I would also note that the impact on longer-term securities markets, generally considered more important for business decisions, has been small. We seem to have here an illustration of the more general proposition that actions to deal with the sources of inflationary pressure should over time have a constructive influence in restoring more stable and healthier financial and economic conditions.

I frankly do not know whether needed restraint on monetary growth will be reflected in further increases in short-term rates; that will depend on the course of economic activity, credit demand, and other factors. But I do know

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that credit flows at present are generally well maintained, and no *sustained* decline in nominal interest rates can reasonably be expected in the absence of a discernible slowing in the underlying trend of inflation.

Meanwhile, the moves in the direction of fiscal restraint by the Congress and the administration have been a key ingredient in setting the stage for a successful anti-inflationary effort. Substantial progress has been made in the past year toward reduction of the federal budget deficit. Potentially more significant, in terms of the longer-range outlook, is the sense of greater control on spending that has been achieved by the efforts of this committee and others.

Of course, the deficit has remained high, even after years of business expansion, and reductions in spending relative to GNP have been modest so far. Moreover, with the economy likely to be sluggish in the months ahead, the operation of automatic stabilizers could lead to a temporary widening of the gap between expenditures and receipts. That in itself need not be disturbing—if budgetary decisions do not seem to throw us off the track of restoring budgetary balance and restraining expenditures as the economy picks up. However, legitimate doubts would be raised by sizable new spending programs not matched by savings elsewhere; indeed, such an approach would directly challenge our ability to eliminate future deficits and could only add to skepticism over the commitment to contain inflation. Similar doubts would be aroused by a premature commitment to tax reduction—welcome as such reductions would be over a period of time. I believe that we should be particularly wary of tax reductions that might have a transitory effect in adding to the purchasing power of consumers but that would accomplish little or nothing toward stimulating investment, cutting costs, or improving work incentives. For these reasons, the members of the Federal Reserve Board believe that both the administration's budget proposals and the Second Concurrent Budget Resolution recommended by the Senate Budget Committee represent a broadly appropriate and desirable commitment to hold the line on spending, to avoid premature tax cuts, and to contain the size of the deficit.

As I noted earlier, a broad range of uncertainty must be assigned to any forecast of economic events, particularly in view of the obvious vulnerability of the economy to a variety of exogenous forces. In that connection, we cannot entirely exclude the possibility of recessionary tendencies cumulating and intensifying, even if it would be wrong to have current policy decisions dominated by that single possibility. There is much more danger—in terms of aggravating the inflationary momentum—in prematurely anticipating the most unfavorable hypothesis than in dealing in the most orderly and effective way we can with the clear and present fact of inflation.

Should economic trends develop in a clearly unfavorable direction and action come to be needed to deal with sharp declines in output and employment, it would be crucially important that those actions be integrated with the longer-term needs of the economy. Specifically, any fiscal actions should be designed to minimize any inflationary impact in the short run while helping to deal positively with some of the sources of inflationary pressures in the long run. Cost-cutting and incentive-building tax reductions broadly meet this criterion; few spending programs do. We need to give much more weight than in the past to the need for both tangible capital formation and research and development, for these activities underlie productivity growth.

I need not emphasize that even well-designed tax reduction—reduction that could have important payoffs over time in improved productivity and reduced cost pressures—has a cost in terms of transitional deficits and increased competition in the credit markets. Tax reduction, however desirable over time, needs to be earned by a sustained commitment to spending restraint. Prematurely timed or poorly structured, the potential gains could be swamped by adverse effects in an inflation-prone economy.

The monetary and budgetary policies that I have discussed seem to us in the Federal Reserve to be essential if our commitment to controlling inflation and stabilizing the dollar is to have meaning. They would lay the groundwork for changing expectations about inflation in the short run and for renewed growth and

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stability over a longer period of time. I would emphasize that other efforts, in the areas of wage-price policy, regulatory reform, and the encouragement of market competition, are important as well. We also must deal with our energy situation, one that today leaves us vulnerable to foreign sources of supply. But none of these policies, important as they are, can substitute for commitments to fiscal prudence and restraint on the money supply.

Public concern is high—but out of that concern grows awareness of the pressing need to solve our inflationary problem. Therein lies our opportunity. I would suggest that the American people are coming to understand that there are no easy answers, but that failure to act consistently and forcefully can only lead to worse results, both for the vitality of our economy and for our world leadership. Your budget making is quite clearly a key element in the process.

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*Statement by Nancy H. Teeters, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Oversight of the Committee on Ways and Means, U.S. House of Representatives, September 10, 1979.*

I appreciate the opportunity to appear before this subcommittee to discuss the recent study by the Internal Revenue Service (IRS) on unreported income. In view of the technical issues involved in this study, I have asked some staff members from the Federal Reserve System to be present today. Mr. Chairman, I would like to introduce to you and the other members of the subcommittee, Mr. Jared Enzler, Mr. Richard Porter, Mr. James Stull, and Mr. William Wallace from the Board staff, and Mr. Robert Laurent from the Federal Reserve Bank of Chicago, who will answer any of your technical questions.

Activities giving rise to unreported income, whether earned from legal or illegal sources, have been called the underground economy. The scope and nature of the underground economy have an important bearing on U.S. tax policy and also may be relevant to the understanding of developments in the economy and financial markets. For these reasons, the Board welcomes any efforts that may be made to measure the extent of the underground economy.

Underground activity by its very nature is difficult to measure directly. As a result, economists have resorted to various indirect methods of estimation. One much-discussed method that is evaluated in the IRS study—and one that I understand you would like us to comment upon—uses the ratio of currency in circulation to demand deposits to extract estimates of the size of underground economic activity. According to this approach, movements in this ratio from its value in the years 1937–41 have been interpreted as reflecting changes in the underground economy exclusively. However, there are significant analytical and measurement problems in drawing inferences about underground activity on the basis of movements in the ratio of currency to demand deposits.

First of all, even though the Federal Reserve's data on currency and demand deposits are highly accurate and measured on a consistent basis over time, there are no reliable estimates on what portion of the U.S. currency in circulation is held in the United States and what portion is held abroad. U.S. currency balances may be held abroad as a store of wealth, and in a few countries, such balances evidently serve even as a major medium of exchange. Therefore, fluctuations in the currency ratio may reflect changes in economic and political conditions abroad.

Apart from variations resulting from currency held abroad, movements in the currency-deposit ratio also reflect domestic aboveground economic activity. In fact, as the IRS study noted, research by the Federal Reserve staff indicates that both the trend and cyclical movements in the currency-deposit ratio over most of the 1960s and 1970s can be explained adequately by movements in real income and consumption expenditures, prices, and interest rates—variables that are recognized as important determinants of currency and deposit holdings.

Since mid-1974, however, the currency-

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deposit ratio has moved up more sharply than can be accounted for by movements in those determinants. The increase in the ratio appears to be a result of a downward shift in the demand for demand deposits and not an upward shift in the demand for currency. Currency holdings continue to be predicted accurately by movements in real consumption expenditures, prices, and interest rates. The weakness in growth of demand deposits, on the other hand, appears to be associated with a variety of new developments in the money market. For households, innovations such as negotiable order of withdrawal accounts, automatic transfer service accounts, and money market mutual funds have become increasingly important substitutes for demand deposits. For business firms, sluggish deposit growth has reflected the growing use of cash management techniques and deposit substitutes such as security repurchase agreements.

Thus, there are plausible explanations of the rise since World War II in the ratio of currency to deposits, which do not rely on the growth of an underground economy. I do not mean to imply that the underground economy does not exist or that currency is not used more extensively as a medium of exchange for underground transactions. The point is that other factors affect the currency-deposit ratio, and they must be taken into account when separating aboveground currency holdings from underground currency holdings.

Moreover, even if this separation could be accomplished with precision, it is by no means clear what magnitude of underground GNP is associated with underground currency holdings. Presumably, underground currency holders are somewhat restricted from exchanging currency for demand deposits or for interest-bearing assets. Therefore, it is quite possible that the income velocity of underground currency is less than that of aboveground currency, when there are no restrictions on such exchanges.

Finally, whatever the advantages and problems with the currency-based approach to estimating the underground activity, it is obviously useful to try to estimate underground activity directly, as the IRS has done in its study. The approach taken by the IRS appears to be helpful and merits careful consideration. □

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# Announcements

## *Change in Discount Rate*

The Board of Governors announced an increase in the discount rate from 10 percent to 10½ percent, effective August 17, 1979.

Action was taken against the background of the continuing strong inflationary forces that are evident in the economy and in recognition of the relatively rapid rate of expansion in the monetary aggregates.

In making the change, the Board acted on requests from the directors of the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, St. Louis, Minneapolis, and Kansas City. The discount rate is the interest rate that member banks are charged when they borrow from their district Federal Reserve Banks.

The Federal Reserve Board subsequently approved actions by the directors of the Federal Reserve Banks of Boston, Atlanta, Chicago, Dallas, and San Francisco to increase the discount rate at those banks from 10 to 10½ percent, effective August 20.

## *Increase in Reciprocal Currency Arrangements*

The Federal Reserve announced on August 17, 1979, that its reciprocal currency (swap) arrangement with the Bank of Mexico had been increased from $360 million to $700 million.

The increase enlarges the System's swap network with 14 central banks and the Bank for International Settlements to $30.1 billion.

A swap arrangement is a renewable, short-term facility under which a central bank agrees to exchange on request its own currency for the currency of the other party up to a specified amount over a limited period of time.

The Federal Reserve swap network was initiated in 1962. In all reciprocal currency arrangements, the Federal Reserve Bank of New York acts on behalf of the Federal Reserve System under the direction of the Federal Open Market Committee.

The Federal Reserve's reciprocal currency arrangements are now as follows (in millions of dollars):

| | |
|---|---|
| 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 | 6,000 |
| Bank of Italy | 3,000 |
| Bank of Japan | 5,000 |
| Bank of Mexico | 700 |
| Netherlands Bank | 500 |
| Bank of Norway | 250 |
| Bank of Sweden | 300 |
| Swiss National Bank | 4,000 |
| Bank for International Settlements | |
| Swiss francs/dollars | 600 |
| Other European currencies/dollars | 1,250 |
| **Total** | **30,100** |

## *Changes in Federal Open Market Committee Staff*

The Federal Open Market Committee has announced the following promotions, effective August 17, 1979.

Alan R. Holmes, who has been Manager of the System Open Market Account, has been named Adviser for Market Operations to the Committee.

Peter D. Sternlight, who has been Deputy Manager for Domestic Operations, has been named Manager for Domestic Operations, System Open Market Account.

Scott E. Pardee, who has been Deputy Manager for Foreign Operations, has been named

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Manager for Foreign Operations, System Open Market Account.

The Committee is the System's chief policy-making body for monetary policy. It is comprised of the seven members of the Board of Governors and five of the twelve presidents of the Federal Reserve Banks. The Committee's directives are put into effect through operations in the System Open Market Account, carried out on behalf of the System as a whole by the Federal Reserve Bank of New York.

## *Changes in Board Staff*

The Board of Governors has announced the following official staff promotions and appointment.

Robert E. Mannion, Associate General Counsel, Legal Division, has been promoted to Deputy General Counsel, effective September 3, 1979.

Edward T. Mulrenin, Assistant Controller, Office of the Controller, has been promoted to Assistant Staff Director, Office of Staff Director for Management, also effective September 3.

William N. McDonough has been appointed temporary Assistant Secretary, Office of the Secretary, effective October 1. Mr. McDonough is Assistant General Counsel and Assistant Secretary of the Federal Reserve Bank of Boston. Mr. McDonough, who joined the staff of the Federal Reserve Bank of Boston in 1969, holds an LL.B. and an LL.M. from Boston University.

The Board has also announced the resignation of Albert R. Hamilton, Director, Division of Federal Reserve Bank Examinations and Budgets, effective September 1, 1979.

## *New Educational Pamphlets*

A series of educational pamphlets on the structure of the Federal Reserve System are now available for public distribution.

The four pamphlets, which describe the organization and functions of the major policy-making units of the nation's central banking system, are: "The Board of Governors of the Federal Reserve System," "The Federal Open Market Committee," "Federal Reserve Banks," and "Federal Reserve Bank Board of Directors."

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## *System Membership: Admission of State Banks*

The following banks were admitted to membership in the Federal Reserve System during the period August 11 through September 10, 1979:

*Kansas*
Lenexa ............Country Hill State Bank
*Oklahoma*
Mustang ........Mustang Community Bank
*Oregon*
Springfield ........Emerald Empire Banking Company
*Virginia*
Fisherville ............Jefferson Bank of the Valley
Mechanicsville .. Peoples Bank of Hanover County

## *Mailing List for Staff Studies*

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# Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON JULY 11, 1979

## Domestic Policy Directive

The information reviewed at this meeting suggested that real output of goods and services had declined somewhat in the second quarter when a slackening in demands was intensified by reduced supplies of motor fuels and higher energy prices; in the first quarter the expansion in economic activity had slowed sharply, to an annual rate of 0.8 percent. The rise in average prices, as measured by the fixed-weight price index for gross domestic business product, appeared to have accelerated somewhat further in the second quarter, from an annual rate of about 10 percent in the first quarter and around 8¾ percent during 1978.

Staff projections suggested a further contraction in economic activity over the next few quarters and an upturn beginning in 1980. Over the year ahead the increase in average prices was projected to be moderately below its pace in the first half of 1979. The rate of unemployment was expected to rise substantially.

In June the dollar value of retail sales fell for the third consecutive month, and in real terms such sales were estimated to be about 6½ percent below their December 1978 peak. Unit sales of new automobiles declined further in June despite continued strength in sales of small domestic and foreign models.

In April and May total private housing starts were at an average annual rate of about 1¾ million units, up somewhat from the first quarter, when starts were depressed by unusually adverse weather conditions, but well below total starts in both 1977 and 1978. Combined sales of new and existing single-family homes in April and May were also above their first-quarter pace, but substantially below the peak rate in the fourth quarter of 1978.

The expansion in total nonfarm payroll employment slowed considerably during the second quarter to a pace well below that in the previous six months. Payroll employment in manufacturing declined in each month of the quarter, and the length of the average workweek

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fell appreciably from its relatively high first-quarter level. Nevertheless, the unemployment rate edged down in June to 5.6 percent, its lowest level since August 1974.

The index of industrial production rose 1.3 percent in May. The increase about offset a drop in April that was induced largely by a work stoppage in the trucking industry. The expansion in industrial production over the first five months of the year was less than 1 percent, compared with an increase of about 4 percent in the second half of 1978.

The latest survey of business plans taken by the Department of Commerce in late April and May suggested that spending for plant and equipment would expand 12.7 percent in 1979 as a whole; the survey taken three months earlier had suggested an increase of 11.3 percent. The new survey, like the earlier one, implied considerably more growth in the second half of the year than in the first half.

Manufacturers' new orders for nondefense capital goods picked up somewhat in May after having declined substantially in April. The machinery component of such orders—generally a good indicator of underlying trends in demand for business equipment—was up only slightly in May following a very large drop in April. Contract awards for commercial and industrial buildings—measured in terms of floor space—declined in May for the third consecutive month to a level well below the February peak.

Producer prices of finished goods and of materials rose much more rapidly in the first half of 1979 than during 1978. The increase in these indexes moderated in the second quarter, however, when prices of food products declined after having advanced at exceptional rates earlier in the year. Increases in prices of energy items were very rapid, especially in the second quarter.

The rise in the consumer price index accelerated to an annual rate of 13½ percent over the first five months of 1979 compared with a rise of 9 percent in 1978. Price increases were widespread but were especially pronounced among energy-related items. Homeownership costs and food prices also increased sharply, although the rise in foods moderated in May.

The index of average hourly earnings of private nonfarm production workers rose at an annual rate of about 5½ percent during the second quarter, down from increases averaging about 8½ percent during the prior two quarters. The moderation was concentrated in the trade and

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service sectors. Recent collective bargaining agreements in two major industries provided for large increases in worker compensation.

In foreign exchange markets the dollar came under downward pressure in mid-June following several months of relative strength; since then its value against major foreign currencies had fallen about 3 percent and central banks had made large purchases of dollars. The dollar's weakness appeared to have been related to expectations of easier monetary conditions in the United States at a time when money market conditions were being tightened in key foreign countries and to concerns about the effects of sharply rising oil prices. The U.S. trade deficit for April and May had widened somewhat from the first-quarter rate, reflecting a sizable increase in the value of oil and other imports and little change in the value of exports.

Total credit outstanding at U.S. commercial banks continued to expand rapidly in May and June, but the rate of growth for the two months combined was down somewhat from the average pace in earlier months of the year. Increases in bank loans during May and June were concentrated in the business and real estate categories. Commercial paper issued by nonfinancial firms rose considerably further over the two months.

The narrowly defined money supply, M-1, increased sharply in June and the broader measures of money, M-2 and M-3, also grew rapidly; expansion in all three measures, especially M-1, had slowed markedly in May following a surge in April. In June, inflows to commercial banks of interest-bearing deposits included in M-2 were large, as money market certificates expanded rapidly for the third consecutive month and savings deposits increased for the first time since September 1978. At nonbank thrift institutions, net inflows of funds were estimated to have picked up somewhat in June from a sharply reduced pace in May, even though net issuance of money market certificates by these institutions weakened further.

On a quarterly average basis, M-1 grew at an annual rate of about 7½ percent in the second quarter after a decline at a rate of about 2 percent in the first quarter; M-2 and M-3 grew at rates of about 8½ percent and 7¾ percent respectively in the second quarter, compared with rates of about 1¾ percent and 4¾ percent in the previous quarter. In the second quarter, banks increased considerably further their reliance on nondeposit sources such as repurchase agreements and Eurodollars to supplement their loanable funds. At the same time,

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they reduced the outstanding volume of large-denomination time deposits by more than the increase in funds from nondeposit sources.

At its meeting on May 22 the Committee had decided on ranges of tolerance for the annual rates of growth in M-1 and M-2 during the May–June period of 0 to 5 percent and 4 to 8½ percent respectively. The Committee had agreed that early in the coming intermeeting period, the Manager of the System Open Market Account should continue to direct operations toward maintaining the weekly average federal funds rate at around 10¼ percent. Subsequently, if the two-month growth rates of M-1 and M-2, given approximately equal weight, appeared to be close to or beyond the upper or lower limits of the indicated ranges, the objective for the funds rate was to be raised or lowered in an orderly fashion within a range of 9¾ to 10½ percent.

Subsequent to the meeting, incoming data on the monetary aggregates led to progressively higher projections of growth in M-1 and M-2 over the May–June period. By mid-June the projections suggested growth rates that were above the ranges specified by the Committee. The behavior of the aggregates would have called for an increase in the objective for the federal funds rate toward the 10½ percent upper limit of its specified range. However, on June 15 the Committee modified the domestic policy directive adopted on May 22 and called for open market operations directed at maintaining the weekly average federal funds rate at about 10¼ percent. Federal funds traded somewhat above the Committee's objective in late June and early July, in response to pressures associated with unusual churning in the money market around the midyear bank statement date and the July 4 holiday.

Most interest rates other than the federal funds rate fell substantially on balance during the intermeeting period. The declines appeared to be in response to the growing evidence that economic activity had been weakening. Declines in Treasury bill rates were accentuated by large cash redemptions of maturing bills and by the resumption of sizable net purchases by foreign central banks as the dollar came under pressure in foreign exchange markets. During June most banks reduced their loan rate to prime business borrowers from 11¾ to 11½ percent. Despite relatively sizable declines in most interest rates, including bond yields, rates on conventional home mortgages in the primary market rose further during the intermeeting period. Thrift and other institutions continued to tighten their lending terms on residential mortgages in

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apparent response to relatively strong demands for credit and to uncertainty about prospective inflows of savings.

At this meeting, in conjunction with its discussion of the economic situation and outlook, the Committee reviewed its longer-run ranges for growth of the monetary aggregates. The Full Employment and Balanced Growth Act of 1978 (the Humphrey-Hawkins Act) requires the Board of Governors to transmit to the Congress by February 20 and July 20 of each year written reports concerning the objectives and plans of the Board and the Committee with respect to the ranges of growth or diminution of the monetary and credit aggregates for the calendar year during which the report is transmitted and, in the case of the July report, the objectives and plans with respect to ranges for the following calendar year as well. Accordingly, the Committee reviewed the ranges for the period from the fourth quarter of 1978 to the fourth quarter of 1979 that it had established at its meeting on February 6, 1979, and for the first time considered preliminary ranges for the period from the fourth quarter of 1979 to the fourth quarter of 1980.[1]

At its meeting on February 6 the Committee had specified ranges of 1½ to 4½ percent for M-1, 5 to 8 percent for M-2, and 6 to 9 percent for M-3. The associated range for commercial bank credit was 7½ to 10½ percent. The range for M-1 had been established on the assumption that shifts in funds from demand deposits to savings accounts with automatic transfer facilities and to NOW accounts would dampen growth of measured M-1 by about 3 percentage points.

With respect to the economic situation and outlook, no member of the Committee expressed disagreement with the staff appraisal that real gross national product had declined somewhat in the second quarter and that further declines were likely for the remaining two quarters of the year. The suggestion was made that the recession was most likely to be mild and short-lived. However, it could prove to be more severe than currently expected because the recent increases in prices of energy items and inflation generally were reducing disposable income and eroding the financial position of the household sector.

1. The act also requires that the written reports set forth a review and analysis of recent developments affecting economic trends in the nation and the relationship of the plans and objectives for the aggregates to the short-term goals set forth in the most recent *Economic Report of the President* and to any short-term goals approved by the Congress. The Board's second report under the act was transmitted to the Congress on July 17, 1979.

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Another reason advanced for thinking that the recession could be more severe was the possibility that the downturn in economic activity would become widespread among industrial countries.

Members continued to express great concern about inflation. It was suggested that the unexpectedly large increases in OPEC oil prices in late June had seriously harmed the government's anti-inflation efforts. Thus, winding down the rate of increase in prices might well take considerably longer than had been thought earlier and would be more costly in terms of its impact on output, employment, and real income. In that connection it was noted that time would be required to implement the new policies with respect to energy that the President was expected to announce within a few days. On the other hand, the public's perception of the urgency of the problem had increased, leading to a growing awareness that in the short run some loss of real income would have to be accepted for the sake of reestablishing growth in real income over the longer term.

In reviewing ranges for the monetary aggregates for the current year and contemplating ranges for 1980, the Committee continued to face unusual uncertainties concerning the forces affecting monetary growth. A staff analysis had suggested that shifts in funds from demand deposits to savings accounts with automatic transfer services and to NOW accounts had retarded the annual rate of growth of M-1 by the assumed amount of about 3 percentage points in the first quarter of 1979 but by only about 1½ percentage points in the second quarter; thus, from the fourth quarter of 1978 to the second quarter of 1979, the dampening effects of ATS and NOW accounts on growth of M-1 averaged about 2¼ percentage points. The outlook for the effects of these accounts on growth of M-1 was clouded, moreover, by a federal court decision handed down in April barring ATS and certain other payments services as of January 1, 1980, and by the possibility of further judicial review and of legislation concerning such services.

The demand for M-1 was unusually weak in the first quarter of 1979, even after allowance for the effects of the growth of ATS and NOW accounts, but money demand appeared to strengthen in the second quarter. Still, at an annual rate of about 2¾ percent from the fourth quarter of 1978 to the second quarter of 1979, growth of M-1 was just below the midpoint of the longer-run range established by the Committee in February, as the high level of interest rates reached in late 1978 and the continued tautness of markets in 1979 prompted

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the public to economize on non-interest-earning holdings of cash. The high level of market interest rates also induced the public to divert funds from deposits subject to fixed ceiling rates into market instruments, thereby further retarding growth of M-2 and M-3 over the first two quarters of 1979; their annual rates of growth, at 5¼ percent and 6¼ percent respectively, were just above the lower limits of their ranges. As a result of these developments, growth of all three monetary aggregates, which had moderated over the four quarters of 1978 from the pace of the preceding four quarters, slowed appreciably further in the first half of 1979. However, growth of commercial bank credit in the first half of 1979, at a rate of 11½ percent, was slightly above its range and little different from the year before.

In the Committee's discussion, most members favored ranges for both 1979 and 1980 that would represent essentially a continuation of the policy posture adopted in early February. One member advocated a more restrictive policy for the balance of the current year. Some sentiment was expressed for narrowing the ranges for the period from the fourth quarter of 1978 to the fourth quarter of 1979, because passage of half of the year had reduced uncertainty about rates of growth over the whole period.

It was suggested that the ranges for 1980 might well be slightly lower than those for 1979, in recognition of the Committee's longstanding objective to move gradually toward rates of monetary expansion consistent with general price stability. The suggestion also was made to adopt slightly higher ranges for 1980 than for 1979, in view of the decline in activity that had just begun. It was observed, however, that any increase in the ranges for 1980 would not now be timely and that the Committee would reconsider the 1980 ranges next February in the light of the information then available about economic conditions. In any event, it was recognized that the current reexamination of the definitions of the monetary aggregates, which was being undertaken in light of the major institutional changes in the payments system, might in the near future lead to a new and improved set of money stock measures.

At the conclusion of the discussion, the Committee decided to retain the ranges for 1979 that it had established in February. Thus, for the period from the fourth quarter of 1978 to the fourth quarter of 1979, the Committee reaffirmed ranges of 1½ to 4½ percent for M-1, 5 to 8 percent for M-2, and 6 to 9 percent for M-3. The associated

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range for commercial bank credit remained 7½ to 10½ percent. Having established the range for M-1 in February on the assumption that expansion of ATS and NOW accounts would dampen growth by about 3 percentage points over the year, the Committee also agreed that actual growth in M-1 might vary in relation to its range to the extent of any deviation from that estimate. The Committee anticipated that for the period from the fourth quarter of 1979 to the fourth quarter of 1980, growth might be within the same ranges, depending upon emerging economic conditions and appropriate adjustments that might be required by legislation or judicial developments affecting interest-bearing transactions accounts.

It was understood that the longer-run ranges, as well as the particular aggregates for which ranges were specified, would be reconsidered at any time that conditions might warrant. It was also understood that short-run factors might cause growth rates from one month to the next to fall outside the ranges anticipated for the year.

The Committee adopted the following ranges for rates of growth in monetary aggregates for the period from the fourth quarter of 1978 to the fourth quarter of 1979: M-1, 1½ to 4½ percent; M-2, 5 to 8 percent; and M-3, 6 to 9 percent. Actual growth in M-1 might vary in relation to its range to the extent that the dampening effect of expansion in ATS and NOW accounts deviates from an estimate of about 3 percentage points. The associated range for bank credit is 7½ to 10½ percent.

Votes for this action: Messrs. Miller, Volcker, Balles, Black, Coldwell, Kimbrel, Mayo, Partee, Rice, and Mrs. Teeters. Vote against this action: Mr. Wallich.

Mr. Wallich dissented from this action because, with the Committee's objective of slowing the rate of inflation in mind, he believed that the range adopted for M-1, after allowance for the effects of ATS and NOW accounts, was too high. In his opinion, growth of the money stock, after allowance for the expansion in repurchase agreements and Eurodollars as well as for the effects of ATS and NOW accounts, had been considerably more rapid than indicated by the behavior of M-1.

The Committee agreed that for the period from the fourth quarter of 1979 to the fourth quarter of 1980, growth of M-1, M-2, and M-3, and of commercial bank credit, might be within the ranges adopted for 1979, depending upon emerging economic conditions and appropriate adjustments that may be required by legislation or judicial developments affecting interest-bearing transactions accounts.

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Votes for this action: Messrs. Miller, Volcker, Balles, Black, Coldwell, Kimbrel, Mayo, Partee, Rice, Mrs. Teeters, and Mr. Wallich. Votes against this action: None.

In the discussion of policy for the period immediately ahead, members of the Committee in general favored directing open market operations initially toward maintaining the money market conditions currently prevailing, as indicated by a federal funds rate of about 10¼ percent, on the expectation that over the July–August period growth of M-1 and M-2 would be both moderate and consistent with their longer-run ranges. Some sentiment was expressed for a near-term reduction in the federal funds rate because of the downturn in economic activity, but it was agreed that current conditions in foreign exchange markets militated against a prompt reduction.

With respect to operations later in the period before the next regular meeting, most members thought that the objective for the federal funds rate should be moved up or down within its specified range only if growth of M-1 and M-2 appeared to be close to or beyond the upper or lower limits of their ranges. Most members favored specification of an intermeeting range of 9¾ to 10½ percent for the federal funds rate, the same range that had been specified at the three preceding meetings. A range of 10 to 10¾ percent was also suggested, coupled with an instruction to the Manager to move the objective for the funds rate up within that range should the dollar come under severe downward pressure in foreign exchange markets. It was recognized, however, that the Committee could consult during the intermeeting period to consider giving additional instructions to the Desk in response to any new developments, including reactions to the President's forthcoming address on energy policy as well as to the behavior of the foreign exchange markets.

The suggestion was made that, in assessing the implications of the behavior of the aggregates for the Desk's objective for the federal funds rate, the Manager be instructed to give more weight to M-2, rather than approximately equal weight to M-1 and M-2, because of uncertainties about the interpretation of M-1. It was noted, however, that the course of M-2 was subject to considerable uncertainty because the six-month Treasury bill rate was hovering around the 9 percent trigger point that affects the relationship between the maximum rates that commercial banks and savings and loan associations may pay on money market certificates.

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At the conclusion of the discussion the Committee decided that ranges of tolerance for the annual rates of growth in M-1 and M-2 over the July–August period should be 2½ to 6½ percent and 6½ to 10½ percent respectively. The Manager was instructed to direct open market operations initially toward maintaining the weekly average federal funds rate at about the current level, represented by a rate of 10¼ percent. Subsequently, if the two-month growth rates of M-1 and M-2 appeared to be close to or beyond the upper or lower limits of the indicated ranges, the objective for the funds rate was to be raised or lowered in an orderly fashion within a range of 9¾ to 10½ percent. It was also agreed that in assessing the behavior of the aggregates, the Manager should give approximately equal weight to M-1 and M-2.

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

The information reviewed at this meeting suggests that real output of goods and services declined somewhat in the second quarter, as slackening in demands was intensified by reduced supplies and sharply higher prices of motor fuels. During the quarter, the dollar value of retail sales declined, and in real terms, sales in June were substantially below those of last December. Growth in nonfarm payroll employment slowed during the quarter to a pace considerably below that in the preceding six months, but the unemployment rate in June, at 5.6 percent, was somewhat lower than earlier in the year. Industrial production recovered in May, after having declined in April in large part because of a work stoppage. Over the first half of this year, broad measures of prices increased at a much faster pace than during 1978, although producer prices of foods declined in the second quarter. The rise in the index of average hourly earnings has slowed in recent months.

Downward pressure on the dollar in foreign exchange markets emerged in mid-June after several months of strength, and since then the trade-weighted value of the dollar against major foreign currencies has declined about 3 percent. The U.S. trade deficit for April and May combined widened somewhat from the first-quarter rate.

M-1 expanded sharply in June, after having increased little in May, and M-2 and M-3 also grew rapidly. Inflows of interest-bearing deposits included in M-2 grew rapidly in June, as net flows into money market certificates at commercial banks expanded further and savings deposits

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increased for the first time since last September. At nonbank thrift institutions, inflows of deposits picked up from the sharply reduced pace in May. On a quarterly average basis, M-1 grew at an annual rate of about 7½ percent in the second quarter, compared with a decline at a rate of about 2 percent in the first quarter; M-2 and M-3 grew at rates of about 8½ percent and 7¾ percent respectively in the second quarter, compared with rates of about 1¾ percent and 4¾ percent in the first quarter. Market interest rates in general have declined substantially over the past several weeks, but mortgage interest rates have risen further.

Taking account of past and prospective developments in employment, unemployment, production, investment, real income, productivity, international trade and payments, and prices, it is the policy of the Federal Open Market Committee to foster monetary and financial conditions that will resist inflationary pressures while encouraging moderate economic expansion and contributing to a sustainable pattern of international transactions. The Committee agreed that these objectives would be furthered by growth of M-1, M-2, and M-3 from the fourth quarter of 1978 to the fourth quarter of 1979 within ranges of 1½ to 4½ percent, 5 to 8 percent, and 6 to 9 percent respectively, the same ranges that had been established in February. Having established the range for M-1 in February on the assumption that expansion of ATS and NOW accounts would dampen growth by about 3 percentage points over the year, the Committee also agreed that actual growth in M-1 might vary in relation to its range to the extent of any deviation from that estimate. The associated range for bank credit is 7½ to 10½ percent. The Committee anticipates that for the period from the fourth quarter of 1979 to the fourth quarter of 1980, growth may be within the same ranges, depending upon emerging economic conditions and appropriate adjustments that may be required by legislation or judicial developments affecting interest-bearing transactions accounts. These ranges will be reconsidered at any time as conditions warrant.

In the short run, the Committee seeks to achieve bank reserve and money market conditions that are broadly consistent with the longer-run ranges for monetary aggregates cited above, while giving due regard to the program for supporting the foreign exchange value of the dollar and to developing conditions in domestic financial markets. Early in the period before the next regular meeting, System open market operations are to be directed at maintaining the weekly average federal funds rate at about the current level. Subsequently, operations shall be directed at maintaining the weekly average federal funds rate within the range of 9¾ to 10½ percent. In deciding on the specific objective for the federal funds rate the Manager shall be guided mainly by the relationship between the latest estimates of annual rates of growth in the July–August period of M-1 and M-2 and the following ranges of tolerance: 2½ to 6½ percent for M-1 and 6½ to 10½ percent for M-2. If, with approximately equal weight given to M-1 and M-2, their rates of growth appear to be close to or beyond the upper or lower limits of the indicated ranges, the objective

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for the funds rate is to be raised or lowered in an orderly fashion within its range.

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

Votes for this action: Messrs. Miller, Volcker, Balles, Black, Coldwell, Kimbrel, Mayo, Partee, Rice, Mrs. Teeters, and Mr. Wallich. Votes against this action: None.

About a week after the meeting, on July 19, projections suggested that over the July–August period M-1 would grow at an annual rate moderately above the upper limit of the range of 2½ to 6½ percent that had been specified by the Committee and that M-2 would grow at a rate about equal to the upper limit of its range of 6½ to 10½ percent; in those circumstances, the Manager began to aim for a weekly average federal funds rate at about the 10½ percent upper limit of its range. On July 27, with the projections suggesting that growth of both M-1 and M-2 over the July–August period would exceed the upper limits of their ranges and with the objective for the federal funds rate at the upper limit of its range, the Committee voted to modify the directive adopted at the meeting on July 11. Specifically, the Committee raised the upper limit of the intermeeting range for the federal funds rate to 10¾ percent and instructed the Manager to aim for a rate within a range of 10½ to 10¾ percent, depending on subsequent behavior of the monetary aggregates, on conditions in foreign exchange markets, and on the current Treasury financing.

On July 27, the Committee modified the domestic policy directive adopted at its meeting on July 11, 1979, by raising the upper limit of the intermeeting range for the federal funds rate to 10¾ percent and by instructing the Manager to aim for a weekly average rate within a range of 10½ to 10¾ percent, depending on subsequent projections of growth of M-1 and M-2 over the July–August period, on conditions in foreign exchange markets, and on the current Treasury financing.

Votes for this action: Messrs. Miller, Volcker, Black, Coldwell, Partee, Rice, Wallich, Guffey, Roos, and Winn. Vote against this action: Mrs. Teeters. Absent: Messrs. Balles, Kimbrel, and Mayo. (Messrs. Guffey, Roos, and Winn voted as alternates for Messrs. Balles, Kimbrel, and Mayo respectively.)

* * * * *

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 made available a few days after the next regularly scheduled meeting and are subsequently published in the BULLETIN.

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# Law Department

## Statutes, regulations, interpretations, and decisions

*AMENDMENT TO REGULATION E*

The Board of Governors has adopted an amendment to section 205.5(c) of Regulation E, which implements the Electronic Fund Transfer Act, to provide that written notice of loss or theft of an access device or possible unauthorized electronic fund transfers is effective at the time the consumer mails or otherwise sends the notice to the financial institution.

Effective September 10, 1979, paragraph (c) of section 205.5 of Regulation E is amended by deleting the third sentence and substituting the following sentence, to read as follows:

*Section 205.5—Liability of Consumer for Unauthorized Transfers.*

* * * * *

(c) ***Notice in writing is considered given at the time the consumer deposits the notice in the mail or delivers the notice for transmission by any other usual means to the financial institution.***

* * * * *

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

*ORDERS UNDER SECTION 3 OF BANK HOLDING COMPANY ACT*

Caneyville Bancshares, Inc.,
Caneyville, Kentucky

*Order Denying Formation of a Bank Holding Company*

Caneyville Bancshares, Inc., Caneyville, Kentucky, 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 99.1 percent of the voting shares of the Bank of Caneyville, Caneyville, Kentucky ("Bank").

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

Applicant, a nonoperating corporation with no subsidiaries, was organized for the purpose of becoming a bank holding company by acquiring Bank. Upon acquisition of Bank, Applicant would control the 289th largest commercial bank in Kentucky, with .06 percent of the total commercial bank deposits in the state.[1]

Bank holds deposits of $7.1 million, representing approximately 10.1 percent of total market deposits in commercial banks and is the smallest of four banks in the relevant banking market.[2] The subject proposal involves a restructuring of Bank's ownership from individuals to a corporation owned by those same individuals. The facts of record indicate that one of Applicant's principals also holds significant voting interests in Leitchfield Deposit Bank and Trust Company, Leitchfield, Kentucky ("Leitchfield Bank"), one of three other banking organizations located in the relevant banking market. In addition, one of Applicant's principals serves as chairman of the board of directors of Leitchfield Bank. Leitchfield Bank (deposits of $20.1 million) controls 28.5 percent of total market deposits and is the third largest bank in the relevant banking market.

Applicant contends that Bank and Leitchfield Bank operate in distinct banking markets. In support of this contention, Applicant has submitted data concerning the respective service areas for loans and deposits of each of the banks. Applicant

1. All banking data are as of June 30, 1978.
2. The relevant banking market is approximated by Grayson County, Kentucky.

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also alleges that there is little commercial interaction between Caneyville and Leitchfield.[3]

Applicant's contention that Bank and Leitchfield Bank operate in distinct banking markets is not supported by the facts. In addition to Applicant's submissions, the Board has reviewed the results of a telephone survey of the area, as well as commuting data and advertising, communications and other service patterns. In particular, it appears that a significant percentage of the work force in Leitchfield is from Caneyville. Furthermore, one newspaper and hospital and two radio stations serve the entire county.[4] Based on its careful review of the entire record of this application, the Board is of the view that the relevant banking market for purposes of analyzing the competitive effects of the transaction is an area that includes both Leitchfield and Caneyville. Thus, it appears that Bank and Leitchfield Bank are located in the relevant banking market as described above.

Under section 3(c) of the Bank Holding Company Act, the Board is precluded from approving any proposed acquisition of a bank that, in any part of the country, (1) would result in a monopoly, or would be in furtherance of any combination or conspiracy to monopolize or attempt to monopolize the business of banking; or that (2) may substantially lessen competition or tend to create a monopoly or be in restraint of trade in any banking market, unless the Board finds that such anti-competitive effects are clearly outweighed by the convenience and needs of the community to be served.

As part of its analysis of 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 and/or an interlocking director/officer relationship were established between the subject bank and one or more of the other banks in the same market.[5] When Applicant's principals acquired control of Bank in 1977, one of Applicant's principals also held the above described interest in Leitchfield Bank, and served as an officer and/or a director of Leitchfield Bank. Together, Bank and Leitchfield Bank controlled, as of December 1977, total deposits of $25.6 million, representing approximately 38.2 percent of total deposits in the market. The Board finds that the effect of Bank's acquisition by Applicant's principals was to eliminate significant competition that existed at that time between Bank and Leitchfield Bank, increase the concentration of banking resources within the Grayson County banking market, and eliminate an independent banking competitor in the market.

In the Board's view, the subject proposal involves the use of the holding company form to further an anticompetitive arrangement. On the basis of all the facts of record, including the sizes of the organizations involved, and their collective position in the relevant market,[6] the Board concludes that this proposal should be denied since approval of this application would serve to perpetuate a substantially adverse competitive situation.

As part of the subject proposal, Applicant would assume the debt incurred by Applicant's principals in acquiring shares of Bank and would issue preferred stock with debt-like characteristics. Applicant proposes to service this debt over a 12-year period. In the Board's view, Applicant's financial projections over the debt-retirement period appear to be somewhat optimistic and, in light of all the facts of record, it does not appear that the financial factors provide any weight for approval of the application.

No significant changes in Bank's operations or in the services offered to its customers are anticipated to follow from consummation of the proposed acquisition. Consequently, convenience and needs factors lend no weight toward approval of this application.

On the basis of the facts of record, and in light of the factors set forth in section 3(c) of the Act, it is the Board's judgment that consummation of the proposal to form a bank holding company would not be in the public interest and that the

3. The Board notes that the Supreme Court has indicated that the competitive effects of a proposed merger or acquisition should be judged in a localized market. However, the Court has stated that "the proper question is not where the parties to the merger do business or even where they compete, but where, within the area of competitive overlap, the effect of the merger on competition will be direct and immediate." *United States* v. *Philadelphia National Bank*, 374 U.S. 321 (1963). In determining the extent of this area, the Supreme Court sought to delineate the area in which bank customers that are neither very large nor very small find it practical to do their banking business. *United States* v. *Philadelphia National Bank, supra.* See also, *First State Bancorporation*, 65 Federal Reserve Bulletin 256 (1979).

4. The Board notes that Bank's advertising is not directed toward any specific area in Grayson County.

5. See the Board's Order denying the application to become a bank holding company of Mahaska Investment Company, 63 Federal Reserve Bulletin 579 (1977) and the Board's Order denying the application to become a bank holding company by Citizens Bancorp, Inc., 63 Federal Reserve Bulletin 1083 (1977).

6. As of June 1978, the two banks together held 38.6 percent of the market's total commercial bank deposits.

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application should be and is hereby denied for the reasons summarized above.

By order of the Board of Governors, effective August 13, 1979.

Voting for this action: Vice Chairman Schultz and Governors Wallich, Coldwell, Partee, Teeters, and Rice. Absent and not voting: Chairman Volcker.

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

Central Wisconsin Bankshares, Inc.,
Wausau, Wisconsin

*Order Approving Acquisition of Bank*

Central Wisconsin Bankshares, Inc., Wausau, Wisconsin, 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 98.6 percent or more of the voting shares of Northern Security National Bank of Rhinelander, Pelican, Wisconsin ("Bank"), a proposed new bank.

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

Applicant, the twelfth largest commercial banking organization in Wisconsin, controls four banks with aggregate deposits of approximately $222.7 million, representing 1.2 percent of the deposits in commercial banks in the state.[1] Since this application involves the acquisition of a proposed de novo bank, consummation of the proposal would not immediately increase Applicant's share of deposits in commercial banks in Wisconsin, nor would it increase the concentration of banking resources in the state.

Bank is to be located in the Vilas-Oneida banking market,[2] in which a subsidiary bank of Applicant, Eagle River State Bank, Eagle River, Wisconsin ("Eagle River Bank"), ranks as the fifth largest of eight banks, controlling 10.5 percent of total market deposits. The proposed site of Bank is approximately 21 miles south of Eagle River Bank, Applicant's closest subsidiary bank. With respect to the competitive aspects of this proposal, Protestant asserts that consummation would substantially lessen competition in the relevant banking market and foreclose the likelihood of additional entrants into the market. Since Bank would be a de novo bank, Applicant's acquisition of Bank would not have any immediate effect on Applicant's market share, or eliminate any existing competition. Moreover, based upon all the facts of record, it is the Board's opinion that the projected economic and population growth within the market will support additional entrants, thereby assuring that consummation of the proposal would not foreclose future competition, preempt a banking site, or have any other adverse competitive consequences. Accordingly, competitive considerations are consistent with approval of the application.

Protestant also contends that Applicant lacks sufficient financial resources to consummate the subject proposal. The Board, however, regards the financial and managerial resources and future prospects of Applicant and its subsidiary banks as generally satisfactory.[3] Bank, as a proposed de novo bank, has no financial or operating history; however, its prospects as a subsidiary of Applicant appear favorable. Accordingly, considerations relating to banking factors are consistent with approval of this application.

Protestant claims that approval of this application would not be consistent with the convenience and needs of the community to be served. Under the proposal, however, Bank would be the only commercial banking facility located in a developing suburban shopping area, thereby providing a new and convenient full-service banking alternative for the residents of the community. Accordingly, it is the Board's judgment that consummation of the proposal would be in the public interest and that the application should be approved.

On the basis of the record, the application is approved for the reasons summarized above. The transaction shall not be made (a) before the thirtieth calendar day following the effective date of this Order or (b) later than three months after that

1. All banking data are as of June 30, 1978, and reflect bank holding company formations and acquisitions approved as of June 30, 1979.

2. The Vilas-Oneida banking market is approximated by all of Vilas and Oneida Counties, Wisconsin.

3. The Board notes that on July 16, 1979, Applicant fulfilled a capital commitment made in connection with its application to acquire Community State Bank.

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date, and (c) Bank shall be opened for business not later than six months after the effective date of this Order. Each of the periods described in (b) and (c) may be extended for good cause by the Board, or by the Federal Reserve Bank of Chicago, pursuant to delegated authority.

By order of the Board of Governors, effective August 6, 1979.

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

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

Citizens Ban-Corporation,
Rock Port, Missouri

*Order Approving Acquisition of Bank*

Citizens Ban-Corporation, Rock Port, Missouri, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire 95.3 percent of the voting shares of Farmers and Merchants Bank of Elmo ("Bank"), Elmo, Missouri.

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

Applicant, a one-bank holding company, controls The Citizens Bank of Atchison County ("Rock Port Bank"), Rock Port, Missouri. The acquisition of Bank would increase Applicant's share of total deposits in commercial banks in Missouri from 0.08 percent to 0.11 percent,[1] and would not have an appreciable effect on the concentration of banking resources in the state.

Bank, with deposits of $7.2 million, is the fourth largest of six commercial banks in its banking market and controls 5.5 percent of deposits in commercial banks in that market.[2] The proposed transaction is primarily a reorganization of existing ownership interests since Applicant is controlled by three individuals who also own 95.3 percent of the outstanding voting shares of Bank. Moreover, Bank and Rock Port Bank are located in separate banking markets, and consummation of this proposal would not eliminate any significant competition. Accordingly, competitive considerations are consistent with approval.

The financial and managerial resources and future prospects of Applicant, Rock Port Bank, and Bank are regarded as generally satisfactory, particularly in view of Applicant's commitment to raise additional equity capital of $337,500 prior to consummation of the proposal.[3] Accordingly, considerations relating to banking factors are consistent with approval of the application.

Although the proposed acquisition is essentially a restructuring of Bank's existing ownership interests, and consummation of the proposal would not result in an immediate change in the service provided by Bank, considerations relating to the convenience and needs of the community to be served are consistent with approval. Accordingly, it is the Board's judgment that the proposed acquisition is consistent with 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 and subject to the condition that the transaction shall not be consummated until Applicant has satisfied its capital commitment. In addition, the 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 Kansas City pursuant to delegated authority.

By order of the Board of Governors, effective August 24, 1979.

Voting for this action: Vice Chairman Schultz and Governors Wallich, Coldwell, Partee, Teeters, and Rice. Absent and not voting: Chairman Volcker.

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

1. All banking data are as of June 30, 1978.
2. The relevant banking market is approximated by Nodaway County, Missouri, and the southern one-third of Page County, Iowa.
3. On January 19, 1979, the Board denied an earlier application by Applicant to acquire Bank, based on financial considerations. *Citizens Ban-Corporation,* 65 FEDERAL RESERVE BULLETIN 162 (1979). Applicant's commitment to raise additional equity capital has sufficiently strengthened Applicant's financial resources and future prospects to permit approval of this application.

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County National Bancorporation,
Clayton, Missouri

T.G.B. Co.,
St. Louis, Missouri

*Order Denying Acquisition and Formation of Bank Holding Companies*

County National Bancorporation ("County National"), Clayton, Missouri, a bank holding company, has applied for the Board's approval to acquire control of TG Bancshares, Co. ("TG"), St. Louis, Missouri, an unaffiliated bank holding company. This would be accomplished by the merger of TG into County National's subsidiary, T.G.B. Co., Clayton, Missouri, a nonoperating company formed to facilitate the proposed acquisition. T.G.B. Co. has applied to become a bank holding company as a result of this transaction. Both applications were filed pursuant to section 3(a) of the Bank Holding Company Act (12 U.S.C. § 1842(a)).

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)).

County National, the tenth largest banking organization in Missouri, controls five banks with aggregate deposits of approximately $333.7 million, representing 1.6 percent of the total deposits in commercial banks in the state.[1] TG, the thirteenth largest banking organization in Missouri, controls three subsidiary banks with aggregate deposits of approximately $225.6 million, representing 1.1 percent of the total commercial deposits in the state. Upon consummation of the proposed acquisition, County National will become the seventh largest banking organization in the state with 2.7 percent of total statewide commercial bank deposits. By combining the tenth and thirteenth largest banking organizations, the proposal would have an effect on the concentration of banking resources in the state that is not insignificant.

Four of County National's five subsidiary banks and all three subsidiary banks of TG operate in the St. Louis banking market.[2] County National's four subsidiaries, with total deposits of $315.6 million or 3.2 percent of the market total, and TG's subsidiaries, with total deposits of $225.6 million or 2.3 percent of the market total, are, respectively, the sixth and tenth largest banking organizations in the St. Louis banking market. The proposed merger would increase County National's share of total market deposits to 5.6 percent, and County National would become the fourth largest banking organization in the market.

Because the effects on competition of eliminating a direct viable competitor from a market are more immediately felt and less subject to future uncertainties, the Board believes proposals involving the elimination of existing competition require particular scrutiny and care. In the past the Board has authorized combinations of relatively substantial competitors in various markets when it was persuaded that the effects of the combinations would be minimal, that offsetting benefits of value were likely to be achieved, or that less anticompetitive means of expansion were not reasonably available to the organizations. It is the Board's view that a proposed combination of two banking organizations that are direct competitors of similar orientation within a metropolitan market and are both of a size to have achieved economies of scale and have management, or sufficient resources to attract capable management, that will permit each to continue independently as an aggressive competitor in that market, normally would have serious anticompetitive effects and should not be approved except in compelling circumstances.

The increase in concentration of banking resources in the St. Louis banking market resulting from consummation of this proposal is of some concern to the Board. However, of even more concern is the degree to which County National and TG are direct and immediate competitors in the market. Both are relatively large banking organizations in the competitive context of that market, fairly matched in strength and each is well represented by a sizable lead bank subsidiary. In addition, both County National and TG are largely oriented to the provision of a similar range of commercial banking services, and have both demonstrated the inclination and ability to compete

1. Unless otherwise noted, banking data are as of June 30, 1978, and reflect holding company acquisitions approved through April 25, 1979.

2. The St. Louis banking market is approximated by the St. Louis Ranally Metropolitan Area ("RMA"), which includes the city of St. Louis and St. Louis County, portions of Franklin, Jefferson, Lincoln, and St. Charles Counties in Missouri, and portions of Jersey, Macoupin, Madison, Monroe, and St. Clair Counties in Illinois.

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effectively for a similar range of customers for those services.[3] Under the circumstances the Board believes that a significant beneficial competitive influence within the St. Louis market would be lost by the combination of these two competitors.[4] Furthermore, the proposed merger would result in the elimination of a lead bank and its independent holding company organization from the market, foreclosing the possibility of increased competition between County National and TG in the future that could result in greater benefits to the public and the customers served by each organization. In view of the nature of the competitors involved, their respective positions in the market, and other facts of record, the Board concludes that the competitive effects of the proposed merger are so seriously adverse as to warrant denial of these applications.

Considerations of the financial and managerial resources and future prospects of Applicants, TG, and their subsidiaries are regarded as generally satisfactory and consistent with approval. However, the Board believes the proposed merger would not result in any significant or necessary enhancement of the resources or prospects of the organizations.

Moreover, the Board finds in this proposal no sufficiently important benefits to the convenience and needs of the communities to be served to warrant approval. With a few exceptions the Board considers of minor significance, the justification advanced for this merger is essentially premised on the proposition that as a larger organization County National may provide services larger organizations in the market typically provide. This is an argument that can be advanced in defense of all mergers and acquisitions that do not involve a market's largest organization, and the Board does not consider it a compelling consideration in this case where the banking organizations to be combined are already among the market's largest and most capable competitors. Accordingly, the Board finds considerations relating to the convenience and needs of the community to be served are insufficient to outweigh the anticompetitive effects that would result from consummation of this proposal. Based upon the foregoing and other considerations reflected in the record, it is the Board's judgment that consummation of the proposed transaction would not be in the public interest and the applications are hereby denied.

By order of the Board of Governors, effective August 27, 1979.

Voting for this action: Governors Wallich, Coldwell, Teeters, and Rice. Voting against this action: Vice Chairman Schultz and Governor Partee. Absent and not voting: Chairman Volcker.

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

3. The combined organization, with $541.2 million in deposits, would displace Commerce Bancshares, Inc. ("Commerce"), Kansas City, Missouri, which holds market deposits of $459.1 million, as the fourth largest banking organization in the St. Louis banking market. Commerce assumed that position upon its merger with Manchester Financial Corporation ("Manchester"), St. Louis, Missouri, which the Board approved in 1978. 64 FEDERAL RESERVE BULLETIN 576 (1978). The Board concluded that merger would not have eliminated significant competition. The Commerce merger, however, did not involve, as does the present proposal, banking organizations comparably balanced and poised as natural competitors for the same range of business within the market. Both organizations in this case are active, successful, and aggressive competitors in the market, and the combined organization that would result from the present proposal would not only be somewhat larger than Commerce in the St. Louis market, even allowing for the divestiture of Continental Bank & Trust Company, but it would combine two banks in the market significantly larger than any bank involved in the Commerce merger. St. Louis County Bank (Applicant's lead bank) is the market's fourth largest bank, with $258.5 million in deposits, and Tower Grove Bank and Trust Co. (TG's lead bank) has $171.3 million in deposits and is the sixth largest bank in the market. In contrast, the largest of Commerce's banks in the St. Louis market before the merger, Commerce Bank of University City, now has deposits of only $55.9 million, and Manchester Bank, which was Manchester's lead bank, has deposits of $127.6 million. Finally, Commerce from its market base of eight relatively small retail bank subsidiaries, had attempted for some years without success to establish de novo an effective presence in the midtown commercial area and in the wholesale banking business in which Manchester Bank was principally engaged. But for the Board's perception that complementary weaknesses inhibited Commerce and Manchester, as independent organizations, from realizing their potential as effective competitive forces in the market, the Board might have viewed the competitive implications of that merger differently.

4. Applicants have agreed, if required by the Board, to divest within one year after the merger Continental Bank & Trust Company, TG's subsidiary most clearly and immediately positioned to attract small customers from County National's lead bank. However, this bank accounted for only 7.5 percent of the combined organization's assets at year-end 1978, and its divestiture would not materially alter the Board's assessment of the competitive effects of this proposal.

FirstBancorp, Inc.,
New Haven, Connecticut

*Order Approving Acquisition of Banks*

FirstBancorp, Inc., New Haven, Connecticut, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire 100 percent of the voting shares (less directors' qualifying shares) of New Britain Bank and Trust Company, New Britain, Connecticut ("New Britain Bank"),

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and The Terryville Trust Company, Plymouth (P.O. Terryville), Connecticut ("Terryville Bank"), both of which are presently wholly-owned subsidiaries of The Connecticut BancFederation, Inc., Hartford, Connecticut ("BancFederation").[1]

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. The time for filing views and recommendations 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, a one-bank holding company by virtue of its control of First Bank ($407.5 million in deposits), is the eighth largest banking organization in Connecticut and controls approximately 4.5 percent of total commercial bank deposits in the state.[2] BancFederation, the eleventh largest commercial banking organization in Connecticut, with three subsidiary banks (aggregate deposits of $111.6 million), controls approximately 1.4 percent of total commercial bank deposits in the state. Consummation of the overall proposal will increase Applicant's share of commercial bank deposits in Connecticut to approximately 6.0 percent and will make Applicant the seventh largest banking organization in the state, without having any significant adverse effect upon the concentration of banking resources in Connecticut.

BancFederation's subsidiaries are all located in the Hartford banking market[3] and it currently ranks as the fourth largest commercial banking organization in the market, controlling 4.1 percent of market deposits.[4] The Hartford banking market is highly concentrated since the two largest banking organizations, Hartford National Corporation and CBT Corporation, control 73.4 percent of total commercial bank deposits and operate 69 offices in the market. The third largest banking organization in the market, (First Connecticut Bancorp, Inc.), controls 9.4 percent of market deposits and operates 27 offices in the market. New Britain Bank, operating seven offices in the market, and Terryville Bank, operating five offices in the market, respectively, the fifth and eighteenth largest of 27 banks located in the relevant market, hold respectively only 2.4 and 0.6 percent of the market's commercial bank deposits. Although the nearest branch office of Applicant's banking subsidiary is located 11.5 miles from a BancFederation subsidiary's branch office, Applicant's subsidiary operates in the New Haven banking market,[5] and has no branch office within the Hartford market. Therefore, since Applicant's subsidiary and BancFederation's subsidiaries operate in separate markets, no significant existing competition will be eliminated upon consummation. With respect to potential competition, it appears that Applicant has the capability of entering the Hartford banking market through de novo branching into any of the open towns in the market.[6] Therefore, Applicant's entry into the Hartford market through acquisition instead of de novo branching would have a slightly adverse effect on probable future competition. However, the slightly adverse effects of the proposal are mitigated by the fact that the proposed acquisition could have a procompetitive effect by strengthening a medium-sized competitor in the highly concentrated Hartford banking market, and since after consummation of the proposal there would still remain other points of entry into the Hartford market. Thus, on the basis of the foregoing and all the facts of record, it is the Board's judgment that the overall competitive effects of the proposal are consistent with approval.

The financial and managerial resources and future prospects of Applicant, its subsidiary bank, New Britain Bank, and Terryville Bank are regarded as generally satisfactory, particularly in

1. In addition to the subject acquisitions, Applicant proposes to merge its subsidiary bank, First Bank, New Haven, Connecticut ("First Bank"), with BancFederation's other subsidiary bank, The Guaranty Bank and Trust Company, Hartford, Connecticut ("Guaranty Bank"). Upon consummation of that merger, which is subject to FDIC approval, First Bank will acquire the assets and assume the deposits and certain other liabilities of Guaranty. In light of the total proposal and since Applicant considers the merger of First Bank with Guaranty Bank and its acquisition of New Britain Bank and Terryville Bank integrated and contractually inseparable, the analyses of competitive and banking factors take into account the overall transaction.

2. All state banking data are as of September 30, 1978, and reflect bank holding company formations and acquisitions approved as of June 30, 1979.

3. The Hartford banking market includes the Hartford SMSA, the New Britain SMSA, and the towns of Somers, Ashford, Lebanon, and Barkhamsted.

4. All market data are as of June 30, 1977, unless otherwise indicated. BancFederation's subsidiaries are New Britain Bank ($68.6 million in deposits), Terryville Bank ($17.3 million in deposits), and Guaranty Bank ($31.8 million in deposits), as of March 31, 1979.

5. The New Haven banking market is contiguous with the Hartford market's southern boundary.

6. Connecticut law permits statewide branching by commercial banks except in "closed" towns, which are towns where another commercial bank has its home office. Although Hartford itself is closed, 33 of the 48 towns and cities in the Hartford market are open, including nine open towns in the immediate vicinity of Hartford.

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light of certain commitments made by Applicant. Moreover, Applicant appears to have the ability to offer assistance to Guaranty Bank to enable Guaranty Bank to become a more meaningful banking alternative in the market. To insure that bank holding companies serve as sources of strength to subsidiary banks, the Board generally expects an applicant proposing to acquire a bank to be able to retire its acquisition debt within 12 years. Although Applicant's debt-retirement schedule extends beyond 12 years, based upon financial projections and historical performance, it appears that Applicant would have sufficient financial flexibility to retire its acquisition debt within 12 years while maintaining adequate capital ratios in its subsidiary banks. Thus, banking factors lend weight toward approval. Following consummation of the proposal, Applicant proposes to assist New Britain Bank and Terryville Bank in offering a variety of new services and expanding the scope of existing ones, so as to make such services uniformly available among all its subsidiaries. In addition, Applicant proposes to extend banking hours and increase the interest paid on time and savings deposits at New Britain Bank and Terryville Bank. Therefore, considerations relating to the convenience and needs of the communities to be served lend weight toward approval and, together with the financial considerations present in the subject proposal, are sufficient to outweigh whatever slightly adverse competitive effects are associated with the proposal. Accordingly, it is the Board's judgment that the proposed transaction would be consistent with 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 the effective date of this Order, unless such period is extended for good cause by the Board, or by the Federal Reserve Bank of Boston pursuant to delegated authority.

By order of the Board of Governors, effective August 10, 1979.

Voting for this action: Vice Chairman Schultz and Governors Coldwell, Partee, Teeters, and Rice. Present and abstaining: Governor Wallich. Absent and not voting: Chairman Volcker.

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

Otto Bremer Company,
St. Paul, Minnesota

*Order Approving Acquisition of Banks*

Otto Bremer Company, St. Paul, Minnesota, 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 from an affiliate the following stock interests in four Wisconsin banks ("Banks"): 60.9 percent of the voting shares of Union State Bank ("Amery Bank"), Amery, Wisconsin; 77.5 percent of the voting shares of Peoples State Bank ("Colfax Bank"), Colfax, Wisconsin; 91.1 percent of the voting shares of Farmers State Bank ("Frederic Bank"), Frederic, Wisconsin; and 92.7 percent of the voting shares of Washburn State Bank ("Washburn Bank"), Washburn, Wisconsin.

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)).

Applicant is a wholly-owned subsidiary of Otto Bremer Foundation ("Foundation"), St. Paul, Minnesota, a private foundation that now owns the shares Applicant proposes to acquire. The Otto Bremer organization controls 29 subsidiary banks located in Minnesota, North Dakota, and Wisconsin.[1] Foundation is the 32nd largest banking organization in Wisconsin, controlling the four banks that are the subject of this application. These banks have total deposits of approximately $72 million,

1. Section 3(d) of the Bank Holding Company act prohibits the approval of an application which will permit any bank holding company to acquire voting shares of an additional bank located outside of the state where the holding company's banking operations are principally conducted. The Board believes that approval of these applications is not barred by section 3(d), although Applicant's banking operations are principally conducted in Minnesota. Applicant and Foundation were organized by Otto Bremer 35 years ago and have functioned together as a single, integrated banking system. Mr. Bremer acquired dominant interests in Banks or their predecessor banks between 1917 and 1933, and Foundation held its interests in Banks in 1966, when it became a bank holding company by operation of law. Accordingly, no application is necessary for the retention by Foundation of those interests. It is the Board's opinion that Applicant and Foundation should be viewed as a single bank holding company system and that the proposed transactions, being an internal reorganization of that system, would have the effect of maintaining rather than expanding an existing interstate bank holding company, and would not represent the acquisition of any additional bank for purposes of section 3(d).

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representing 0.4 percent of the total deposits in commercial banks in the state.[2] The proposal represents a reorganization of the Otto Bremer group, designed to facilitate Foundation's compliance with provisions of the Internal Revenue Code applicable to private foundations. It does not appear that consummation of the transactions would increase the concentration of banking resources in any relevant area.

Banks are all located in separate banking markets in Wisconsin.[3] They hold the following positions in their respective markets:

| | Deposits | Percentage of commercial bank deposits | Rank among banking organizations |
|---|---|---|---|
| Amery Bank | $21 million | 12.8 | 2nd of 14 |
| Colfax Bank | 11 million | 1.7 | 18th of 21 |
| Frederic Bank | 19 million | 15.7 | 3rd of 5 |
| Washburn Bank | 20 million | 18.7 | 3rd of 4 |

Neither Applicant nor Foundation controls any other bank in any of the four markets relevant to this application, and section 3(d) of the Act prevents Applicant from acquiring any additional banks in the state. The Board concludes that the proposed acquisitions would have no adverse effects on competition.

The financial and managerial resources of Applicant, Foundation, their subsidiaries, and Banks are regarded as generally satisfactory. Restrictions of the Internal Revenue Code applicable to it inhibit Foundation from supporting Banks fully and actively, and this reorganization is part of a plan designed to resolve some of the difficulties those restrictions have caused. To that extent the future prospects of Banks are likely to be enhanced by consummation of this proposal. Accordingly, the Board considers that banking factors lend some weight toward approval of the applications.

Although Applicant does not propose that Banks will introduce any new services in connection with the proposed reorganization, considerations relating to the convenience and needs of the communities to be served are consistent with approval of the applications. Accordingly, the Board concludes that these acquisitions 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 transactions 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 Minneapolis pursuant to delegated authority.

By order of the Board of Governors, effective August 31, 1979.

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

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

Savings Banks Shares, Inc.,
Franklin, New Hampshire

*Order Approving*
*Formation of Bank Holding Company*

Savings Banks Shares, Inc., Franklin, New Hampshire, 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 93.8 percent or more of the voting shares of The Franklin National Bank ("Bank"), Franklin, New Hampshire.

Notice of the application, affording opportunity for interested persons to submit comments and views, has been given in accordance with section 3(b) of the Act. The time for filing comments and views has expired, and the Board has considered the application and all comments received, including those of protestants,[1] in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)).

Twenty New Hampshire mutual savings banks

2. All banking data are as of September 30, 1978.
3. The relevant markets are approximated by St. Croix County and the southern third of Polk County for Amery Bank; Eau Claire, Chippewa, and Dunn Counties for Colfax Bank; the northern two-thirds of Polk County and the western two-thirds of Burnett County for Frederic Bank; and, Ashland County and the eastern half of Bayfield County for Washburn Bank.

1. The protestants to the application are the New Hampshire Bankers Association ("NHBA") and the following New Hampshire banking organizations: Indian Head Banks, Inc. ("Indian Head"), Nashua; The Souhegan National Bank, Milford; Pemigewasset National Bank, Plymouth; and National Bank of Lebanon, Lebanon. No protestant to this application has requested a hearing.

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and one guaranty savings bank recently organized Applicant, each acquiring 4.76 percent of Applicant's shares, for the purpose of becoming a bank holding company by acquiring Bank. Bank holds total deposits of approximately $6.4 million, representing 6.2 percent of total deposits in commercial banks in the relevant banking market, and is the sixth largest of eight commercial banks in the market.[2]

In the past the Board has expressed concern that where a bank holding company is formed by shareholders, each of whom owns less than 5 percent of the bank holding company's shares, the shareholders' participation in the management or business of the bank holding company or its subsidiary bank might be so extensive as to support the conclusion that each shareholder is engaging as an entrepreneur in the business of the other company or bank. In this instance there is no evidence that any savings bank-shareholder would exercise control or a controlling influence over Applicant, and the Board finds that no individual savings bank-shareholder of Applicant would be engaging as an entrepreneur in the business of Applicant or Bank.[3] Furthermore, the Board finds that the savings bank-shareholders would not be engaged collectively as an entrepreneur in the business of Applicant or Bank, since there is no evidence indicating the existence of a "formalized structure" for control that might cause them collectively to be considered a "company" within the meaning of section 2(b) of the Act and consequently, because together the savings bank-shareholders own more than 25 percent of Applicant's shares, a bank holding company.[4] In this regard, Applicant has submitted its application subject to the following conditions, the first three of which are similar to those the Board has previously imposed in approving similar applications:[5]

1. That no savings bank will hold more than 5 percent of Applicant's voting shares;

2. That Applicant's shareholders will not participate in the business of Applicant or Bank except to the extent of voting as shareholders of Applicant;

3. That Applicant's shareholders will not enter into any formal or informal agreements or understandings among themselves, or between or among any two or more of them, concerning the manner in which they may vote their shares of Applicant; and

4. That no management official of any savings bank-shareholder located within the Laconia banking market will serve as a management official of Applicant or Bank.

On the basis of these conditions and other facts of record, the Board concludes that no savings bank-shareholder of Applicant would become a bank holding company upon consummation of the proposed transaction, and it appears that no combination of them would constitute a company as defined in section 2(b) of the Act.[6]

As noted, the Board has received comments opposing this proposal, on competitive, managerial, and legal grounds. NHBA and several of the protesting banking organizations chiefly contend that consummation of the proposal would lead to a decrease in the willingness of Bank to compete with other commercial banks in the provision of commercial banking services similar to those services provided by savings banks, and would lessen competition between Bank and other commercial banks in the provision of commercial banking services, such as correspondent services, to savings banks. NHBA also contends that because bank holding companies may not acquire shares of a savings and loan association, savings banks should not be permitted to acquire shares of banks or bank holding companies.

NHBA has also challenged several aspects of Applicant's managerial resources. NHBA principally argues that the savings bank-shareholders are so decentralized they cannot provide Applicant

2. The relevant banking market is approximated by the Laconia banking market, which is comprised of Belknap County, except for the town of Barnstead and part of Alton, plus the city of Franklin and the towns of Northfield, Andover, and Hill in Merrimack County, and the towns of Bristol, Ashland, and Holderness in Grafton County. All banking data are as of September 30, 1978.

3. Under section 2(a) of the Act, a company owning or controlling, directly or indirectly, less than 5 percent of the voting securities of a bank or company may not be held to have control over that bank or company unless that it is found, after notice and opportunity for hearing, to exercise a controlling influence over the bank or company.

4. For a discussion of considerations involved in determining whether a group of unaffiliated noncontrolling shareholders of a proposed bank holding company constitutes a "company" within the meaning of section 2(b), see the Board's Order of August 21, 1979, approving an application by WISCUB, Inc., Milwaukee, Wisconsin, to become a bank holding company, 65 FEDERAL RESERVE BULLETIN 773 (1979).

5. See, *e.g.*, *SYB Corporation*, 63 FEDERAL RESERVE BULLETIN 587 (1977).

6. Should the Board have reason to believe at any future time that Applicant's savings bank-shareholders, or any of them, are not acting independently of each other, or that its conclusions should be reexamined for some other reason, or that additional conditions should be imposed, it will take appropriate steps to ensure that the regulatory purposes of the Act are not evaded.

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with appropriate managerial guidance; that Applicant's principals violated federal securities laws in making their initial offering for Bank's shares and this reflects so adversely on Applicant's managerial resources as to require denial of the application; and that Applicant's managerial resources are deficient in that Applicant has not named Bank's new chief executive officer.[7]

While the Board is concerned about the competitive issue raised by the protests,[8] on balance the Board finds that this acquisition would not result in a significantly adverse effect on competition between Bank and the savings bank-shareholders of Applicant in any relevant market.[9] Bank and four of Applicant's savings bank-shareholders operate in the Laconia banking market.[10] Each of these four shareholders owns 4.76 percent of Applicant's voting shares and none of them will share any management officials with Bank.

Since the individual savings banks located in the market would not control or be capable of controlling Bank, Bank would continue to operate as an independent competitor in the Laconia banking market. Consummation of the proposal would not eliminate an existing competitor within that market.[11] To the extent commercial banks and savings banks compete, the transaction may, in fact, enhance competition between Bank and one of the savings bank-shareholders in the Laconia market, Franklin Savings Bank. Until July 1, 1973, Bank was wholly owned by Franklin Savings Bank and the two did not compete. Since that time there has been some increased competition between them, but Franklin Savings Bank continues to be Bank's largest shareholder, holding 24.76 percent of Bank's voting shares. Upon consummation of this proposal, Franklin Savings Bank would surrender its interest in Bank in exchange for less than 5 percent of Applicant's shares.

NHBA has also contended that consummation of the proposal would lessen competition between Bank and other commercial banks in the provision of commercial banking services to savings banks. This might in fact be the result if Bank were to operate as a captive source of correspondent services for Applicant's shareholders or engage in unfair pricing. However, Applicant has stated, and the Board requires as a condition of this Order, that each savings bank-shareholder will remain entirely free to contract for correspondent services from any available source, and no shareholder will be required or expected to take any service or any combination of services from Bank. The Board further requires Applicant to ensure that Bank will not limit the availability of its services or the terms on which they are offered on any basis or in any manner that might tend to discriminate between institutions that are shareholders of Applicant and those that are not. Subject to those conditions, it appears more likely that Applicant's acquisition of Bank may have a positive competitive effect as a result of Bank's introduction as an aggressive competitor for services performed by commercial

7. In addition, Indian Head has challenged the legality of the proposal under New Hampshire law, contending that the acquisition of more than 25 percent of the capital stock of a national bank or a New Hampshire bank holding company by a combination of savings banks would violate state law which provides that "the amount of capital stock held by any state chartered bank . . . shall not exceed one-fourth of the total capital stock of such New Hampshire bank holding company." *N.H. Rev. Stat. Ann.* § 387.13. That section also contains a parallel limitation on ownership of a national bank's stock by any savings bank. Indian Head has not disputed Applicant's assertions that competent state authorities have adopted a contrary interpretation of the law and that Applicant's organizers were advised by the New Hampshire Banking Department that this transaction was permissible under state law. The Board considers the State Banking Department's interpretation of that law to be reasonable and believes this transaction will not violate New Hampshire law.

8. The Board also has serious concerns about the public policy implications of any combination of commercial banks and thrift institutions. These concerns were addressed in *D.H. Baldwin Company*, 63 FEDERAL RESERVE BULLETIN 280 (1977). However, as the Board has previously stated, that decision has only limited relevance to a transaction in which each shareholder acquires less than 5 percent of the voting shares of a bank holding company. *WISCUB, Inc.*, 64 FEDERAL RESERVE BULLETIN 40 (1978). In addition, the public policy of New Hampshire permits any savings bank, within specified prudential limits, to acquire a noncontrolling interest in a New Hampshire bank holding company. *N.H. Rev. Stat. Ann.* § 387.13. On balance, the Board concludes that the concerns it expressed in *D.H. Baldwin Company* do not require denial of this specific application.

9. Applicant has no operations or subsidiaries, so that apart from considerations relating to Applicant's shareholders, consummation of the proposed transaction would not have any adverse effect on existing or potential competition, nor would it increase the concentration of banking resources in any relevant area.

10. The four are Franklin Savings Bank, Franklin; Laconia Savings Bank, Laconia; Meredith Village Savings Bank, Meredith; and New Hampshire Savings Bank, Concord, which has a branch in Laconia. The remaining shareholders do not compete in the Laconia market, and competition among them is significantly limited by New Hampshire branching laws. *N.H. Rev. Stat. Ann.* § 384-B.

11. If greater weight is attached to the possible restraining influence of Applicant's association with savings banks in the Laconia banking market, the elimination of competition becomes a matter of greater concern. However, in evaluating competitive aspects of this proposal and in declining to deny this application, the Board has noted that Bank is a very small institution both in absolute terms and relative to other institutions in its market, and that Applicant has undertaken that its chief priorities will be the maintenance of Bank's capital adequacy and the reinvigoration of Bank as a competitor for retail banking services in the market.

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banks for savings banks. Accordingly, the Board concludes that the proposal involves no competitive effects that require denial of this application.

In acting upon applications, the Board must consider the managerial resources of the acquiring bank holding company, including all the factors that bear upon the competence, quality, and integrity of an applicant's management. NHBA's protest contends that the managerial resources of Applicant do not support approval of this application. NHBA argues that the initial offering letter by Applicant's principals contained material omissions constituting a violation of the federal securities laws, reflecting adversely on Applicant's managerial resources; that there is no identifiable chief executive officer for Bank; and that by limiting their active participation in Applicant's affairs, the shareholders are precluded from giving Applicant sufficient managerial guidance.

NHBA contends that the initial offering letter omits material facts without which the letter was misleading to holders of Bank's shares. Such omissions, according to NHBA, constituted a violation of federal securities laws, which violation, in turn, reflects so adversely on Applicant's management that the Board must deny this application.[12] However, on the basis of memoranda submitted by Applicant and NHBA, the offering letter itself, and appropriate consultation with staff of the Securities and Exchange Commission, the Board has concluded that the record contains no evidence establishing conduct on the part of Applicant's proposed management that could support an adverse finding with respect to this application.

NHBA also contends that Applicant's failure to name a new chief executive officer for Bank raises serious questions as to Applicant's managerial soundness, and that by assuming limited interests and limited roles, Applicant's shareholders will not give Applicant sufficient managerial direction. As stated, in recognition of the Board's concerns regarding their status under the Act, Applicant's shareholders will not participate in the business affairs of Applicant and Bank except to elect Applicant's directors and vote on other matters properly before the shareholders, without coordination among themselves.

The Board does not believe that either of these aspects of this proposal reflects adversely on Applicant's managerial resources. The management of a national bank's affairs and that of a New Hampshire corporation's business are committed by law to their respective directors, not to their shareholders. 12 U.S.C. § 71; *N.H. Rev. Stat. Ann.* § 294.89. Applicant's initial directors have been identified, as has the process for filling vacancies in Applicant's board of directors as they occur. The initial directors are experienced individuals with a background in financial management, and there is no basis in the record for concluding that these directors or future directors so chosen may not competently and honestly manage Applicant's business, or that they may not select experienced and capable officers.[13] On the basis of the record the Board finds that the managerial resources of Applicant and Bank are satisfactory.

Applicant would incur no debt incident to this proposal, and the Board regards the financial resources and future prospects of Applicant and Bank as satisfactory. The Board concludes that banking factors are consistent with approval of the application.

Applicant has indicated that upon consummation of its proposal it would make changes in the customer services provided by Bank. Among the new services Applicant intends to cause Bank to offer to the public are NOW accounts, IRA and Keogh accounts, money market certificates of deposit, payroll checking accounts, overdraft privileges and business and commercial loans secured by accounts receivable and inventories. In addition, Applicant expects to improve Bank's physical facilities. Bank would also function as a correspondent for thrift institutions, although this service would be phased-in on a gradual basis. Applicant has given assurances that such services will not be provided at the expense of Bank's capital adequacy, and that its implementation of these correspondent services will be slowed as necessary to maintain Bank as a sound financial institution at all times. Accordingly, considerations relating to the convenience and needs of the communities to be served lend weight toward approval of this application. Based upon the foregoing and other considerations reflected in the record, it is the

12. The Association also argues that this alleged securities law violation renders this proposal clearly contrary to the public convenience and needs of the community to be served.

13. The advance identification of proposed principal officers of an institution may, of course, be of critical importance in applications involving institutions having doubtful or deficient financial or managerial resources or future prospects. It may be impractical, however, for a company to employ a suitable chief executive for a bank, or to announce that individual's employment publicly, before it is known whether the company will be permitted to acquire the bank. In this case, Applicant has prescribed satisfactory intentions regarding its search for a qualified and experienced officer.

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Board's judgment that this application should be approved.

On the basis of the record and subject to the conditions recited in this Order, 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 the effective date of this Order unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Boston pursuant to delegated authority.

By order of the Board of Governors, effective August 21, 1979.

Voting for this action: Chairman Volcker and Governors Schultz, Wallich, Partee, Teeters, and Rice. Voting against this action: Governor Coldwell.

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

*Dissenting Statement of Governor Coldwell*

The Board has the flexibility under the Bank Holding Company Act to deny applications to form bank holding companies on the basis of the public interest as the Board perceives it. It is my opinion that the public interest requires that this application be denied.

First, I am concerned not only that this proposal violates principles the Board has established regarding affiliations between commercial banks and thrift organizations, but that approval may encourage other organizations to combine in order to accomplish an expansion of activities that would be impermissible to any one of them. In connection with an application by D. H. Baldwin Company to retain Empire Savings, Building and Loan Association,[1] the Board determined that the potentially adverse effects of generally allowing affiliations of banks and savings and loan associations are sufficiently strong to outweigh benefits that might result in individual cases. That decision should govern the disposition of this case, which would affiliate a bank holding company not only with one thrift institution but with two-thirds of all mutual savings banks in New Hampshire.

The sole purpose of this proposed affiliation is to permit the participating savings banks to obtain correspondent banking services that they cannot perform themselves directly. The proposal is not justified by the banking needs of the local customers Bank was chartered to serve. For reasons stated in the Board's *D. H. Baldwin Company* Order, I believe it is contrary to the public interest to permit commercial banks and separately regulated thrift institutions, by affiliation with one another through a bank holding company, to acquire and exercise wider powers than the law would otherwise allow them, and to blur distinctions established by law among those institutions. This principle precludes a savings bank from acquiring 25 percent of a bank holding company's voting shares, and there is no basis on which I can conclude that it is more in the public interest for 94 percent of those shares to be acquired by a combination of savings banks.

Second, I have earlier expressed my fundamental objections to domestic joint ventures by financial institutions,[2] and this case is a concrete illustration of the problem these joint ventures entail. The savings bank-shareholders in this case have agreed not to participate actively in the management of Applicant or to coordinate the exercise of their ownership rights among themselves. This agreement is not designed in any way to help Bank; its sole purpose is to attempt to position the shareholders artificially beyond the reach of the nonbank prohibitions of the Act and to frustrate the Board's legitimate scrutiny of their nonbank activities.

The Board has long insisted that bank holding companies be sources of strength to their subsidiary banks. But in this case the Board will permit the formation of a bank holding company that is likely not to be a source of strength, because of conditions limiting shareholder involvement. These conditions do not in any way serve the public interest but only weaken the organization's resources and prospects by fragmenting necessary responsibility and accountability for the enterprise.

I see no reason to be sympathetic to the dilemma Applicant's shareholders faced in devising this proposal. If they assumed active or joint management roles, the proposal would more clearly represent an impermissible combination of commercial banking with the operation of savings banks. By instead refraining from full participation in management, they handicap the resources and future prospects of Applicant and Bank to an extent that in my opinion would warrant denial of this application, without effectively curing the fundamental objection I have to control of commercial banks by thrift institutions.

1. 63 FEDERAL RESERVE BULLETIN 280 (1977).

2. *SYB Corporation*, 63 FEDERAL RESERVE BULLETIN 587, 589 (1977).

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Finally, I believe the effect of this proposal on competition in the Laconia banking market is incompatible with approval. If this proposal is consummated, Bank will be controlled by a group that includes four savings banks in the Laconia banking market, which together hold approximately 65 percent of time and savings deposits held by depository institutions in that market. To the extent that commercial banks and savings banks compete, consummation of this proposal would not only eliminate Bank as an independent competitor with three larger savings banks in the market, but would also effectively preclude the likelihood that Bank's existing savings bank affiliation may be broken in the future.

Empirical studies have established to my satisfaction that New Hampshire commercial banks affiliated with mutual savings banks in that state have not operated as independent competitors, but have significantly restricted their participation in the residential real estate and time and savings deposits market.[3] In the face of that evidence, which includes surveys of commercial banks associated with mutual savings banks by very small shareholdings and relatively few common officers and directors, I believe this proposal to form a bank holding company wholly controlled by savings banks and drawing its officers and directors almost exclusively from the management of savings banks will necessarily have at least an adverse effect on competition in the Laconia banking market.

In this connection, I draw little comfort from Applicant's representations that it will not obtain management officials from savings banks operating in the local market, and I do not attach importance to Applicant's argument that the savings bank-shareholders operating outside that market would have no motive to restrain Bank from offering services similar to those offered by savings banks in the market. The first representation is little more than Applicant's affirmation that it will comply with laws prohibiting management interlocks among unaffiliated local depository institutions, without which this application could not be properly considered. With respect to the savings bank-shareholders operating outside the market, to me the crucial fact is that, so long as they are able to secure a captive source of correspondent services for themselves, there is little incentive for them to encourage Bank to be a vigorous competitor in the local market for other banking services.

For the foregoing reasons, I would deny this application.

August 21, 1979

3. Eisenbeis and McCall, "The Impact of Legislation Prohibiting Director-Interlocks Among Depository Financial Institutions," 2 *Journal of Banking and Finance* 323 (1978); Eisenbeis and McCall, "Some Effects of Affiliations Among Mutual Savings and Commercial Bank," 27 *Journal of Finance* 865 (1977).

Thomson Investment Company, Inc.,
Savanna, Illinois

*Order Approving Retention of Bank Shares*

Thomson Investment Company, Inc., Savanna, Illinois, 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 retain 56 voting shares of Thomson State Bank ("Bank"), Thomson, Illinois.

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 Bank Holding Company 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, a one-bank holding company,[1] owns 54.8 percent of the outstanding voting shares of Bank. From 1973 through June 1977, Applicant acquired 56 shares of Bank, representing 11.2 percent of the outstanding voting shares of Bank, without the prior approval of the Board in violation of the Act and the Board's Regulation Y. Applicant now seeks the Board's approval to retain these shares.[2]

Bank (approximately $4.2 million in deposits) is one of the smaller commercial banks in Illinois, holding approximately 0.01 percent of total commercial bank deposits in the state.[3] Bank is the smallest of eleven banking organizations in the relevant banking market,[4] holding approximately

1. Applicant is engaged in certain nonbanking activities that are subject to 10-year grandfather privileges.

2. Additionally, in June 1977, Applicant redeemed 40 of its shares, representing more than 10 percent of Applicant's net worth, without giving prior notice to the Federal Reserve Bank of Chicago as required by section 225.6(a) of Regulation Y (12 C.F.R. § 225.6(a)). Applicant has requested approval to retain these shares.

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

4. The relevant banking market is the Clinton Area banking market, which is approximated by Clinton County, Iowa, excluding the northern portion of the county lying within an

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1.7 percent of total commercial bank deposits in the market. Since Applicant has no other banking subsidiaries and since the proposal involves only the retention of shares of Bank, which at all times pertinent hereto was controlled by Applicant, approval of the application will not result in any adverse effects on existing or potential competition, nor increase the concentration of banking resources in any relevant area.[5] Thus, competitive considerations are regarded as consistent with approval of the application.

Where principals of an applicant are engaged in operating a chain of banking organizations, the Board, in addition to analyzing the one-bank holding company proposal before it, also considers the total chain and analyzes the financial and managerial resources and future prospects of the chain within the context of the Board's multi-bank holding company standards. Based upon such analysis in this case, the financial resources and future prospects of Applicant and Bank appear to be satisfactory.

Under section 3 of the Bank Holding Company Act, the Board must consider the managerial resources of an applicant and a bank to be acquired. As indicated above, the subject application is an after-the-fact request for the Board's approval to retain shares of Bank that were purchased without the prior approval of the Board; Applicant has also requested approval to retain shares of Applicant that were redeemed in violation of Regulation Y. Upon examination of all the facts surrounding the violations, the Board concludes that the violations do not warrant denial of the application. In acting upon the application, the Board has taken into consideration the fact that Applicant promptly filed this application after the violations were brought to its attention and that Applicant's management has taken action to prevent violations from occurring in the future, including the initiation of an affirmative program under the direction of one of its officers to ensure compliance with the Act and Regulation Y. The Board expects that these actions will assist Applicant in avoiding future violations. In consideration of the above and other information in the record evidencing Applicant's intent to comply with the requirements of the Bank Holding Company Act and Regulation Y, the Board has determined that the circumstances of the violations do not reflect so adversely on the managerial factors as to warrant denial of this application.

Thus, banking factors are regarded as consistent with approval of the application. Although there will be no immediate increase in the services offered by Bank, convenience and needs considerations are regarded as consistent with approval. It is the Board's judgment that retention of the subject shares is consistent with the public interest and that the application should be approved.

On the basis of the record, the application to retain shares of Bank, as well as the request to retain the redeemed shares of Applicant, is approved for the reasons summarized above.

By order of the Board of Governors, effective August 17, 1979.

Voting for this action: Chairman Volcker and Governors Schultz, Wallich, Coldwell, Partee, Teeters, and Rice.

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

eight-mile radius of Maquoketa, Iowa, and including the area in Illinois immediately across the Mississippi River from Clinton County.

5. Principals of Applicant are also principals of other banks located in Illinois, Iowa, and Indiana. Each of these banks competes in a separate market from Bank.

WISCUB, Inc.,
Milwaukee, Wisconsin

*Order Approving Formation of WISCUB, Inc., a Bank Holding Company*

On December 30, 1977, the Board approved the application of WISCUB, Inc. ("WISCUB"), Milwaukee, Wisconsin, to become a bank holding company by acquiring approximately 86 percent of the voting shares of Cleveland State Bank ("Bank"), Cleveland, Wisconsin.[1] WISCUB's application had been protested by the Wisconsin Bankers Association ("WBA"), which subsequently petitioned for judicial review of the Board's Order.

On October 27, 1978, the United States Court of Appeals for the District of Columbia Circuit remanded the matter of WISCUB's application to the Board for further development of evidence regarding the managerial resources of WISCUB and a possible control relationship between the Wisconsin Credit Union League ("WCUL") and WISCUB.[2] In response to the Court of Appeals'

1. 64 FEDERAL RESERVE BULLETIN 40 (1978).

2. *Wisconsin Bankers Association* v. *Board of Governors of the Federal Reserve System*, No. 78-1083 (D.C. Cir. Oct. 27, 1978), unreported.

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remand, the Board directed WISCUB to supplement the record with information on these issues and afforded WBA the opportunity to comment on these issues and on WISCUB's submissions. The Board has reexamined the record on the application, including the submissions of WISCUB and WBA following the remand and, based upon that review, makes the following findings as to the facts, and the conclusions drawn therefrom.

1. *Background*

WISCUB was originally organized by WCUL to acquire Bank (deposits of $7.9 million as of March 31, 1979) for the stated purpose of providing better and more efficient service to the financial and banking needs of Wisconsin credit unions. WISCUB is wholly owned by 173 of WCUL's credit union members, no one of which owns or controls 5 percent or more of WISCUB's outstanding voting shares.

Under the proposal originally presented to the Board, the credit union-shareholders agreed to enter into a voting trust agreement with WCUL, designating WCUL as voting trustee for the shares of WISCUB. WISCUB's board of directors was to be made up of the members of the executive committee of the WCUL board of directors, and the chief executive officer of WCUL was to serve as president of WISCUB. Each credit union-shareholder, however, was to retain the right to direct the voting of its shares of WISCUB's stock.

WBA vigorously protested the application on the grounds that (1) consummation of the proposal would be anti-competitive; (2) approval of the application would be inconsistent with the Board's finding in *D. H. Baldwin Company*, 63 FEDERAL RESERVE BULLETIN 280 (1977), that a bank holding company may not acquire a savings and loan association or similar thrift institution; and (3) the credit unions and WCUL would constitute an illegal bank holding company. WBA also requested a formal hearing on the application.

On December 30, 1977, the Board denied WBA's request for a hearing and approved WISCUB's application. The Board conditioned its approval upon the selection of a bona fide independent trustee for the voting trust and upon WCUL's refraining from any role by any means in the management of Bank or WISCUB. These conditions were imposed because the Board was of the view that the trade association might exercise control over WISCUB's and Bank's management and that the shareholders of WISCUB (united through both a voting trust agreement and common membership in the trade association that would serve as trustee for the voting trust) might constitute a bank holding company under the Bank Holding Company Act of 1956, as amended (the "Act"). The Board also felt that, since the voting trustee was to be a trade association of credit unions, the trade association's responsibilities to its 650 credit union members might conflict with its trustee responsibilities to the 173 credit union beneficiaries of the voting trust.

In response to the Board's conditions for approval, WISCUB notified the Board, by letter dated January 5, 1978, that the entire voting trust arrangement had been eliminated from the proposal and that each credit union-shareholder of WISCUB would vote its own shares. WISCUB also advised the Board that WISCUB had amended its by-laws to prohibit any director or employee of WCUL from serving as a director or officer of WISCUB, and that its directors would instead be selected from among the officers, directors or members of its credit union-shareholders.

On January 27, 1978, WBA requested that the Board stay and reconsider its Order. WBA also filed a petition for judicial review of the Board's Order in the Court of Appeals. On February 1, 1978, the Board denied WBA's request for a stay; and, on March 2, 1978, the Board denied petitioner's request for reconsideration.

On October 27, 1978, the Court remanded the case to the Board, after finding WBA's arguments meritorious with respect to two aspects of the Board's December 30, 1977 Order. Because WISCUB had eliminated the trust altogether, rather than comply with the Board's condition to select a bona fide independent voting trustee, the Court found the administrative record inadequate to demonstrate whether the Board had given consideration to the implications of WISCUB being operated without a voting trust agreement. The Court found it was possible that, in the absence of an independent voting trustee, WISCUB would be controlled in fact by WCUL as the only centralized policy-making body of the credit union-shareholders, thus frustrating the Board's condition that WCUL not participate in any way in WISCUB's management. The Court further instructed the Board to consider whether, if WCUL did not exercise de facto control over WISCUB, WISCUB would be operated without centralized direction and would therefore function less efficiently than contemplated by the Board when it conditioned approval upon selection of an independent voting trustee. The Court also concluded that, by excluding WCUL officers and directors from serving WISCUB in any capacity, the Board

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had approved WISCUB's application without evidentiary support in the record with respect to WISCUB's managerial resources.

In response to the Court's remand, the Board requested WISCUB to submit information regarding WISCUB's current officers and directors, including all the information on managerial resources requested by the Board's bank holding company application form, to describe how these officers and directors had been selected and would be selected in the future, and to comment upon the legal and practical effects of the elimination of WISCUB's voting trust arrangement and the substitution of an arrangement under which each WISCUB credit union-shareholder votes its own shares. The Board also asked WISCUB to respond to a series of specific questions, posed by WBA, regarding WCUL's continued involvement, if any, in WISCUB's affairs, the operation of WISCUB in the absence of the voting trust, the procedures for handling WISCUB's shareholder matters, and the process for selecting officers and directors for WISCUB and Bank. The Board afforded WBA opportunity to comment upon these issues and upon WISCUB's submissions. WBA fully availed itself of this opportunity. As indicated, the Board also directed WISCUB to answer specific questions raised by WBA concerning the remand issues.

2. *WISCUB's managerial resources*

In response to the Board's request, WISCUB submitted the information requested in the Board's bank holding company form regarding the managerial resources of an applicant, including biographical data on each of WISCUB's officers and directors. WISCUB stated that each of its current five directors was elected to a one-year term of office by direct election by its credit union-shareholders. These directors also serve as WISCUB's officers. WISCUB has assured the Board that at each future annual meeting of WISCUB, each of its directors and officers will be subject to election by the same procedure and will be drawn from the officers, directors, and employees of WISCUB's credit union-shareholders. The record shows that each current director and officer of WISCUB is an officer of one of WISCUB's credit union-shareholders and has held long-term full-time employment as an officer of a credit union; that each has substantial financial experience and is responsible, knowledgeable, and capable of providing direction and leadership to WISCUB; and that none of these individuals is affiliated with WCUL. The Board is also of the view that the pool of managerial talent available to WISCUB from its credit union-shareholders is a positive factor in the Board's evaluation of the managerial resources of WISCUB. Indeed, in its post-remand submissions to the Board, WBA did not claim any inadequacy in WISCUB's managerial resources. On the basis of the record as amplified by submissions of WISCUB, WBA, WCUL and the credit union-shareholders, the Board finds that WISCUB's managerial resources are satisfactory and consistent with approval of this application.[3]

3. *The relationship of WCUL to WISCUB*

As indicated, the Board's December 30, 1977 Order conditioned approval of the application upon a complete separation of WCUL from any role in the management of WISCUB. The Board believed such a separation could be accomplished by substituting an independent trustee for WCUL as the voting trustee. Because WISCUB eliminated the voting trust arrangement altogether, the Court of Appeals questioned whether, in the absence of an independent voting trustee, WISCUB would controlled in fact by WCUL as the only centralized policy-making body of the credit union shareholders.

In its review of the application on remand, the Board has solicited information from WISCUB and WBA with respect to the management and control of WISCUB and Bank and the role, if any, of WCUL therein. WISCUB has furnished information to demonstrate that it is in complete compliance with the purpose and intent of the Board's December 30, 1977 Order; that no officer or

3. In its remand order, the Court expressed concern that the elimination of the voting trust might have so decentralized control of WISCUB that WISCUB might operate less efficiently than contemplated by the Board in its December 30, 1977 Order. WISCUB's commitments have satisfied the Board that WISCUB's day-to-day management and overall policy direction will be derived from its officers and board of directors and that the substitution of direct voting by the credit union-shareholders for WISCUB's directors will have no adverse effect on the efficiency with which WISCUB is operated. Control of WISCUB will be centralized in, and exercised by, WISCUB's five directors and officers.

The Board's direction for selection of an independent voting trustee in its December 30, 1977 Order was designed to eliminate the control problems raised by WCUL's proposed service as voting trustee. The Board concluded that, if a voting trust were used by WISCUB's shareholders, the trustee should be independent. The Board did not require that a voting trust be used to hold WISCUB's shares. Elimination of the voting trust and trustee and the prohibition against WCUL's participation in any manner in WISCUB's affairs fully accomplishes the Board's goal of separating WCUL from WISCUB. In its March 2, 1978 Order denying WBA's request for reconsideration, the Board, at least impliedly, viewed WISCUB's revision of its proposal (i.e., its elimination of the voting trust) as acceptable compliance with the Board's December 30, 1977 Order and consistent with the Board's goal of separating WCUL from WISCUB and Bank.

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director of WISCUB is an officer or director of WCUL, or has any affiliation with WCUL other than as an officer of a credit union that is a member of WCUL; that no director or officer of Bank is affiliated with WCUL;[4] that WCUL is providing to WISCUB and Bank only limited administrative services (such as typing and mailing) that are reimbursed by WISCUB; that WCUL has worked with Bank only to the extent that WCUL has assisted other Wisconsin banks developing share-draft clearing programs; that, at the annual meeting of WCUL's delegates, there have not been, nor will there be, any committee meetings, other actions or documents relating to the management or policy decisions of WISCUB or Bank; that proxies for shareholder meetings of WISCUB will not indicate the views of WCUL or its directors and officers; that the WCUL district system plays no role in the selection of WISCUB's officers or directors; that WCUL will have no role in the solicitation of additional subscribers to WISCUB's stock; and that WCUL plays no role in the selection of officers or directors for either WISCUB or Bank. WISCUB has further assured the Board that WISCUB's shareholders will elect its board of directors which, in turn, on behalf of the principal shareholder of Bank, will determine the composition of Bank's management. WBA has disputed none of these submissions of fact.

WCUL has submitted assurances to the Board that WCUL will not exercise, or attempt to exercise, control or any controlling influence over the management or policies of WISCUB or Bank, or attempt to influence the credit union-shareholders in the voting of their shares of WISCUB. The Board has received from the credit union-shareholders of WISCUB written assurances that they have no agreements with WCUL concerning either the manner in which their shares of WISCUB will be voted or the management, operation or control of WISCUB or Bank.[5]

Both WBA and WISCUB have had ample opportunity to make inquiries, submissions, countersubmissions and responses regarding the relationship between WCUL and WISCUB. WISCUB has responded fully and fairly to every question that WBA has raised. WBA has not in any way disputed the facts presented by WISCUB. The Board finds that the record adequately establishes that WISCUB is complying with, and is committed to complying with, the condition in the Board's December 30, 1977 Order requiring WCUL to refrain from any role in the management of Bank or WISCUB, and that WISCUB is not controlled in fact by WCUL.

4. *The "company" issue*

WBA contends that, on the present record and in the absence of an independent trustee, the credit union-shareholders might, as a group, constitute a bank holding company. WBA claims that, because the credit union-shareholders have a common purpose and objective in their acquisition of WISCUB, they are not acting separately or independently of one another but are engaged in an alleged entrepreneurial activity to control a commercial bank. Accordingly, WBA argues, the credit union-shareholders constitute a "company" within the meaning of section 2(b) of the Act and, because the credit union-shareholders together own more than 25 percent of WISCUB's shares, a bank holding company.

On several occasions, the Board has addressed the legal issues involved in ownership of a bank holding company by a number of individual, noncontrolling shareholders. The Board has approved the formation of three bank holding companies each owned by credit unions and of a bank holding company owned by sixteen one-bank holding companies. In each of these instances, the shareholders purchased less than 5 percent of the shares of the new bank holding company.[6] The Board found these acquisitions to be consistent with the purposes of the Act, particularly since, under section 2(a)(4) of the Act, a company owning or

4. Only one of the seven directors of Bank serves as an officer of a credit union member of WCUL.

5. WBA's claim that WCUL exercises a controlling influence over the management of Bank and WISCUB is based on information provided by WISCUB that the original directors of WISCUB (who were also members of WCUL's executive committee) selected the present group of WISCUB directors, who in turn appointed themselves as WISCUB's officers. However, the record shows that, shortly after the selection of the replacement directors, the annual meeting of WISCUB was held, and at that meeting each of the WISCUB shareholders was afforded the opportunity to participate in the election of directors. The WISCUB shareholders reelected the replacement directors. The Board believes the evidence proferred by WBA is inadequate to show that WCUL exercises control or a controlling influence over WISCUB, or that the current directors of WISCUB are representatives of WCUL or subject to its control.

6. See *CUbanc Corporation*, 62 FEDERAL RESERVE BULLETIN 792 (1976)(bank holding company owned by 24 Ohio credit unions); *CU Bank Shares, Inc.*, 62 FEDERAL RESERVE BULLETIN 364 (1976)(bank holding company owned by 150 Texas credit unions); *Business Administrative Needs of Kansas*, 39 FEDERAL REGISTER 26,068 (1974)(bank holding company owned by 27 Kansas credit unions); *SYB Corporation*, 63 FEDERAL RESERVE BULLETIN 587 (1977)(bank holding company owned by 16 one-bank holding companies).

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controlling, directly or indirectly, 5 percent or less of the voting securities of a bank or company may not be held to have control over that bank or company (unless the company is found, after notice and opportunity for hearing, to exercise a controlling influence over the bank or company—an exception not relevant here).[7]

The Board has taken the position that there must be a "formalized structure" for control among the shareholders of a bank or bank holding company in order for the shareholders collectively to constitute a bank holding company within the meaning of the Act. The U.S. Court of Appeals for the D.C. Circuit has endorsed the Board's position.[8] There is, in WISCUB's case, no evidence of any formalized structure or unifying force for control that would cause the credit union-shareholders of WISCUB to be considered a bank holding company. The ownership and control of WISCUB is widely dispersed among 173 separate and independent credit unions. The evidence of record shows that there are no agreements between or among the, formal or informal, as to how WISCUB's shares would be voted or with respect to control of WISCUB or Bank in any manner. The individual credit union-shareholders have submitted assurances to the Board that they have not entered, and will not enter, into any agreements, formal or informal, with any or all of the other shareholders of WISCUB or with WCUL concerning either the voting of WISCUB's shares or the management, operations or policies of WISCUB or Bank.

In its 1977 evaluation of WISCUB's application, the Board considered WBA's comments and concluded that approval of WISCUB's application should be conditioned upon an absence of control by the trade association, WCUL, over WISCUB.[9] By eliminating the voting trust entirely and determining instead that the 173 credit union-shareholders should each vote directly and independently for the directors of WISCUB, WISCUB eliminated the trust and trustee as a possible basis for "company" status. As indicated earlier, the Board finds that elimination of the voting trust from the proposal is consistent with the Board's requirement that WCUL shall not control WISCUB or Bank and that WCUL shall no longer be associated in any way with the management or operation of WISCUB or Bank.

The Board believes that the record in this case does not warrant a finding that WISCUB's credit union-shareholders, each of which owns or controls less than 5 percent of the shares of WISCUB, individually or collectively constitute a company or a bank holding company under the Act.

5. *WBA's hearing request*

In remanding this case to the Board for further development of evidence, the Court stated, "[i]f necessary to supplement the existing administrative record, the Board should in its discretion hold a hearing in this matter." WBA had requested a hearing before the Board on WISCUB's original application, and renewed its request for a hearing in submissions to the Board dated November 20, 1978, December 26, 1978, and April 4, 1979. WBA contends that the issues raised before the Court, and for which the Court requested the development of further evidence, turn on questions of "intent, purpose and understanding," and that these issues cannot be determined from correspondence between the parties.

WBA's submissions are directed only to whether WISCUB is or will be controlled by WCUL and whether the credit union-shareholders of WISCUB constitute a "company". However, WBA has not disputed any of WISCUB's detailed statements of fact regarding the disaffiliation of WCUL from WISCUB or the relationships among

7. The Board believes its position is supported by the legislative history of the Act. The original House version of the 1970 Amendments to the Act contained a provision bringing within the coverage of the Act a company "acting in concert with one or more persons." H.R. 6778, 91st Cong., 1st Sess. (1969). The Senate rejected the "acting in concert" language and substituted the phrase now contained in section 2(a)(2)(A) of the Act, "acting through one or more other persons." H.R. 6778, 91st Cong., 2d Sess. (1970).

8. *Central Bank* v. *Board of Governors of the Federal Reserve System*, No. 77-1937 (D.C. Cir. Feb. 1, 1979), unreported. There has been only one instance in which the Board has concluded that a proposed acquisition of a bank holding company, where each of the acquiring companies would acquire less than 5 percent of the shares of the company, would result in those shareholders being collectively a bank holding company. In that situation, the Board found that the six companies involved, each of which was owned by an individual and members of his immediate family, would be acting "with a single purpose and at the direction and under the control of [the individual]," and that "because of their common ownership and the control exercised over them by [this individual], are incapable of independent action." Letter of November 17, 1978, from the Secretary of the Board to William C. Beaman, regarding a proposed acquisition of 24 percent of the voting shares of Wyoming Bancorporation, Cheyenne, Wyoming.

9. In *CUbanc Corporation, CU Bank Shares, Inc.*, and *Business Administrative Needs of Kansas*, where the Board had found acceptable a voting trust arrangement with the credit union trade association as the voting trustee, the bank holding companies were required by the Board to modify their operations to conform to the standards set for WISCUB.

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the credit union-shareholders.[10] In the absence of any disputed facts and any reason to disbelieve the commitments made in this matter, the Board finds that a hearing is neither necessary nor appropriate in this case.[11] There is no statutory[12] or due process[13] requirement for a hearing in this situation.

6. *Conclusion*

The Board has thoroughly considered the issues that formed the basis of the Court's remand, WBA's claims and submissions, and all the evidence of record. Based upon this review, the Board concludes that the steps taken by WISCUB in eliminating the independent voting trustee were consistent with the Board's December 30, 1977 Order; that the evidence of record shows that WISCUBs managerial resources are adequate; that WISCUB has satisfactorily demonstrated its independence from WCUL; that the evidence of record fails to show that WCUL has control of, or exercises a controlling influence over, WISCUB or Bank; that the evidence of record fails to show any "formalized structure" or agreement or understanding among the credit union-shareholders for control of WISCUB or Bank; and that there are no disputed operative facts for which a hearing would be appropriate or useful in this matter.

Accordingly, on the basis of the entire record, including the record and findings made with respect to the Board's December 30, 1977 Order, it is the Board's judgment that the application of WISCUB warrants approval. The application of WISCUB is again approved.

By order of the Board of Governors, effective August 21, 1979.

Voting for this action: Chairman Volcker and Governors Schultz, Wallich, Coldwell, Partee, Teeters, and Rice.

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

### *ORDER UNDER SECTION 4 OF BANK HOLDING COMPANY ACT*

Charles Stewart Mott Foundation,
Flint, Michigan

*Order Approving Exemption of Nonbanking Activities of Bank Holding Company*

Charles Stewart Mott Foundation ("Applicant"), Flint, Michigan, a bank holding company within the meaning of the Bank Holding Company Act with respect to The Wayne Oakland Bank ("Bank"), Royal Oak, Michigan, has applied to the Board of Governors, pursuant to section 4(d) of the Act (12 U.S.C. § 1843(d)), for an exemption from the prohibitions of section 4 of the Act (relating to nonbanking activities of, and acquisitions by, a bank holding company).

Notice of receipt of the application, affording opportunity for interested persons to submit comments regarding this application, has been published in the *Federal Register* (44 *Federal Register* 25,692 (1979)). The time for filing comments has expired and the Board has considered the application and all comments received in light of the factors set forth in section 4(d) of the Act.

Section 4(d) of the Act provides that, to the extent such action would not be substantially at variance with the purposes of the Act and subject to such conditions as the Board considers necessary to protect the public interest, the Board may grant an exemption from the prohibitions in section 4 of the Act to a bank holding company that controlled one bank prior to July 1, 1968, and has not thereafter acquired the control of any other bank, in order (1) to avoid disrupting business relationships that have existed over a long period of years without adversely affecting the banks or communities involved, (2) to avoid forced sales of small locally owned banks to purchasers not similarly representative of community interests, or

10. On the basis that the original WISCUB board of directors (composed of WCUL officers and directors) selected its successor, WBA contends that WCUL might continue to control WISCUB. The Board believes, as discussed above, that this process of selecting WISCUB's board of directors is not sufficient evidence of control by WCUL, particularly since (a) these directors were reelected at WISCUB's annual shareholder meeting by the individual independent credit unions and (b) WCUL and the shareholders of WISCUB, respectively, have assured the Board that WCUL does not and will not control WISCUB and that the shareholders vote their shares as they please and without any agreements or understandings or influence from WCUL or among themselves.

11. The Board regards these commitments and assurances as conditions of the Order of approval. Any departure from these commitments and assurances may result in invalidation of the Order or the initiation of other remedies.

12. Section 3(b) of the Act requires the Board to hold a formal hearing when the primary supervisor of the bank to be acquired recommends disapproval of the application (12 U.S.C. § 1842(b)). In WISCUB's case, no such disapproval was recommended.

13. See *Farmers and Merchants Bank of Las Cruces* v. *Board of Governors of the Federal Reserve System*, 567 F. 2d 1082 (D.C. Cir. 1977); *Grandview Bank and Trust Co.* v. *Board of Governors of the Federal Reserve System*, 550 F. 2d 415 (8th Cir.), cert. denied, 434 U.S. 821 (1977).

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(3) to allow retention of banks that are so small in relation to the holding company's total interests and so small in relation to the banking market to be served as to minimize the likelihood that the bank's powers to grant or deny credit may be influenced by a desire to further the holding company's other interests.

Applicant is a charitable foundation established in 1926 by Charles Stewart Mott, to fund educational and religious programs and to promote the public welfare. Applicant has investment interests in several banking and nonbanking companies, but it holds more than five percent of the voting shares of only two organizations: a 24.9 percent interest in United States Sugar Corporation ("USS"), Clewiston, Florida, which is engaged primarily in growing sugar cane and raising cattle, and a 55 percent interest in Bank.

Bank's predecessors survived the bank failures of the 1930's, partially as a result of the efforts of Mr. Mott. These predecessor institutions were merged in the early 1940's, and Applicant has owned a majority of Bank's shares since 1944, a period of affiliation comprehended by section 4(d)(1) of the Act. With deposits of approximately $374 million as of June 30, 1978, Bank is the ninth largest bank located in the Detroit banking market[1] and holds about two percent of the aggregate deposits in commercial banks in that market. Bank appears to be in satisfactory condition, its management capable, and its prospects good.

The Board has found no evidence that the ownership and control of Bank by Applicant has had an adverse effect on Bank or the communities involved. Rather it appears that Applicant has undertaken substantial charitable endeavors in the areas of education, religion, and public welfare for the benefit of those communities and the United States generally. For example, between 1967 and 1977, Applicant made charitable grants totaling approximately $165 million. Moreover, to assist in Bank's growth and to strengthen its capital position, Applicant approved Bank's policy of not paying cash dividends, a policy that continued for approximately 30 years. At the time Applicant acquired it, Bank's total assets were $17 million, and its capital and reserves approximated $750,000. By 1978, Bank's total assets had grown to $425 million and its capital and reserves exceeded $30 million. Applicant has maintained substantial demand deposits with Bank, but neither Applicant nor USS has ever borrowed from Bank. There is no evidence of any misuse of Bank by Applicant, nor any evidence to suggest that the continued ownership of Bank by Applicant will jeopardize the financial soundness of Bank.

As stated, Bank controls about two percent of the aggregate deposits in the Detroit banking market. Applicant's total assets of approximately $396 million are smaller than those of Bank, and by this standard, Bank cannot be said to be small in relation to Applicant. However, the Board notes that Applicant's investment in Bank constitutes 3.3 percent of its total investments, and its income from Bank in 1977 approximated 2.5 percent of its total income.[2]

On the basis of the entire record, the Board concludes that the business relationships between Applicant and Bank have existed over a long period of years without adversely affecting the banks or communities involved, and it appears unlikely that Bank's powers to grant or deny credit would be influenced by a desire to further Applicant's other interests. Granting an exemption to Applicant would not be substantially at variance with the purposes of the Act nor adverse to the public interest; and an exemption is warranted under the provisions of section 4(d) of the Act. Accordingly, an exemption pursuant to section 4(d) of the Act is hereby granted subject to the condition that this determination may be revoked if the facts upon which it is based change in any material respect. Further, the provision of any credit, property, or service by Applicant or any subsidiary thereof shall not be subject to any condition which, if imposed by a bank, would constitute an unlawful tie-in arrangement under section 106 of the Bank Holding Company Act Amendments of 1970. This determination is subject to the Board's authority to require modification or termination of the activities of Applicant or any of its nonbanking 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 evasions thereof.

1. This market is approximated by all of Macomb, Oakland, and Wayne Counties and portions of the five surrounding counties of St. Clair, Lapeer, Livingston, Washtenaw, and Monroe.

2. Although as a general rule it may not be appropriate to grant a section 4(d) exemption to a bank holding company that controls a bank as large as Bank in absolute terms, Applicant's charitable nature and its exemplary record vis a vis Bank persuade the Board that Bank's size should not bar the granting of an exemption in this case. Moreover, the Board notes that as a private foundation, Applicant's activities and investments are substantially limited by provisions of the Internal Revenue Code.

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By order of the Board of Governors, effective August 6, 1979.

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

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

## *CERTIFICATION PURSUANT TO THE BANK HOLDING COMPANY TAX ACT OF 1976*

GATX Corporation,
Chicago, Illinois

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

*[Docket No. TCR 76-102]*

GATX Corporation (formerly General American Transportation Corporation), Chicago, Illinois ("GATX") has requested a prior certification pursuant to section 6158(a) of the Internal Revenue Code ("Code"), as amended by section 3(a) of the Bank Holding Company Tax Act of 1976 ("Tax Act"), that its proposed sale of 582,591 shares of common stock ("Bank Shares") of La-Salle National Bank, Chicago, Illinois ("Bank"), to A.B.N.-Stichting, a wholly-owned subsidiary of Algamene Bank Nederland, both of Amsterdam, The Netherlands (together referred to as "ABN") for cash, is necessary or appropriate to effectuate the policies of the Bank Holding Company Act (12 U.S.C. § 1842 et seq.) ("BHC Act").

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

1. GATX is a corporation organized on July 5, 1916, under the laws of the State of New York.

2. On November 20, 1968, GATX completed an exchange offer whereby it acquired ownership and control of 614,243 shares, representing 91 percent of the outstanding voting shares, of Bank. On July 1, 1969, GATX completed a second exchange offer whereby it acquired ownership and control of an additional 68,838 shares of Bank, thereby increasing its percentage of ownership in Bank to 99 percent of the outstanding voting shares of Bank.

3. GATX became a bank holding company on December 31, 1970, as a result of the 1970 Amendments to the BHC Act, by virtue of its ownership and control at that time of more than 25 percent of the outstanding voting shares of Bank, and it registered as such with the Board on November 8, 1971. GATX would have been a bank holding company on July 7, 1970, if the BHC Act Amendments of 1970 had been in effect on such date, by virtue of its ownership and control on that date of more than 25 percent of the outstanding voting shares of Bank. GATX presently owns and controls 582,591 shares, representing 84 percent of the outstanding voting shares, of Bank.[2]

4. GATX holds property acquired by it on or before July 7, 1940, the disposition of which would be necessary or appropriate under section 4 of the BHC Act if GATX were to remain a bank holding company beyond December 31, 1980, and which property is "prohibited property" within the meaning of section 1103(c) of the Code.

5. On March 31, 1971, GATX filed with the Board an irrevocable declaration pursuant to section 225.4(d) of the Board's Regulation Y that it would cease to be a bank holding company prior to January 1, 1981, by divesting itself of all of its interest in Bank. In accordance with that portion of the regulation and GATX's commitment, GATX has been permitted to expand its nonbanking activities without seeking the Board's prior approval.

6. GATX has committed to the Board that no person holding an office or position (including an advisory or honorary position) with GATX or any of its subsidiaries as a director, policy-making employee or consultant, or who performs (directly, or through an agent, representative or nominee) functions comparable to those normally associated with such office or position, will hold any such office or position or perform any such function with Bank or ABN. GATX has further committed that the officers of GATX presently serving as directors of Bank will terminate their positions with Bank.

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

(A) GATX is a qualified bank holding corporation within the meaning of section 1103(b) of the

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

2. On February 21, 1978, the Board issued a prior certification pursuant to the Tax Act relating to the sale by GATX of 100,000 shares of the stock of Bank on November 30, 1973. The instant certification relates to the divestiture by GATX of all of its remaining interest in Bank.

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Code, and satisfies the requirements of that section;

(B) Bank Shares covered by the instant request are part of the property by reason of which GATX controls (within the meaning of section 2(a) of the BHC Act) a bank; and

(C) the sale of such shares is necessary or appropriate to effectuate the policies of the BHC Act.

This certification is based upon the representations and commitments made to the Board by GATX and upon the facts set forth above. In the event the Board should determine that facts material to this certification are otherwise than as represented by GATX, or that GATX has failed to disclose to the Board other material facts or to fulfill any commitments made to the Board in connection herewith, it may revoke the certification.

By order of the Board of Governors, acting through its Acting General Counsel, pursuant to delegated authority (12 C.F.R. 265.2(b)(3)), effective August 13, 1979.

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

## *Orders Approved Under Bank Holding Company Act*

### *By the Board of Governors*

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

Section 3

| Applicant | Bank(s) | Board action (effective date) |
|---|---|---|
| Akron Financial, Inc., Akron, Indiana | Akron Exchange State Bank, Akron, Indiana | August 20, 1979 |
| Applewood Bankcorp, Inc., Wheat Ridge, Colorado | Bank of Applewood, Wheat Ridge, Colorado | August 3, 1979 |
| First Alabama Bancshares, Inc., Montgomery, Alabama | The Conecuh County Bank, Evergreen, Alabama | August 20, 1979 |
| First Security Corporation, Salt Lake City, Utah | First Security Bank of Richfield, N.A., Richfield, Utah | August 27, 1979 |
| Frankfort Bancorporation, Inc., West Frankfort, Illinois | The Bank of West Frankfort West Frankfort, Illinois | August 24, 1979 |
| Gibson Investment Company, Gibson, Iowa | Gibson Savings Bank, Gibson, Iowa | August 9, 1979 |
| Goodenow Bancorporation, Wall Lake, Iowa | Wall Lake Savings Bank, Wall Lake, Iowa | August 28, 1979 |
| Kupka's, Inc., Traer, Iowa | The First Community Bank and Trust, Traer, Iowa | August 20, 1979 |
| Southern Bancorporation of Alabama, Birmingham, Alabama | First National Bank of Etowah County, Attalla, Alabama | August 31, 1979 |
| Stanley Bancorporation, Inc., Stanley, Wisconsin | Farmers and Merchants State Bank, Stanley, Wisconsin | August 3, 1979 |
| TALEN, INC., Edgerton, Wisconsin | First State Bank of Edgerton, Edgerton, Wisconsin | August 8, 1979 |
| Texas American Bancshares, Inc., Fort Worth, Texas | Fredericksburg National Bank, Fredericksburg, Texas | August 10, 1979 |
| Tuscumbia Bancshares, Inc., Kansas City, Missouri | Bank of Tuscumbia, Tuscumbia, Missouri | August 6, 1979 |

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Section 4

| Applicant | Nonbanking company (or activity) | Effective date |
|---|---|---|
| Rainier Bancorporation, Seattle, Washington | Insurance agency activities | August 31, 1979 |
| Swift County Financial Corporation, Benson, Minnesota | Swift County Agricultural Credit Association, Benson, Minnesota | August 13, 1979 |
| Wesbanco, Inc., Wheeling, West Virginia | Ohio Valley Finance Company, Wheeling, West Virginia | August 31, 1979 |

*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 |
|---|---|---|---|
| First International Bancshares, Inc., Dallas, Texas | San Jacinto State Bank, Pasadena, Texas | Dallas | August 15, 1979 |
| National City Corporation, Cleveland, Ohio | The Fairfield National Bank, Lancaster, Ohio | Cleveland | August 23, 1979 |
| Valley Bancorporation, Appleton, Wisconsin | The Wisconsin National Bank in Watertown, Watertown, Wisconsin | Chicago | August 16, 1979 |

*Orders Approved Under Bank Merger Act*

| Applicant | Bank(s) | Reserve Bank | Effective date |
|---|---|---|---|
| Cortland Savings & Banking Company, Cortland, Ohio | Western Reserve Bank of Portage County, Windham, Ohio | Cleveland | August 14, 1979 |
| The Union Savings Bank and Trust Company, Steubenville, Ohio | Scio Bank Company, Scio, Ohio | Cleveland | August 27, 1979 |

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*Pending Cases Involving the Board of Governors*

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

*Donald W. Riegel, Jr.* v. *Federal Open Market Committee*, filed July 1979, U.S.D.C. for the District of Columbia.

*Connecticut Bankers Association, et al.*, v. *Board of Governors*, filed May 1979, U.S.C.A. for the District of Columbia.

*Ella Jackson et al.*, v. *Board of Governors*, filed May 1979, U.S.C.A. for the Fifth Circuit.

*Memphis Trust Company* v. *Board of Governors*, filed May 1979, U.S.C.A. for the Sixth Circuit.

*U.S. Labor Party* v. *Board of Governors*, filed April 1979, U.S.C.A. for the Second Circuit.

*U.S. Labor Party* v. *Board of Governors*, filed April 1979, U.S.C.A. for the Second Circuit.

*Independent Insurance Agents of America, et al.*, v. *Board of Governors*, filed May 1979, U.S.C.A. for the District of Columbia.

*Independent Insurance Agents of America, et al.*, v. *Board of Governors*, filed April 1979, U.S.C.A. for the District of Columbia.

*Independent Insurance Agents of America, et al.*, v. *Board of Governors*, filed March 1979, U.S.C.A. for the District of Columbia.

*Credit and Commerce American Investment, et al.*, v. *Board of Governors*, filed March 1979, U.S.C.A. for the District of Columbia.

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

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

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

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

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

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

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

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

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

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

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

*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.

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# Financial and Business Statistics

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## 1.10 MONETARY AGGREGATES AND INTEREST RATES

| Item | 1978 Q3 | 1978 Q4 | 1979 Q1 | 1979 Q2 | 1979 Mar. | 1979 Apr. | 1979 May | 1979 June | 1979 July |
|---|---|---|---|---|---|---|---|---|---|
| | Monetary and credit aggregates (annual rates of change, seasonally adjusted in percent)[13] | | | | | | | | |
| *Member bank reserves* | | | | | | | | | |
| 1 Total | 8.6 | 2.3 | −2.9 | −4.9 | 1.8 | −4.9 | −4.9 | −1.8 | 12.0 |
| 2 Required | 8.6 | 2.1 | −2.8 | −4.8 | 3.3 | −5.5 | −3.9 | −4.1 | 12.3 |
| 3 Nonborrowed | 6.6 | 4.6 | −3.3 | −8.8 | 1.3 | −2.9 | −30.6 | 8.9 | 20.0 |
| 4 Monetary base[1] | 9.3 | 8.4 | 5.7 | 4.0 | 4.6 | 4.9 | 3.1 | 6.1 | 10.9 |
| *Concepts of money*[2] | | | | | | | | | |
| 5 M-1 | 7.9 | 4.1 | −2.1 | 7.6 | 1.3 | 17.7 | .7 | 14.8 | 10.1 |
| 6 M-1+ | 6.1 | 2.7 | −5.0 | 3.6 | −1.0 | 11.4 | −2.3 | 12.1 | 10.0 |
| 7 M-2 | 9.8 | 7.6 | 1.8 | 8.6 | 3.8 | 14.1 | 5.4 | 14.2 | 12.7 |
| 8 M-3 | 10.3 | 9.3 | 4.7 | 7.9 | 6.2 | 10.5 | 4.9 | 11.9 | 11.3 |
| *Time and savings deposits* | | | | | | | | | |
| Commercial banks | | | | | | | | | |
| 9 Total | 11.3 | 12.3 | 8.4 | 1.2 | −1.4 | 2.1 | −1.4 | .8 | 12.2 |
| 10 Savings | 2.9 | 0.2 | −9.6 | −3.1 | −4.9 | 0 | −7.2 | 7.8 | 9.4 |
| 11 Other time | 17.9 | 18.2 | 15.6 | 18.5 | 13.6 | 19.8 | 19.9 | 17.6 | 18.1 |
| 12 Thrift institutions[3] | 11.1 | 11.6 | 8.8 | 6.8 | 9.5 | 5.6 | 4.1 | 8.8 | 9.3 |
| 13 Total loans and investments at commercial banks[4] | r13.3 | r12.7 | r13.2 | r11.9 | r7.3 | r14.1 | r8.3 | r13.0 | 13.2 |

| Item | 1978 Q4 | 1979 Q1 | 1979 Q2 | 1979 Mar. | 1979 Apr. | 1979 May | 1979 June | 1979 July | 1979 Aug. |
|---|---|---|---|---|---|---|---|---|---|
| | Interest rates (levels, percent per annum) | | | | | | | | |
| *Short-term rates* | | | | | | | | | |
| 14 Federal funds[5] | 9.58 | 10.07 | 10.18 | 10.09 | 10.01 | 10.24 | 10.29 | 10.47 | 10.94 |
| 15 Federal Reserve discount[6] | 9.09 | 9.50 | 9.50 | 9.50 | 9.50 | 9.50 | 9.50 | 9.69 | 10.24 |
| 16 Treasury bills (3-month market yield)[7] | 8.57 | 9.38 | 9.38 | 9.48 | 9.46 | 9.61 | 9.06 | 9.24 | 9.52 |
| 17 Commercial paper (90- to 119-day)[7,8] | 9.83 | 10.04 | 9.85 | 9.90 | 9.85 | 9.95 | 9.76 | 9.87 | 10.43 |
| *Long-term rates* | | | | | | | | | |
| Bonds | | | | | | | | | |
| 18 U.S. government[9] | 8.78 | 9.03 | 9.08 | 9.08 | 9.12 | 9.21 | 8.91 | 8.92 | 8.97 |
| 19 State and local government[10] | 6.28 | 6.37 | 6.22 | 6.33 | 6.29 | 6.25 | 6.13 | 6.13 | 6.20 |
| 20 Aaa utility (new issue)[11] | 9.23 | 9.58 | 9.66 | 9.62 | 9.70 | 9.83 | 9.50 | 9.58 | 9.48 |
| 21 Conventional mortgages[12] | 10.12 | 10.33 | 10.35 | 10.35 | 10.55 | 10.80 | 10.90 | 10.95 | 11.10 |

1. Includes total reserves (member bank reserve balances in the current week plus vault cash held two weeks earlier); currency outside the U.S. Treasury, Federal Reserve Banks and the vaults of commercial banks; and vault cash of nonmember banks.
2. M-1 equals currency plus private demand deposits adjusted.
M-1+ equals M-1 plus savings deposits at commercial banks, NOW accounts at banks and thrift institutions, credit union share draft accounts, and demand deposits at mutual savings banks.
M-2 equals M-1 plus bank time and savings deposits other than large negotiable certificates of deposit (CDs).
M-3 equals M-2 plus deposits at mutual savings banks, savings and loan associations, and credit union shares.
3. Savings and loan associations, mutual savings banks, and credit unions.
4. Quarterly changes calculated from figures shown in table 1.23.
5. Seven-day averages of daily effective rates (average of the rates on a given date weighted by the volume of transactions at those rates).
6. Rate for the Federal Reserve Bank of New York.
7. Quoted on a bank-discount basis.
8. Beginning Nov. 1977, unweighted average of offering rates quoted by at least five dealers. Previously, most representative rate quoted by these dealers.
9. Market yields adjusted to a 20-year maturity by the U.S. Treasury.
10. *Bond Buyer* series for 20 issues of mixed quality.
11. 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.
12. 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.
13. Unless otherwise noted, rates of change are calculated from average amounts outstanding in preceding month or quarter. Growth rates for member bank reserves are adjusted for discontinuities in series that result from changes in Regulations D and M.

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## 1.11 FACTORS AFFECTING MEMBER BANK RESERVES

Millions of dollars

| Factors | Monthly averages of daily figures | | | Weekly averages of daily figures for weeks ending— | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1979 | | | 1979 | | | | | | |
| | June | July | Aug.p | July 18 | July 25 | Aug. 1 | Aug. 8 | Aug. 15 | Aug. 22p | Aug. 29p |
| **Supplying Reserve Funds** | | | | | | | | | | |
| 1 **Reserve Bank credit outstanding** | **129,035** | **131,585** | **131,497** | **132,930** | **131,745** | **131,272** | **129,831** | **131,144** | **132,470** | **131,894** |
| 2 U.S. government securities[1] | 106,865 | 109,921 | 111,639 | 110,986 | 110,338 | 111,103 | 110,105 | 110,829 | 112,394 | 112,887 |
| 3 Bought outright | 105,825 | 108,673 | 111,044 | 109,382 | 108,848 | 110,321 | 110,008 | 110,362 | 111,446 | 111,967 |
| 4 Held under repurchase agreements | 1,040 | 1,248 | 595 | 1,604 | 1,490 | 782 | 97 | 467 | 948 | 920 |
| 5 Federal agency securities | 7,788 | 8,377 | 8,519 | 8,572 | 8,512 | 8,553 | 8,267 | 8,366 | 8,729 | 8,757 |
| 6 Bought outright | 7,537 | 7,854 | 8,243 | 7,761 | 7,761 | 8,243 | 8,243 | 8,243 | 8,243 | 8,243 |
| 7 Held under repurchase agreements | 251 | 523 | 276 | 811 | 751 | 310 | 24 | 123 | 486 | 514 |
| 8 Acceptances | 310 | 717 | 388 | 711 | 940 | 834 | 73 | 411 | 572 | 429 |
| 9 Loans | 1,396 | 1,179 | 1,097 | 1,182 | 1,292 | 946 | 762 | 1,023 | 1,386 | 1,116 |
| 10 Float | 6,383 | 5,758 | 4,940 | 5,575 | 5,154 | 4,575 | 5,214 | 5,241 | 4,861 | 4,228 |
| 11 Other Federal Reserve assets | 6,293 | 5,633 | 4,915 | 5,904 | 5,509 | 5,261 | 5,410 | 5,274 | 4,527 | 4,475 |
| 12 Gold stock | 11,328 | 11,299 | 11,266 | 11,291 | 11,291 | 11,291 | 11,286 | 11,259 | 11,259 | 11,259 |
| 13 Special drawing rights certificate account | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 |
| 14 Treasury currency outstanding | 12,357 | 12,446 | 12,529 | 12,448 | 12,456 | 12,486 | 12,488 | 12,501 | 12,551 | 12,564 |
| **Absorbing Reserve Funds** | | | | | | | | | | |
| 15 Currency in circulation | 115,819 | 117,701 | 118,244 | 118,082 | 117,480 | 117,371 | 117,962 | 118,512 | 118,362 | 118,051 |
| 16 Treasury cash holdings | 369 | 335 | 265 | 353 | 320 | 282 | 265 | 267 | 266 | 265 |
| *Deposits, other than member bank reserves, with Federal Reserve Banks* | | | | | | | | | | |
| 17 Treasury | 3,271 | 3,303 | 3,021 | 3,307 | 3,182 | 3,095 | 2,719 | 2,957 | 3,183 | 2,986 |
| 18 Foreign | 284 | 288 | 294 | 279 | 248 | 282 | 306 | 294 | 293 | 277 |
| 19 Other | 661 | 761 | 634 | 857 | 826 | 716 | 677 | 608 | 562 | 607 |
| 20 Other Federal Reserve liabilities and capital | 4,294 | 4,551 | 4,572 | 4,510 | 4,618 | 4,917 | 4,189 | 4,387 | 4,718 | 4,856 |
| 21 Member bank reserves with Federal Reserve Banks | 29,822 | 30,191 | 30,062 | 31,082 | 30,616 | 30,185 | 29,286 | 29,680 | 30,696 | 30,476 |

| | End-of-month figures | | | Wednesday figures | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1979 | | | 1979 | | | | | | |
| | June | July | Aug.p | July 18 | July 25 | Aug. 1 | Aug. 8 | Aug. 15 | Aug. 22p | Aug. 29p |
| **Supplying Reserve Funds** | | | | | | | | | | |
| 22 **Reserve bank credit outstanding** | **130,972** | **131,474** | **132,213** | **135,755** | **129,946** | **131,822** | **127,243** | **131,667** | **131,097** | **135,828** |
| 23 U.S. government securities[1] | 109,737 | 111,445 | 113,027 | 111,387 | 108,104 | 110,290 | 105,579 | 109,801 | 111,222 | 115,135 |
| 24 Bought outright | 106,432 | 109,366 | 112,635 | 109,265 | 107,383 | 110,015 | 105,579 | 109,801 | 111,222 | 113,028 |
| 25 Held under repurchase agreements | 3,305 | 2,079 | 392 | 2,122 | 721 | 275 | 0 | 0 | 0 | 2,107 |
| 26 Federal agency securities | 8,587 | 8,881 | 8,395 | 8,599 | 8,482 | 8,409 | 8,243 | 8,243 | 8,243 | 8,999 |
| 27 Bought outright | 7,761 | 8,243 | 8,242 | 7,761 | 7,761 | 8,243 | 8,243 | 8,243 | 8,243 | 8,242 |
| 28 Held under repurchase agreements | 826 | 638 | 153 | 838 | 721 | 166 | 0 | 0 | 0 | 757 |
| 29 Acceptances | 1,400 | 1,159 | 475 | 1,064 | 824 | 588 | 0 | 0 | 0 | 699 |
| 30 Loans | 1,558 | 852 | 1,572 | 1,501 | 1,168 | 1,348 | 887 | 2,707 | 1,509 | 917 |
| 31 Float | 3,924 | 3,896 | 4,123 | 7,434 | 6,086 | 5,719 | 7,082 | 6,456 | 5,649 | 5,498 |
| 32 Other Federal Reserve assets | 5,766 | 5,241 | 4,621 | 5,770 | 5,282 | 5,468 | 5,452 | 4,460 | 4,474 | 4,580 |
| 33 Gold stock | 11,323 | 11,290 | 11,259 | 11,291 | 11,291 | 11,290 | 11,260 | 11,259 | 11,259 | 11,259 |
| 34 Special drawing rights certificate account | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 |
| 35 Treasury currency outstanding | 12,525 | 12,599 | 12,600 | 12,456 | 12,456 | 12,475 | 12,493 | 12,521 | 12,560 | 12,589 |
| **Absorbing Reserve Funds** | | | | | | | | | | |
| 36 Currency in circulation | 116,575 | 117,896 | 118,786 | 118,089 | 117,587 | 117,864 | 118,607 | 118,834 | 118,427 | 118,708 |
| 37 Treasury cash holdings | 370 | 262 | 272 | 343 | 311 | 257 | 265 | 268 | 264 | 272 |
| *Deposits, other than member bank reserves, with Federal Reserve Banks* | | | | | | | | | | |
| 38 Treasury | 3,290 | 2,765 | 3,542 | 3,668 | 2,336 | 4,012 | 2,498 | 3,805 | 2,851 | 3,176 |
| 39 Foreign | 326 | 373 | 325 | 269 | 239 | 226 | 258 | 312 | 262 | 308 |
| 40 Other | 813 | 636 | 663 | 656 | 675 | 1,161 | 644 | 674 | 534 | 541 |
| 41 Other Federal Reserve liabilities and capital | 4,836 | 4,951 | 4,876 | 4,491 | 4,741 | 4,938 | 4,272 | 4,510 | 4,717 | 4,993 |
| 42 Member bank reserves with Federal Reserve Banks | 30,407 | 30,279 | 29,407 | 33,785 | 29,604 | 28,929 | 26,252 | 28,844 | 29,661 | 33,479 |

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

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

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## 1.12 RESERVES AND BORROWINGS Member Banks

Millions of dollars

| | Reserve classification | Nov. 1978 | Dec. 1978 | Jan. 1979 | Feb. 1979 | Mar. 1979 | Apr. 1979 | May 1979 | June 1979 | July 1979 | Aug.p 1979 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Monthly averages of daily figures | | | | | | | | | |
| | *All member banks* | | | | | | | | | | |
| | Reserves | | | | | | | | | | |
| 1 | At Federal Reserve Banks | 29,853 | 31,158 | 31,935 | 30,485 | 30,399 | 30,675 | 30,208 | 29,822 | 30,191 | 30,062 |
| 2 | Currency and coin | 9,794 | 10,330 | 11,093 | 10,074 | 9,776 | 9,737 | 10,044 | 10,154 | 10,552 | 10,521 |
| 3 | Total held[1] | 39,728 | 41,572 | 43,167 | 40,703 | 40,316 | 40,546 | 40,382 | 40,105 | 40,900 | 40,738 |
| 4 | Required | 39,423 | 41,447 | 42,865 | 40,494 | 40,059 | 40,548 | 40,095 | 39,884 | 40,710 | 40,502 |
| 5 | Excess[1] | 305 | 125 | 302 | 209 | 257 | −2 | 287 | 221 | 190 | 236 |
| | Borrowings at Federal Reserve Banks[2] | | | | | | | | | | |
| 6 | Total | 722 | 874 | 994 | 973 | 999 | 897 | 1,777 | 1,396 | 1,179 | 1,097 |
| 7 | Seasonal | 185 | 134 | 112 | 114 | 121 | 134 | 173 | 188 | 168 | 176 |
| | *Large banks in New York City* | | | | | | | | | | |
| 8 | Reserves held | 6,682 | 7,120 | 7,808 | 6,995 | 6,892 | 6,804 | 6,658 | 6,346 | 6,605 | 6,358 |
| 9 | Required | 6,658 | 7,243 | 7,690 | 6,976 | 6,845 | 6,837 | 6,544 | 6,415 | 6,586 | 6,427 |
| 10 | Excess | 24 | −123 | 118 | 19 | 47 | −33 | 114 | −69 | 19 | −69 |
| 11 | Borrowings[2] | 48 | 99 | 117 | 0 | 45 | 61 | 150 | 78 | 97 | 79 |
| | *Large banks in Chicago* | | | | | | | | | | |
| 12 | Reserves held | 1,791 | 1,907 | 2,011 | 1,824 | 1,822 | 1,801 | 1,730 | 1,726 | 1,709 | 1,731 |
| 13 | Required | 1,765 | 1,900 | 2,010 | 1,823 | 1,809 | 1,824 | 1,712 | 1,697 | 1,713 | 1,706 |
| 14 | Excess | 26 | 7 | 1 | 1 | 13 | −23 | 18 | 29 | −4 | 25 |
| 15 | Borrowings[2] | 4 | 10 | 23 | 10 | 26 | 18 | 60 | 64 | 45 | 7 |
| | *Other large banks* | | | | | | | | | | |
| 16 | Reserves held | 15,547 | 16,446 | 16,942 | 16,055 | 15,844 | 15,948 | 15,926 | 15,989 | 16,374 | 16,216 |
| 17 | Required | 15,447 | 16,342 | 16,923 | 16,018 | 15,802 | 16,014 | 15,893 | 15,877 | 16,339 | 16,327 |
| 18 | Excess | 100 | 104 | 19 | 37 | 42 | −66 | 33 | 112 | 35 | −111 |
| 19 | Borrowings[2] | 194 | 276 | 269 | 275 | 215 | 271 | 721 | 586 | 517 | 481 |
| | *All other banks* | | | | | | | | | | |
| 20 | Reserves held | 15,708 | 16,099 | 16,406 | 15,829 | 15,758 | 15,993 | 16,068 | 16,044 | 16,212 | 16,108 |
| 21 | Required | 15,553 | 15,962 | 16,242 | 15,677 | 15,603 | 15,873 | 15,946 | 15,895 | 16,072 | 16,042 |
| 22 | Excess | 155 | 137 | 164 | 152 | 155 | 120 | 122 | 149 | 140 | 66 |
| 23 | Borrowings[2] | 476 | 489 | 585 | 688 | 713 | 547 | 846 | 668 | 520 | 530 |

| | Reserve classification | June 27 | July 4 | July 11 | July 18 | July 25 | Aug. 1 | Aug. 8 | Aug. 15 | Aug. 22p | Aug. 29p |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Weekly averages of daily figures for weeks ending 1979 | | | | | | | | | |
| | *All member banks* | | | | | | | | | | |
| | Reserves | | | | | | | | | | |
| 24 | At Federal Reserve Banks | 29,942 | 30,885 | 28,614 | 31,082 | 30,616 | 30,185 | 29,286 | 29,680 | 30,696 | 30,476 |
| 25 | Currency and coin | 10,110 | 10,439 | 10,736 | 10,334 | 10,427 | 10,804 | 10,813 | 10,888 | 9,848 | 10,473 |
| 26 | Total held[1] | 40,181 | 41,448 | 39,476 | 41,572 | 41,200 | 41,146 | 40,256 | 40,727 | 40,695 | 41,102 |
| 27 | Required | 40,030 | 40,802 | 39,513 | 41,205 | 41,214 | 40,856 | 40,115 | 40,428 | 40,670 | 40,750 |
| 28 | Excess[1] | 151 | 646 | −37 | 367 | −14 | 290 | 141 | 299 | 25 | 352 |
| | Borrowings at Federal Reserve Banks[2] | | | | | | | | | | |
| 29 | Total | 1,586 | 1,677 | 941 | 1,182 | 1,292 | 946 | 762 | 1,023 | 1,386 | 1,116 |
| 30 | Seasonal | 194 | 186 | 162 | 160 | 167 | 173 | 176 | 169 | 175 | 185 |
| | *Large banks in New York City* | | | | | | | | | | |
| 31 | Reserves held | 6,334 | 6,717 | 6,201 | 6,931 | 6,573 | 6,608 | 6,349 | 6,482 | 6,386 | 6,461 |
| 32 | Required | 6,301 | 6,657 | 6,264 | 6,868 | 6,624 | 6,544 | 6,323 | 6,489 | 6,448 | 6,418 |
| 33 | Excess | 33 | 60 | −63 | 63 | −51 | 64 | 26 | −7 | −62 | 43 |
| 34 | Borrowings[2] | 59 | 416 | 39 | 54 | 7 | 0 | 24 | 209 | 14 | 50 |
| | *Large banks in Chicago* | | | | | | | | | | |
| 35 | Reserves held | 1,615 | 1,755 | 1,656 | 1,789 | 1,735 | 1,691 | 1,694 | 1,761 | 1,891 | 1,690 |
| 36 | Required | 1,600 | 1,737 | 1,645 | 1,782 | 1,743 | 1,663 | 1,691 | 1,749 | 1,696 | 1,687 |
| 37 | Excess | 15 | 18 | 11 | 7 | −8 | 28 | 3 | 12 | 195 | 3 |
| 38 | Borrowings[2] | 105 | 185 | 0 | 0 | 7 | 64 | 0 | 0 | 0 | 29 |
| | *Other large banks* | | | | | | | | | | |
| 39 | Reserves held | 16,008 | 16,535 | 15,788 | 16,700 | 16,479 | 16,478 | 16,170 | 16,388 | 16,089 | 16,352 |
| 40 | Required | 16,003 | 16,274 | 15,864 | 16,561 | 16,524 | 16,438 | 16,181 | 16,297 | 16,395 | 16,447 |
| 41 | Excess | 5 | 261 | −76 | 139 | −45 | 40 | −11 | 91 | −306 | −95 |
| 42 | Borrowings[2] | 676 | 476 | 485 | 642 | 694 | 308 | 256 | 360 | 848 | 430 |
| | *All other banks* | | | | | | | | | | |
| 43 | Reserves held | 16,224 | 16,441 | 15,831 | 16,152 | 16,413 | 16,369 | 16,043 | 16,096 | 16,062 | 16,295 |
| 44 | Required | 16,126 | 16,134 | 15,740 | 15,994 | 16,323 | 16,211 | 15,920 | 15,893 | 16,131 | 16,198 |
| 45 | Excess | 98 | 307 | 91 | 158 | 90 | 158 | 123 | 203 | −69 | 97 |
| 46 | Borrowings[2] | 746 | 600 | 417 | 486 | 584 | 574 | 482 | 454 | 524 | 607 |

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.

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## 1.13 FEDERAL FUNDS TRANSACTIONS Money Market Banks

Millions of dollars, except as noted

| Type | July 4 | July 11 | July 18 | July 25 | Aug. 1 | Aug. 8 | Aug. 15 | Aug. 22 | Aug. 29 |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | **Total, 46 banks** | | | | |
| *Basic reserve position* | | | | | | | | | |
| 1 Excess reserves[1] | 297 | −31 | 101 | −41 | 58 | 69 | 82 | 39 | 173 |
| LESS: | | | | | | | | | |
| 2 Borrowings at Federal Reserve Banks | 828 | 285 | 137 | 342 | 173 | 64 | 238 | 318 | 174 |
| 3 Net interbank federal funds transactions | 19,195 | 23,670 | 20,926 | 20,175 | 18,066 | 22,235 | 21,508 | 20,972 | 17,549 |
| EQUALS: Net surplus, or deficit (−) | | | | | | | | | |
| 4 Amount | −19,726 | −23,986 | −20,962 | −20,558 | −18,181 | −22,231 | −21,663 | −21,251 | −17,549 |
| 5 Percent of average required reserves | 115.5 | 145.5 | 118.4 | 118.7 | 106.2 | 132.3 | 126.4 | 124.6 | 102.8 |
| *Interbank federal funds transactions* | | | | | | | | | |
| Gross transactions | | | | | | | | | |
| 6 Purchases | 29,014 | 31,723 | 29,583 | 27,484 | 26,167 | 29,858 | 30,034 | 28,941 | 26,823 |
| 7 Sales | 9,819 | 8,053 | 8,657 | 7,308 | 8,101 | 7,623 | 8,527 | 7,969 | 9,275 |
| 8 Two-way transactions[2] | 6,716 | 6,786 | 6,378 | 6,372 | 6,312 | 6,386 | 6,075 | 5,846 | 6,460 |
| Net transactions | | | | | | | | | |
| 9 Purchases of net buying banks | 22,298 | 24,937 | 23,205 | 21,112 | 19,854 | 23,473 | 23,959 | 23,095 | 20,346 |
| 10 Sales of net selling banks | 3,102 | 1,267 | 2,280 | 937 | 1,789 | 1,237 | 2,452 | 2,123 | 2,815 |
| *Related transactions with U.S. government securities dealers* | | | | | | | | | |
| 11 Loans to dealers[3] | 3,628 | 4,919 | 2,738 | 2,492 | 2,529 | 3,959 | 2,730 | 3,246 | 2,646 |
| 12 Borrowings from dealers[4] | 1,868 | 1,344 | 1,843 | 2,088 | 2,146 | 1,814 | 1,883 | 2,240 | 1,980 |
| 13 Net loans | 1,760 | 3,575 | 895 | 404 | 383 | 2,144 | 847 | 1,007 | 666 |
| | | | | | **8 banks in New York City** | | | | |
| *Basic reserve position* | | | | | | | | | |
| 14 Excess reserves[1] | 63 | −6 | 35 | −42 | 7 | 47 | 17 | 39 | 85 |
| LESS: | | | | | | | | | |
| 15 Borrowings at Federal Reserve Banks | 413 | 29 | 54 | 7 | 0 | 0 | 205 | 14 | 0 |
| 16 Net interbank federal funds transactions | 5,833 | 7,082 | 4,159 | 5,383 | 5,412 | 6,539 | 5,505 | 5,378 | 3,675 |
| EQUALS: Net surplus, or deficit (−) | | | | | | | | | |
| 17 Amount | −6,183 | −7,116 | −4,178 | −5,432 | −5,405 | −6,492 | −5,693 | −5,353 | −3,591 |
| 18 Percent of average required reserves | 103.5 | 126.5 | 67.9 | 91.6 | 92.0 | 114.0 | 97.5 | 92.0 | 62.0 |
| *Interbank federal funds transactions* | | | | | | | | | |
| Gross transactions | | | | | | | | | |
| 19 Purchases | 6,999 | 7,905 | 6,252 | 6,497 | 6,359 | 7,453 | 6,509 | 6,225 | 5,174 |
| 20 Sales | 1,166 | 823 | 2,093 | 1,114 | 946 | 914 | 1,004 | 847 | 1,499 |
| 21 Two-way transactions[2] | 1,057 | 823 | 1,052 | 1,114 | 947 | 914 | 1,005 | 847 | 1,336 |
| Net transactions | | | | | | | | | |
| 22 Purchases of net buying banks | 5,942 | 7,082 | 5,200 | 5,383 | 5,412 | 6,539 | 5,505 | 5,377 | 3,838 |
| 23 Sales of net selling banks | 109 | 0 | 1,041 | 0 | 0 | 0 | 0 | 0 | 163 |
| *Related transactions with U.S. government securities dealers* | | | | | | | | | |
| 24 Loans to dealers[3] | 2,165 | 3,478 | 1,652 | 1,630 | 1,613 | 2,735 | 1,732 | 2,199 | 1,615 |
| 25 Borrowings from dealers[4] | 628 | 633 | 686 | 632 | 727 | 783 | 823 | 667 | 789 |
| 26 Net loans | 1,537 | 2,844 | 966 | 999 | 886 | 1,952 | 909 | 1,532 | 826 |
| | | | | | **38 banks outside New York City** | | | | |
| *Basic reserve position* | | | | | | | | | |
| 27 Excess reserves[1] | 234 | −25 | 66 | 1 | 50 | 22 | 66 | 0 | 89 |
| LESS: | | | | | | | | | |
| 28 Borrowings at Federal Reserve Banks | 416 | 256 | 84 | 335 | 173 | 64 | 33 | 304 | 174 |
| 29 Net interbank federal funds transactions | 13,362 | 16,588 | 16,767 | 14,792 | 12,654 | 15,696 | 16,003 | 15,595 | 13,874 |
| EQUALS: Net surplus, or deficit (−) | | | | | | | | | |
| 30 Amount | −13,543 | −16,869 | −16,784 | −15,126 | −12,777 | −15,739 | −15,970 | −15,898 | −13,958 |
| 31 Percent of average required reserves | 121.9 | 155.3 | 145.4 | 132.7 | 113.7 | 141.6 | 141.4 | 141.4 | 123.7 |
| *Interbank federal funds transactions* | | | | | | | | | |
| Gross transactions | | | | | | | | | |
| 32 Purchases | 22,015 | 23,819 | 23,331 | 20,986 | 19,808 | 22,405 | 23,525 | 22,716 | 21,649 |
| 33 Sales | 8,653 | 7,231 | 6,564 | 6,194 | 7,154 | 6,709 | 7,522 | 7,121 | 7,776 |
| 34 Two-way transactions[2] | 5,659 | 5,964 | 5,326 | 5,258 | 5,366 | 5,472 | 5,070 | 4,998 | 5,124 |
| Net transactions | | | | | | | | | |
| 35 Purchases of net buying banks | 16,356 | 17,855 | 18,005 | 15,729 | 14,442 | 16,934 | 18,455 | 17,718 | 16,525 |
| 36 Sales of net selling banks | 2,993 | 1,267 | 1,238 | 937 | 1,789 | 1,237 | 2,452 | 2,123 | 2,652 |
| *Related transactions with U.S. government securities dealers* | | | | | | | | | |
| 37 Loans to dealers[3] | 1,463 | 1,441 | 1,087 | 861 | 916 | 1,224 | 998 | 1,048 | 1,031 |
| 38 Borrowings from dealers[4] | 1,240 | 711 | 1,158 | 1,456 | 1,419 | 1,031 | 1,060 | 1,572 | 1,190 |
| 39 Net loans | 224 | 731 | −71 | −595 | −502 | 192 | −63 | −525 | −160 |

For notes see end of table.

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1.13 Continued

| Type | July 4 | July 11 | July 18 | July 25 | Aug. 1 | Aug. 8 | Aug. 15 | Aug. 22 | Aug. 29 |
|---|---|---|---|---|---|---|---|---|---|
| | 1979, week ending Wednesday | | | | | | | | |
| | 5 banks in City of Chicago | | | | | | | | |
| *Basic reserve position* | | | | | | | | | |
| 40 Excess reserves[1] | 71 | 21 | 19 | 2 | 34 | 17 | 17 | 0 | 18 |
| LESS: | | | | | | | | | |
| 41 Borrowings at Federal Reserve Banks | 181 | 0 | 0 | 7 | 62 | 0 | 0 | 0 | 29 |
| 42 Net interbank federal funds transactions | 6,541 | 7,965 | 8,063 | 6,944 | 5,968 | 6,729 | 8,076 | 8,130 | 7,961 |
| EQUALS: Net surplus, or deficit (−) | | | | | | | | | |
| 43 Amount | −6,652 | −7,944 | −8,045 | −6,949 | −5,996 | −6,713 | −8,059 | −8,130 | −7,972 |
| 44 Percent of average required reserves | 423.0 | 519.2 | 483.5 | 427.5 | 388.0 | 426.0 | 493.7 | 514.4 | 507.9 |
| *Interbank federal funds transactions* | | | | | | | | | |
| Gross transactions | | | | | | | | | |
| 45 Purchases | 8,033 | 9,327 | 9,280 | 8,252 | 7,377 | 8,308 | 9,314 | 9,535 | 9,073 |
| 46 Sales | 1,491 | 1,363 | 1,216 | 1,309 | 1,409 | 1,579 | 1,238 | 1,405 | 1,112 |
| 47 Two-way transactions[2] | 1,491 | 1,355 | 1,216 | 1,309 | 1,409 | 1,579 | 1,238 | 1,405 | 1,112 |
| Net transactions | | | | | | | | | |
| 48 Purchases of net buying banks | 6,541 | 7,972 | 8,063 | 6,944 | 5,968 | 6,729 | 8,076 | 8,130 | 7,961 |
| 49 Sales of net selling banks | 0 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Related transactions with U.S. government securities dealers* | | | | | | | | | |
| 50 Loans to dealers[3] | 291 | 387 | 162 | 120 | 127 | 144 | 120 | 184 | 230 |
| 51 Borrowings from dealers[4] | 89 | 28 | 55 | 8 | 54 | 6 | 6 | 42 | 81 |
| 52 Net loans | 202 | 359 | 107 | 112 | 73 | 138 | 115 | 142 | 149 |
| | 33 other banks | | | | | | | | |
| *Basic reserve position* | | | | | | | | | |
| 53 Excess reserves[1] | 163 | −46 | 48 | −1 | 16 | 5 | 49 | 0 | 71 |
| LESS: | | | | | | | | | |
| 54 Borrowings at Federal Reserve Banks | 234 | 256 | 84 | 328 | 111 | 64 | 33 | 304 | 145 |
| 55 Net interbank federal funds transactions | 6,821 | 8,623 | 8,703 | 7,848 | 6,686 | 8,967 | 7,927 | 7,465 | 5,913 |
| EQUALS: Net surplus, or deficit (−) | | | | | | | | | |
| 56 Amount | −6,892 | −8,926 | −8,739 | −8,178 | −6,781 | −9,027 | −7,912 | −7,768 | −5,987 |
| 57 Percent of average required reserves | 72.3 | 95.7 | 88.4 | 83.7 | 69.6 | 94.6 | 81.9 | 80.4 | 61.6 |
| *Interbank federal funds transactions* | | | | | | | | | |
| Gross transactions | | | | | | | | | |
| 58 Purchases | 13,982 | 14,491 | 14,051 | 12,734 | 12,431 | 14,097 | 14,211 | 13,182 | 12,576 |
| 59 Sales | 7,161 | 5,868 | 5,348 | 4,886 | 5,746 | 5,130 | 6,284 | 5,717 | 6,664 |
| 60 Two-way transactions[2] | 4,168 | 4,608 | 4,109 | 3,949 | 3,957 | 3,893 | 3,832 | 3,594 | 4,012 |
| Net transactions | | | | | | | | | |
| 61 Purchases of net buying banks | 9,814 | 9,883 | 9,942 | 8,785 | 8,474 | 10,204 | 10,379 | 9,588 | 8,564 |
| 62 Sales of net selling banks | 2,993 | 1,260 | 1,238 | 937 | 1,789 | 1,237 | 2,452 | 2,123 | 2,652 |
| *Related transactions with U.S. government securities dealers* | | | | | | | | | |
| 63 Loans to dealers[3] | 1,172 | 1,055 | 925 | 742 | 789 | 1,080 | 878 | 864 | 800 |
| 64 Borrowings from dealers[4] | 1,150 | 683 | 1,103 | 1,448 | 1,365 | 1,025 | 1,055 | 1,531 | 1,109 |
| 65 Net loans | 22 | 372 | −178 | −707 | −576 | 55 | −177 | −667 | −309 |

1. Based on reserve balances, including adjustments to include waivers of penalities for reserve deficiencies in accordance with changes in policy of the Board of Governors effective Nov. 19, 1975.
2. Derived from averages for individual banks for entire week. Figure for each bank indicates extent to which the bank's average purchases and sales are offsetting.
3. Federal funds loaned, net funds supplied to each dealer by clearing banks, repurchase agreements (purchases from dealers subject to resale), or other lending arrangements.
4. Federal funds borrowed, net funds acquired from each dealer by clearing banks, reverse repurchase agreements (sales of securities to dealers subject to repurchase), resale agreements, and borrowings secured by U.S. government 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.

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## 1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent 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 8/31/79 | Effective date | Previous rate | Rate on 8/31/79 | Effective date | Previous rate | Rate on 8/31/79 | Effective date | Previous rate | Rate on 8/31/79 | Effective date | Previous rate |
| Boston | 10½ | 8/20/79 | 10 | 11 | 8/20/79 | 10½ | 11½ | 8/20/79 | 11 | 13½ | 8/20/79 | 13 |
| New York | 10½ | 8/17/79 | 10 | 11 | 8/17/79 | 10½ | 11½ | 8/17/79 | 11 | 13½ | 8/17/79 | 13 |
| Philadelphia | 10½ | 8/17/79 | 10 | 11 | 8/17/79 | 10½ | 11½ | 8/17/79 | 11 | 13½ | 8/17/79 | 13 |
| Cleveland | 10½ | 8/17/79 | 10 | 11 | 8/17/79 | 10½ | 11½ | 8/17/79 | 11 | 13½ | 8/17/79 | 13 |
| Richmond | 10½ | 8/17/79 | 10 | 11 | 8/17/79 | 10½ | 11½ | 8/17/79 | 11 | 13½ | 8/17/79 | 13 |
| Atlanta | 10½ | 8/20/79 | 10 | 11 | 8/20/79 | 10½ | 11½ | 8/20/79 | 11 | 13½ | 8/20/79 | 13 |
| Chicago | 10½ | 8/20/79 | 10 | 11 | 8/20/79 | 11½ | 10½ | 8/20/79 | 11 | 13½ | 8/20/79 | 13 |
| St. Louis | 10½ | 8/17/79 | 10 | 11 | 8/17/79 | 10½ | 11½ | 8/17/79 | 11 | 13½ | 8/17/79 | 13 |
| Minneapolis | 10½ | 8/17/79 | 10 | 11 | 8/17/79 | 10½ | 11½ | 8/17/79 | 11 | 13½ | 8/17/79 | 13 |
| Kansas City | 10½ | 8/17/79 | 10 | 11 | 8/17/79 | 10½ | 11½ | 8/17/79 | 11 | 13½ | 8/17/79 | 13 |
| Dallas | 10½ | 8/20/79 | 10 | 11 | 8/20/79 | 10½ | 11½ | 8/20/79 | 11 | 13½ | 8/20/79 | 13 |
| San Francisco | 10½ | 8/20/79 | 10 | 11 | 8/20/79 | 10½ | 11½ | 8/20/79 | 11 | 13½ | 8/20/79 | 13 |

### Range of rates in recent years[5]

| Effective date | Range (or level)—All F.R. Banks | F.R. Bank of N.Y. |
|---|---|---|
| In effect Dec. 31, 1970 | 5½ | 5½ |
| 1971—Jan. 8 | 5¼–5½ | 5¼ |
| 15 | 5¼ | 5¼ |
| 19 | 5–5¼ | 5¼ |
| 22 | 5–5¼ | 5 |
| 29 | 5 | 5 |
| Feb. 13 | 4¾–5 | 5 |
| 19 | 4¾ | 4¾ |
| July 16 | 4¾–5 | 5 |
| 23 | 5 | 5 |
| Nov. 11 | 4¾–5 | 5 |
| 19 | 4¾ | 4¾ |
| Dec. 13 | 4½–4¾ | 4¾ |
| 17 | 4½–4¾ | 4½ |
| 24 | 4½ | 4½ |
| 1973—Jan. 15 | 5 | 5 |
| Feb. 26 | 5–5½ | 5½ |
| Mar. 2 | 5½ | 5½ |
| Apr. 23 | 5½–5¾ | 5½ |
| May 4 | 5¾ | 5¾ |
| 11 | 5¾–6 | 6 |
| 18 | 6 | 6 |
| June 11 | 6–6½ | 6½ |
| 15 | 6½ | 6½ |

| Effective date | Range (or level)—All F.R. Banks | F.R. Bank of N.Y. |
|---|---|---|
| 1973—July 2 | 7 | 7 |
| Aug. 14 | 7–7½ | 7½ |
| 23 | 7½ | 7½ |
| 1974—Apr. 25 | 7½–8 | 8 |
| 30 | 8 | 8 |
| Dec. 9 | 7¾–8 | 7¾ |
| 16 | 7¾ | 7¾ |
| 1975—Jan. 6 | 7¼–7¾ | 7¾ |
| 10 | 7¼–7¾ | 7¼ |
| 24 | 7¼ | 7¼ |
| Feb. 5 | 6¾–7¼ | 6¾ |
| 7 | 6¾ | 6¾ |
| Mar. 10 | 6¼–6¾ | 6¼ |
| 14 | 6¼ | 6¼ |
| May 16 | 6–6¼ | 6 |
| 23 | 6 | 6 |
| 1976—Jan. 19 | 5½–6 | 5½ |
| 23 | 5½ | 5½ |
| Nov. 22 | 5¼–5½ | 5¼ |
| 26 | 5¼ | 5¼ |

| Effective date | Range (or level)—All F.R. Banks | F.R. Bank of N.Y. |
|---|---|---|
| 1977—Aug. 30 | 5¼–5¾ | 5¼ |
| 31 | 5¼–5¾ | 5¾ |
| Sept. 2 | 5¾ | 5¾ |
| Oct. 26 | 6 | 6 |
| 1978—Jan. 9 | 6–6½ | 6½ |
| 20 | 6½ | 6½ |
| May 11 | 6½–7 | 7 |
| 12 | 7 | 7 |
| July 3 | 7–7¼ | 7¼ |
| 10 | 7¼ | 7¼ |
| Aug. 21 | 7¾ | 7¾ |
| Sept. 22 | 8 | 8 |
| Oct. 16 | 8–8½ | 8½ |
| 20 | 8½ | 8½ |
| Nov. 1 | 8½–9½ | 9½ |
| 3 | 9½ | 9½ |
| 1979—July 20 | 10 | 10 |
| Aug. 17 | 10–10½ | 10½ |
| 20 | 10½ | 10½ |
| In effect Aug. 31, 1979 | 10½ | 10½ |

1. Discounts of eligible paper and advances secured by such paper or by U.S. government obligations or any other obligations eligible for Federal Reserve Bank purchase.
2. Advances secured to the satisfaction of the Federal Reserve Bank. Advances secured by mortgages on 1- to 4-family residential property are made at the section 13 rate.
3. Applicable to special advances described in section 201.2(e)(2) of Regulation A.
4. Advances to individuals, partnerships, or corporations other than member banks secured by direct obligations of, or obligations fully guaranteed as to principal and interest by, the U.S. government or any agency thereof.
5. Rates under secs. 13 and 13a (as described above). For description and earlier data, see the following publications of the Board of Governors: *Banking and Monetary Statistics, 1914–1941* and *1941–1970*; *Annual Statistical Digest, 1971–1975, 1972–1976*, and *1973–1977*.

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## 1.15 MEMBER BANK RESERVE REQUIREMENTS[1]

Percent of deposits

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

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

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

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

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

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

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

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

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

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

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

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

Percent per annum

| Type and maturity of deposit | Commercial banks | | | | Savings and loan associations and mutual savings banks | | | |
|---|---|---|---|---|---|---|---|---|
| | In effect August 31, 1979 | | Previous maximum | | In effect August 31, 1979 | | Previous maximum | |
| | Percent | Effective date | Percent | Effective date | Percent | Effective date | Percent | Effective date |
| 1 Savings | 5¼ | 7/1/79 | 5 | 7/1/73 | 5½ | 7/1/79 | 5¼ | (7) |
| 2 Negotiable order of withdrawal accounts[1] | 5 | 1/1/74 | (8) | ........... | 5 | 1/1/74 | (8) | ........... |
| *Time accounts*[2] | | | | | | | | |
| Fixed ceiling rates by maturity | | | | | | | | |
| 3 30–89 days | 5¼ | 9/1/79 | 5 | 7/1/73 | (8) | ........... | (8) | ........... |
| 4 90 days to 1 year | 5½ | 7/1/73 | 5 | (9) | [3]5¾ | (7) | 5¼ | 1/21/70 |
| 5 1 to 2 years[3] | 6 | 7/1/73 | 5½ | 1/21/70 | 6½ | (7) | 5¾ | 1/21/70 |
| 6 2 to 2½ years[3] | 6 | 7/1/73 | 5¾ | 1/21/70 | 6½ | (7) | 6 | 1/21/70 |
| 7 2½ to 4 years[3] | 6½ | 7/1/73 | 5¾ | 1/21/70 | 6¾ | (7) | 6 | 1/21/70 |
| 8 4 to 6 years[4] | 7¼ | 11/1/73 | (10) | ........... | 7½ | 11/1/73 | (10) | ........... |
| 9 6 to 8 years[4] | 7½ | 12/23/74 | 7¼ | 11/1/73 | 7¾ | 12/23/74 | 7½ | 11/1/73 |
| 10 8 years or more[4] | 7¾ | 6/1/78 | (8) | ........... | 8 | 6/1/78 | (8) | ........... |
| 11 Issued to governmental units (all maturities) | 8 | 6/1/78 | 7¾ | 12/23/74 | 8 | 6/1/78 | 7¾ | 12/23/74 |
| 12 Individual retirement accounts and Keogh (H.R. 10) plans (3 years or more)[5] | 8 | 6/1/78 | 7¾ | 7/6/77 | 8 | 6/1/78 | 7¾ | 7/6/77 |
| Special variable ceiling rates by maturity | | | | | | | | |
| 13 6 months (money market time deposits)[6] | (11) | (11) | (11) | (11) | (11) | (11) | (11) | (11) |
| 14 4 years or more | (12) | (12) | (12) | (12) | (12) | (12) | (12) | (12) |

1. For authorized states only. Federally insured commercial banks, savings and loan associations, cooperative banks, and mutual savings banks in Massachusetts and New Hampshire were first permitted to offer negotiable order of withdrawal (NOW) accounts on Jan. 1, 1974. Authorization to issue NOW accounts was extended to similar institutions throughout New England on Feb. 27, 1976, and in New York State on Nov. 10, 1978.
2. 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. No minimum denomination. Until July 1, 1979, a minimum of $1,000 was required for savings and loan associations, except in areas where mutual savings banks permitted lower minimum denominations. This restriction was removed for deposits maturing in less than 1 year, effective Nov. 1, 1973.
4. No minimum denomination. Until July 1, 1979, minimum denomination was $1,000 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. Accounts maturing in less than 3 years subject to regular ceilings.
6. Must have a maturity of exactly 26 weeks and a minimum denomination of $10,000, and must be nonnegotiable.
7. July 1, 1973, for mutual savings bank; July 6, 1973 for savings and loan associations.
8. No separate account category.
9. Multiple maturity: July 20, 1966; single maturity: September 26, 1966.
10. Between July 1, 1973, and Oct. 31, 1973, there was no ceiling for certificates maturing in 4 years or more with minimum denominations of $1,000; however, the amount of such certificates that an institution could issue was limited to 5 percent of its total time and savings deposits. Sales in excess of that amount, as well as certificates of less than $1,000, were limited to the 6½ percent ceiling on time deposits maturing in 2½ years or more.

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

11. Commercial banks, savings and loan associations, and mutual savings banks were authorized to offer money market time deposits effective June 1, 1978. The ceiling rate for commercial banks is the discount rate on most recently issued 6-month U.S. Treasury bills. Until Mar. 15, 1979, the ceiling rate for savings and loan associations and mutual savings banks was ¼ percentage point higher than the rate for commercial banks. Beginning Mar. 15, 1979, the ¼ percentage point interest differential is removed when the 6-month Treasury bill rate is 9 percent or more. The full differential is in effect when the 6-month bill rate is 8¾ percent or less. Thrift institutions may pay a maximum 9 percent when the 6-month bill rate is between 8¾ and 9 percent. Also effective March 15, 1979, interest compounding was prohibited on money market time deposit at all offering institutions. For both commercial banks and thrift institutions, the maximum allowable rates in July were as follows: Aug. 2, 9.301; Aug. 9, 9.320; Aug. 16, 9.481; Aug. 23, 9.504; Aug. 30, 9.645.
12. Effective July 1, 1979, commercial banks, savings and loan associations, and mutual savings banks are authorized to offer variable ceiling accounts with no required minimum denomination and with maturities of 4 years or more. The maximum rate for commercial banks is 1¼ percentage points below the yield on 4-year U.S. Treasury securities; the ceiling rate for thrift institutions is ¼ percentage point higher than that for commercial banks. In August, the ceiling was 7.95 percent at commercial banks and 8.20 percent at thrift institutions.

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 with maturities of 30-89 days were suspended in June 1970; such deposits maturing in 90 days or more were suspended in May 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.

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## 1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS

Millions of dollars

| Type of transaction | 1976 | 1977 | 1978 | 1979 Jan. | Feb. | Mar. | Apr. | May | June | July |
|---|---|---|---|---|---|---|---|---|---|---|
| **U.S. GOVERNMENT SECURITIES** | | | | | | | | | | |
| Outright transactions (excluding matched sale–purchase transactions) | | | | | | | | | | |
| *Treasury bills* | | | | | | | | | | |
| 1 Gross purchases | 14,343 | 13,738 | 16,628 | 0 | 0 | 2,012 | [2] 2,361 | 0 | 518 | 2,252 |
| 2 Gross sales | 8,462 | 7,241 | 13,725 | 3,758 | 228 | 475 | 100 | 251 | 623 | 0 |
| 3 Redemptions | [2] 5,017 | 2,136 | 2,033 | 500 | 400 | 400 | [2] 1,240 | 200 | 0 | 0 |
| *Others within 1 year*[1] | | | | | | | | | | |
| 4 Gross purchases | 472 | 3,017 | 1,184 | 0 | 48 | 2,600 | 0 | 0 | 42 | 218 |
| 5 Gross sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6 Exchange, or maturity shift | 792 | 4,499 | −5,170 | −673 | −30 | 724 | 439 | 4,660 | 1,152 | 33 |
| 7 Redemptions | 0 | 2,500 | 0 | 0 | 0 | 0 | [2] 3,240 | 0 | 0 | 0 |
| *1 to 5 years* | | | | | | | | | | |
| 8 Gross purchases | [2] 3,202 | 2,833 | 4,188 | 0 | 426 | 0 | [2] 640 | 0 | 0 | 237 |
| 9 Gross sales | 177 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 10 Exchange, or maturity shift | −2,588 | −6,649 | −178 | 673 | 2,205 | −724 | −439 | −5,209 | −1,152 | −33 |
| *5 to 10 years* | | | | | | | | | | |
| 11 Gross purchases | 1,048 | 758 | 1,526 | 0 | 134 | 0 | 0 | 0 | 0 | 96 |
| 12 Gross sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 13 Exchange, or maturity shift | 1,572 | 584 | 2,803 | 0 | −2,975 | 0 | 0 | 350 | 0 | 0 |
| *Over 10 years* | | | | | | | | | | |
| 14 Gross purchases | 642 | 553 | 1,063 | 0 | 93 | 0 | 0 | 0 | 0 | 142 |
| 15 Gross sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 16 Exchange, or maturity shift | 225 | 1,565 | 2,545 | 0 | 800 | 0 | 0 | 200 | 0 | 0 |
| *All maturities*[1] | | | | | | | | | | |
| 17 Gross purchases | [2] 19,707 | 20,898 | 24,591 | 0 | 700 | 4,612 | [2] 3,000 | 0 | 561 | 2,945 |
| 18 Gross sales | 8,639 | 7,241 | 13,725 | 3,758 | 228 | 475 | 100 | 251 | 623 | 0 |
| 19 Redemptions | [2] 5,017 | 4,636 | 2,033 | 500 | 400 | 400 | [2] 4,480 | 200 | 0 | 0 |
| Matched sale–purchase transactions | | | | | | | | | | |
| 20 Gross sales | 196,078 | 425,214 | 511,126 | 64,691 | 56,291 | 61,669 | 62,362 | 54,343 | 52,640 | 40,310 |
| 21 Gross purchases | 196,579 | 423,841 | 510,854 | 60,750 | 58,426 | 63,707 | 61,968 | 53,692 | 52,949 | 40,300 |
| Repurchase agreements | | | | | | | | | | |
| 22 Gross purchases | 232,891 | 178,683 | 151,618 | 3,117 | 6,931 | 11,817 | 5,784 | 2,188 | 15,531 | 18,464 |
| 23 Gross sales | 230,355 | 180,535 | 152,436 | 4,201 | 6,931 | 10,137 | 6,163 | 3,488 | 12,226 | 19,690 |
| 24 Net change in U.S. government securities | 9,087 | 5,798 | 7,743 | −9,283 | 2,207 | 7,454 | −2,352 | −2,403 | 3,552 | 1,708 |
| **FEDERAL AGENCY OBLIGATIONS** | | | | | | | | | | |
| Outright transactions | | | | | | | | | | |
| 25 Gross purchases | 891 | 1,433 | 301 | 0 | 0 | 0 | 0 | 0 | 371 | 482 |
| 26 Gross sales | 0 | 0 | 173 | 379 | 20 | 0 | 0 | 0 | 0 | 0 |
| 27 Redemptions | 169 | 223 | 235 | 10 | * | 23 | * | 40 | 33 | 0 |
| Repurchase agreements | | | | | | | | | | |
| 28 Gross purchases | 10,520 | 13,811 | 40,567 | 713 | 1,152 | 2,851 | 1,173 | 1,149 | 4,443 | 7,247 |
| 29 Gross sales | 10,360 | 13,638 | 40,885 | 846 | 1,152 | 2,482 | 1,392 | 1,298 | 3,617 | 7,434 |
| 30 Net change in federal agency obligations | 882 | 1,383 | −426 | −522 | −20 | 345 | −219 | −189 | 1,163 | 295 |
| **BANKERS ACCEPTANCES** | | | | | | | | | | |
| 31 Outright transactions, net | −545 | −196 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 32 Repurchase agreements, net | 410 | 159 | −366 | −587 | 0 | 204 | 48 | −252 | 1,400 | −241 |
| 33 Net change in bankers acceptances | −135 | −37 | −366 | −587 | 0 | 204 | 48 | −252 | 1,400 | −241 |
| 34 **Total net change in System Open Market Account** | **9,833** | **7,143** | **6,951** | **−10,392** | **2,187** | **8,003** | **−2,524** | **−2,844** | **6,115** | **1,761** |

1. Both gross purchases and redemptions include special certificates created when the Treasury borrows directly from the Federal Reserve, as follows (millions of dollars): Sept. 1977, 2,500; Mar. 1979, 2,600.

2. In 1976, the System acquired $189 million of 2-year Treasury notes in exchange for maturing bills. In April 1979, the System acquired $640 million of 2-day cash management bills in exchange for maturing 2-year notes. New 2-year notes were later obtained in exchange for the maturing bills. Each of these transactions is treated in the table as both a purchase and 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.

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## 1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements

Millions of dollars

| Account | Wednesday | | | | | End of month | | |
|---|---|---|---|---|---|---|---|---|
| | 1979 | | | | | 1979 | | |
| | Aug. 1 | Aug. 8 | Aug. 15 | Aug. 22p | Aug. 29p | June | July | Aug.p |
| | Consolidated condition statement | | | | | | | |
| **ASSETS** | | | | | | | | |
| 1 Gold certificate account | 11,290 | 11,260 | 11,259 | 11,259 | 11,259 | 11,323 | 11,290 | 11,259 |
| 2 Special drawing rights certificate account | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 |
| 3 Coin | 398 | 400 | 425 | 429 | 437 | 371 | 397 | 441 |
| *Loans* | | | | | | | | |
| 4 Member bank borrowings | 1,348 | 887 | 2,707 | 1,509 | 917 | 1,558 | 852 | 1,572 |
| 5 Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Acceptances* | | | | | | | | |
| 6 Bought outright | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7 Held under repurchase agreements | 588 | 0 | 0 | 0 | 699 | 1,400 | 1,159 | 475 |
| *Federal agency obligations* | | | | | | | | |
| 8 Bought outright | 8,243 | 8,243 | 8,243 | 8,243 | 8,242 | 7,761 | 8,243 | 8,242 |
| 9 Held under repurchase agreements | 166 | 0 | 0 | 0 | 757 | 826 | 638 | 153 |
| *U.S. government securities* | | | | | | | | |
| Bought outright | | | | | | | | |
| 10 Bills | 41,261 | 36,825 | 40,071 | 41,492 | 43,298 | 38,370 | 40,612 | 42,905 |
| 11 Certificates—Special | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12 Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 13 Notes | 55,055 | 55,055 | 55,645 | 55,645 | 55,645 | 54,505 | 55,055 | 55,645 |
| 14 Bonds | 13,699 | 13,699 | 14,085 | 14,085 | 14,085 | 13,557 | 13,699 | 14,085 |
| 15 Total[1] | 110,015 | 105,579 | 109,801 | 111,222 | 113,028 | 106,432 | 109,366 | 112,635 |
| 16 Held under repurchase agreements | 275 | 0 | 0 | 0 | 2,107 | 3,305 | 2,079 | 392 |
| 17 **Total U.S. government securities** | **110,290** | **105,579** | **109,801** | **111,222** | **115,135** | **109,737** | **111,445** | **113,027** |
| 18 **Total loans and securities** | **120,635** | **114,709** | **120,751** | **120,974** | **125,750** | **121,282** | **122,337** | **123,469** |
| 19 Cash items in process of collection | 12,513 | 13,291 | 13,924 | 11,918 | 11,627 | 10,488 | 11,712 | 9,852 |
| 20 Bank premises | 399 | 399 | 400 | 400 | 400 | 397 | 399 | 400 |
| *Other assets* | | | | | | | | |
| 21 Denominated in foreign currencies[2] | 2,189 | 2,201 | 2,188 | 2,209 | 2,229 | 2,942 | 2,182 | 2,213 |
| 22 All other | 2,880 | 2,852 | 1,872 | 1,865 | 1,951 | 2,427 | 2,660 | 2,008 |
| 23 **Total assets** | **152,104** | **146,912** | **152,619** | **150,854** | **155,453** | **151,030** | **152,777** | **151,442** |
| **LIABILITIES** | | | | | | | | |
| 24 Federal Reserve notes | 106,044 | 106,779 | 107,006 | 106,560 | 106,827 | 104,794 | 105,957 | 106,900 |
| *Deposits* | | | | | | | | |
| 25 Member bank reserves | 28,929 | 26,252 | 28,844 | 29,661 | 33,479 | 30,407 | 30,279 | 29,407 |
| 26 U.S. Treasury—General account | 4,012 | 2,498 | 3,805 | 2,851 | 3,176 | 3,290 | 2,765 | 3,542 |
| 27 Foreign | 226 | 258 | 312 | 262 | 308 | 326 | 373 | 325 |
| 28 Other | 1,161 | 644 | 674 | 534 | 541 | 813 | 636 | 663 |
| 29 **Total deposits** | **34,328** | **29,652** | **33,635** | **33,308** | **37,504** | **34,836** | **34,053** | **33,937** |
| 30 Deferred availability cash items | 6,794 | 6,209 | 7,468 | 6,269 | 6,129 | 6,564 | 7,816 | 5,729 |
| 31 Other liabilities and accrued dividends[3] | 1,845 | 1,811 | 1,868 | 1,887 | 1,979 | 1,846 | 1,884 | 1,813 |
| 32 **Total liabilities** | **149,011** | **144,451** | **149,977** | **148,024** | **152,439** | **148,040** | **149,710** | **148,379** |
| **CAPITAL ACCOUNTS** | | | | | | | | |
| 33 Capital paid in | 1,130 | 1,130 | 1,130 | 1,130 | 1,131 | 1,126 | 1,129 | 1,131 |
| 34 Surplus | 1,078 | 1,078 | 1,078 | 1,078 | 1,078 | 1,078 | 1,078 | 1,078 |
| 35 Other capital accounts | 885 | 253 | 434 | 622 | 805 | 786 | 860 | 854 |
| 36 **Total liabilities and capital accounts** | **152,104** | **146,912** | **152,619** | **150,854** | **155,453** | **151,030** | **152,777** | **151,442** |
| 37 MEMO: Marketable U.S. government securities held in custody for foreign and international account | 82,259 | 81,709 | 83,010 | 83,960 | 81,902 | 78,140 | 82,405 | 82,133 |
| | Federal Reserve note statement | | | | | | | |
| 38 Federal Reserve notes outstanding (issued to Bank) | 120,150 | 120,479 | 120,697 | 121,022 | 121,377 | 118,148 | 120,035 | 121,408 |
| *Collateral held against notes outstanding* | | | | | | | | |
| 39 Gold certificate account | 11,290 | 11,260 | 11,259 | 11,259 | 11,259 | 11,323 | 11,290 | 11,259 |
| 40 Special Drawing Rights certificate account | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 |
| 41 Eligible paper | 921 | 689 | 1,644 | 1,215 | 669 | 1,116 | 652 | 1,090 |
| 42 U.S. government and agency securities | 106,139 | 106,730 | 105,994 | 106,748 | 107,649 | 103,909 | 106,293 | 107,259 |
| 43 **Total collateral** | **120,150** | **120,479** | **120,697** | **121,022** | **121,377** | **118,148** | **120,035** | **121,408** |

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

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

3. Includes exchange-translation account reflecting, beginning December 29, 1978, the monthly revaluation at market exchange rates of foreign-exchange commitments.

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## 1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings

Millions of dollars

| Type and maturity | Wednesday 1979 | | | | | End of month 1979 | | |
|---|---|---|---|---|---|---|---|---|
| | Aug. 1 | Aug. 8 | Aug. 15 | Aug. 22 | Aug. 29 | June 30 | July 31 | Aug. 31 |
| 1 **Loans** | 1,348 | 887 | 2,707 | 1,509 | 917 | 1,558 | 851 | 1,572 |
| 2 Within 15 days | 1,219 | 742 | 2,575 | 1,449 | 873 | 1,469 | 786 | 1,441 |
| 3 16 days to 90 days | 129 | 145 | 132 | 60 | 44 | 89 | 65 | 131 |
| 4 91 days to 1 year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5 **Acceptances** | 588 | 0 | 0 | 0 | 699 | 400 | 1,159 | 475 |
| 6 Within 15 days | 588 | 0 | 0 | 0 | 699 | 400 | 1,159 | 475 |
| 7 16 days to 90 days | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 8 91 days to 1 year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9 **U.S. government securities** | 110,290 | 105,579 | 109,801 | 111,222 | 115,135 | 109,737 | 111,445 | 113,027 |
| 10 Within 15 days[1] | 5,223 | 4,466 | 3,509 | 3,449 | 6,187 | 5,748 | 5,851 | 2,821 |
| 11 16 days to 90 days | 19,116 | 15,624 | 19,520 | 21,553 | 22,632 | 19,434 | 19,553 | 23,419 |
| 12 91 days to 1 year | 34,035 | 33,573 | 35,464 | 34,912 | 35,008 | 31,928 | 34,125 | 35,477 |
| 13 Over 1 year to 5 years | 27,685 | 27,685 | 26,791 | 26,791 | 26,791 | 28,634 | 27,685 | 26,793 |
| 14 Over 5 years to 10 years | 12,321 | 12,321 | 12,221 | 12,221 | 12,221 | 12,225 | 12,321 | 12,221 |
| 15 Over 10 years | 11,910 | 11,910 | 12,296 | 12,296 | 12,296 | 11,768 | 11,910 | 12,296 |
| 16 **Federal agency obligations** | 8,409 | 8,243 | 8,243 | 8,243 | 8,999 | 8,587 | 8,881 | 8,395 |
| 17 Within 15 days[1] | 166 | 0 | 150 | 210 | 885 | 922 | 678 | 281 |
| 18 16 days to 90 days | 377 | 429 | 279 | 219 | 185 | 401 | 377 | 185 |
| 19 91 days to 1 year | 1,225 | 1,174 | 1,173 | 1,173 | 1,242 | 915 | 1,185 | 1,242 |
| 20 Over 1 year to 5 years | 4,340 | 4,340 | 4,340 | 4,340 | 4,452 | 4,064 | 4,340 | 4,452 |
| 21 Over 5 years to 10 years | 1,505 | 1,505 | 1,505 | 1,505 | 1,439 | 1,510 | 1,505 | 1,439 |
| 22 Over 10 years | 796 | 795 | 796 | 796 | 796 | 775 | 796 | 796 |

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

## 1.20 BANK DEBITS AND DEPOSIT TURNOVER

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

| Bank group, or type of customer | 1976 | 1977 | 1978 | 1979 | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Mar. | Apr. | May | June | July |
| | Debits to demand deposits[2] (seasonally adjusted) | | | | | | | |
| 1 All commercial banks | 29,180.4 | 34,322.8 | 40,300.3 | 44,920.4 | 46,612.2 | 47,545.4 | 50,388.3 | 52,102.7 |
| 2 Major New York City banks | 11,467.2 | 13,860.6 | 15,008.7 | 15,644.9 | 16,898.7 | 16,960.3 | 19,747.4 | 20,480.5 |
| 3 Other banks | 17,713.2 | 20,462.2 | 25,291.6 | 29,275.5 | 29,713.5 | 30,585.2 | 30,641.0 | 31,622.2 |
| | Debits to savings deposits[3] (not seasonally adjusted) | | | | | | | |
| 4 All customers | ........... | 174.0 | 418.1 | 598.3 | 698.0 | 764.4 | 658.8 | 732.8 |
| 5 Business[1] | ........... | 21.7 | 56.7 | 76.1 | 71.7 | 69.4 | 72.6 | 74.1 |
| 6 Others | ........... | 152.3 | 361.4 | 522.2 | 626.4 | 695.0 | 586.2 | 658.8 |
| | Demand deposit turnover[2] (seasonally adjusted) | | | | | | | |
| 7 All commercial banks | 116.8 | 129.2 | 139.4 | 154.4 | 156.8 | 160.3 | 167.3 | 171.9 |
| 8 Major New York City banks | 411.6 | 503.0 | 541.9 | 571.8 | 618.4 | 619.1 | 685.4 | 717.7 |
| 9 Other banks | 79.8 | 85.9 | 96.7 | 111.1 | 110.1 | 113.6 | 112.5 | 115.2 |
| | Savings deposit turnover[3] (not seasonally adjusted) | | | | | | | |
| 10 All customers | ........... | 1.6 | 1.9 | 2.8 | 3.2 | 3.6 | 3.1 | 3.4 |
| 11 Business[1] | ........... | 4.1 | 5.1 | 7.4 | 7.0 | 6.8 | 7.2 | 7.2 |
| 12 Others | ........... | 1.5 | 1.7 | 2.5 | 3.0 | 3.4 | 2.9 | 3.2 |

1. Represents corporations and other profit-seeking organizations (excluding commercial banks but including savings and loan associations, mutual savings banks, credit unions, the Export-Import Bank, and federally sponsored lending agencies).
2. Represents accounts of individuals, partnerships, and corporations, and of states and political subdivisions.
3. Excludes negotiable order of withdrawal (NOW) accounts and special club accounts, such as Christmas and vacation clubs.

NOTE. Historical data—estimated for the period 1970 through June 1977, partly on the basis of the debits series for 233 SMSAs, which were available through June 1977—are available from Publications Services, Division of Support 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.

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## 1.21 MONEY STOCK MEASURES AND COMPONENTS

Billions of dollars, averages of daily figures

| Item | 1975 Dec. | 1976 Dec. | 1977 Dec. | 1978 Dec. | 1979 Feb. | 1979 Mar. | 1979 Apr. | 1979 May | 1979 June | 1979 July |
|---|---|---|---|---|---|---|---|---|---|---|
| | Seasonally adjusted | | | | | | | | | |
| MEASURES[1] | | | | | | | | | | |
| 1 M-1 | 295.4 | 313.8 | 338.7 | 361.2 | 358.6 | 359.0 | 364.3 | 364.5 | 369.0 | 372.1 |
| 2 M-1+ | 456.8 | 517.2 | 560.6 | 587.2 | 580.1 | 579.6 | 585.1 | 584.0 | 589.9 | 594.8 |
| 3 M-2 | 664.8 | 740.6 | 809.4 | 875.8 | 876.7 | 879.5 | 889.8 | 893.8 | 904.4 | 914.0 |
| 4 M-3 | 1,092.4 | 1,235.6 | 1,374.3 | 1,500.1 | 1,509.7 | 1,517.5 | 1,530.8 | 1,537.0 | 1,552.3 | 1,566.9 |
| 5 M-4 | 745.8 | 803.0 | 883.1 | 972.4 | 978.8 | 978.5 | 984.8 | 984.4 | 989.3 | 998.7 |
| 6 M-5 | 1,173.5 | 1,298.0 | 1,448.0 | 1,596.7 | 1,611.8 | 1,616.5 | 1,625.9 | 1,627.6 | 1,637.2 | 1,651.6 |
| COMPONENTS | | | | | | | | | | |
| 7 Currency | 73.8 | 80.8 | 88.6 | 97.5 | 98.9 | 99.4 | 100.2 | 100.7 | 101.5 | 102.3 |
| *Commercial bank deposits* | | | | | | | | | | |
| 8 Demand | 221.7 | 233.0 | 250.1 | 263.7 | 259.7 | 259.5 | 264.1 | 263.8 | 267.5 | 269.8 |
| 9 Time and savings | 450.3 | 489.2 | 544.4 | 611.2 | 620.2 | 619.5 | 620.6 | 619.9 | 620.3 | 626.6 |
| 10 Savings | 160.7 | 202.1 | 219.7 | 223.0 | 218.6 | 217.7 | 217.7 | 216.4 | 217.8 | 219.5 |
| 11 Negotiable CDs[2] | 81.0 | 62.4 | 73.7 | 96.6 | 102.1 | 99.0 | 95.0 | 90.6 | 84.9 | 84.7 |
| 12 Other time | 208.6 | 224.7 | 251.0 | 291.5 | 299.5 | 302.9 | 307.9 | 313.0 | 317.6 | 322.4 |
| 13 Nonbank thrift institutions[3] | 427.7 | 495.0 | 564.9 | 624.4 | 633.0 | 638.0 | 641.0 | 643.2 | 647.9 | 652.9 |
| | Not seasonally adjusted | | | | | | | | | |
| MEASURES[1] | | | | | | | | | | |
| 14 M-1 | 303.9 | 322.6 | 348.2 | 371.3 | 351.9 | 353.7 | 367.4 | 359.1 | 368.2 | 374.0 |
| 15 M-1+ | 463.6 | 524.2 | 568.0 | 595.2 | 572.8 | 575.6 | 590.7 | 580.5 | 590.8 | 598.5 |
| 16 M-2 | 670.0 | 745.8 | 814.9 | 881.5 | 871.0 | 878.2 | 896.8 | 892.1 | 906.0 | 917.0 |
| 17 M-3 | 1,095.0 | 1,238.3 | 1,377.2 | 1,502.8 | 1,502.1 | 1,517.4 | 1,540.8 | 1,536.4 | 1,556.3 | 1,572.9 |
| 18 M-4 | 753.5 | 810.0 | 890.8 | 981.0 | 970.6 | 975.7 | 989.5 | 981.1 | 990.4 | 1,001.0 |
| 19 M-5 | 1,178.4 | 1,302.6 | 1,453.2 | 1,602.4 | 1,601.7 | 1,614.9 | 1,633.5 | 1,625.4 | 1,640.7 | 1,656.9 |
| COMPONENTS | | | | | | | | | | |
| 20 Currency | 75.1 | 82.1 | 90.1 | 99.1 | 97.6 | 98.6 | 99.9 | 100.6 | 101.8 | 103.2 |
| *Commercial bank deposits* | | | | | | | | | | |
| 21 Demand | 228.8 | 240.5 | 258.1 | 272.2 | 254.2 | 255.1 | 267.5 | 258.5 | 266.4 | 270.8 |
| 22 Member | 162.8 | 169.4 | 177.5 | 183.0 | 169.6 | 170.4 | 178.5 | 171.8 | 177.1 | 180.5 |
| 23 Domestic nonmember | 62.6 | 67.5 | 76.2 | 85.2 | 80.7 | 80.6 | 85.1 | 82.6 | 84.8 | 86.1 |
| 24 Time and savings | 449.6 | 487.4 | 542.6 | 609.7 | 618.7 | 622.0 | 622.1 | 622.0 | 622.2 | 627.0 |
| 25 Savings | 159.1 | 200.2 | 217.7 | 220.9 | 218.0 | 218.9 | 220.1 | 218.2 | 219.4 | 221.4 |
| 26 Negotiable CDs[2] | 83.5 | 64.3 | 75.9 | 99.5 | 99.6 | 97.5 | 92.6 | 88.9 | 84.4 | 84.0 |
| 27 Other time | 207.1 | 222.9 | 249.0 | 289.2 | 301.1 | 305.5 | 309.3 | 314.9 | 318.3 | 321.6 |
| 28 Other checkable deposits[4] | .7 | 1.4 | 2.1 | 3.0 | 2.9 | 3.0 | 3.2 | 3.2 | 3.1 | 3.1 |
| 29 Nonbank thrift institutions[3] | 424.9 | 492.5 | 562.3 | 621.4 | 631.1 | 639.2 | 644.0 | 644.3 | 650.3 | 655.9 |
| 30 U.S. government deposits (all commercial banks) | 4.1 | 4.4 | 5.1 | 10.2 | 8.3 | 6.5 | 5.3 | 8.4 | 10.8 | 13.2 |

1. Composition of the money stock measures is as follows:

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

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

M-2: M-1 plus savings deposits, time deposits open account, and time certificates of deposit (CDs) other than negotiable CDs of $100,000 or more at large weekly reporting banks.

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

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

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

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

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

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

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

NOTES TO TABLE 1.23:

1. Includes domestic chartered banks, U.S. branches, agencies, and New York investment company subsidiaries of foreign banks; and Edge Act corporations.
2. Excludes loans to commercial banks in the United States.
3. 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.
4. United States includes the 50 states and the District of Columbia.
5. As of Dec. 31, 1977, as the result of loan reclassifications, business loans were reduced by $0.2 billion and nonbank financial loans by $0.1 billion; real estate loans were increased by $0.3 billion.
6. As of Dec. 31, 1978, total loans and investments were reduced by $0.1 billion. "Other securities" were increased by $1.5 billion and total loans were reduced by $1.6 billion largely as the result of reclassifications of certain tax-exempt obligations. Most of the loan reduction was in "all other loans."
7. As of Dec. 31, 1978, commercial and industrial loans were reduced $0.1 billion as a result of reclassification.
8. As of Dec. 31, 1978, commercial and industrial loans sold outright were increased $0.7 billion as the result of reclassifications, but $0.1 billion of this amount was offset by a balance sheet reduction of $0.1 billion as noted above.
9. As of Dec. 31, 1978, nonbank financial loans were reduced $0.1 billion as the result of reclassifications.
10. As of Jan. 3, 1979, as the result of reclassifications, total loans and investments and total loans were increased by $0.6 billion. Business loans were increased by $0.4 billion and real estate loans by $0.5 billion. Nonbank financial loans were reduced by $0.3 billion.

NOTE. Data are prorated averages of Wednesday data for domestic chartered banks, and averages of current and previous month-end data for foreign-related institutions.

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## 1.22 AGGREGATE RESERVES AND DEPOSITS Member Banks

Billions of dollars, averages of daily figures

| Item | 1975 Dec. | 1976 Dec. | 1977 Dec. | 1978 Dec. | 1979 Jan. | 1979 Feb. | 1979 Mar. | 1979 Apr. | 1979 May | 1979 June | 1979 July |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Seasonally adjusted | | | | | | | | | | |
| 1 **Reserves**[1] | 34.67 | 34.89 | 36.10 | 41.27 | 41.48 | 40.75 | 40.81 | 40.65 | 40.48 | r40.42 | 40.82 |
| 2 Nonborrowed | 34.54 | 34.84 | 35.53 | 40.40 | 40.48 | 39.78 | 39.82 | 39.73 | 38.72 | 39.00 | 39.65 |
| 3 Required | 34.40 | 34.61 | 35.91 | 41.04 | 41.26 | 40.54 | 40.66 | 40.47 | 40.34 | 40.20 | 40.61 |
| 4 Monetary base[2] | 106.7 | 118.4 | 127.8 | 142.3 | 143.4 | 143.3 | 143.9 | 144.5 | 144.9 | r145.6 | 146.9 |
| 5 **Deposits subject to reserve requirements**[3] | 504.2 | 528.6 | 568.6 | 616.7 | 621.1 | 619.7 | 616.4 | 618.6 | 613.9 | 613.1 | 618.7 |
| 6 Time and savings | 336.8 | 354.1 | 386.7 | 429.4 | 433.5 | 436.1 | 434.1 | 432.0 | 428.7 | 425.9 | 429.4 |
| Demand | | | | | | | | | | | |
| 7 Private | 164.5 | 171.5 | 178.5 | 185.1 | 185.6 | 181.9 | 180.5 | 184.7 | 183.5 | r184.8 | 187.5 |
| 8 U.S. government | 2.9 | 3.0 | 3.5 | 2.3 | 1.9 | 1.8 | 1.8 | 1.8 | 1.7 | 2.4 | 1.8 |
| | Not seasonally adjusted | | | | | | | | | | |
| 9 Monetary base[2] | 108.3 | 120.3 | 129.8 | 144.6 | 144.4 | 141.9 | 142.3 | 144.2 | 144.4 | r145.6 | 147.9 |
| 10 **Deposits subject to reserve requirements**[3] | 510.9 | 534.8 | 575.3 | 624.0 | 627.1 | 614.3 | 614.3 | 621.1 | 610.9 | r613.9 | 619.2 |
| 11 Time and savings | 337.2 | 353.6 | 386.4 | 429.6 | 433.8 | 434.2 | 434.9 | 432.3 | 429.8 | 427.2 | 429.8 |
| Demand | | | | | | | | | | | |
| 12 Private | 170.7 | 177.9 | 185.1 | 191.9 | 191.5 | 178.2 | 177.5 | 186.8 | 179.2 | r183.9 | 187.8 |
| 13 U.S. government | 3.1 | 3.3 | 3.8 | 2.5 | 1.9 | 1.8 | 1.9 | 2.0 | 1.8 | 2.8 | 1.6 |

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 Jan. 8 and Dec. 30, 1976; and Nov. 2, 1978. 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 reserves (member bank reserve balances in the current week plus vault cash held two weeks earlier); currency outside the U.S. Treasury, Federal Reserve Banks, and the vaults of commercial banks; and vault cash of nonmember banks.

3. Includes total time and savings deposits and net demand deposits as defined by Reguation D. Private demand deposits include all demand deposits except those due to the U.S. government, 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[1]

Billions of dollars; averages of Wednesday figures

| Category | 1977 Dec. | 1978 Dec. | 1979 June^p | 1979 July^p | 1979 Aug.^p | 1977 Dec. | 1978 Dec. | 1979 June^p | 1979 July^p | 1979 Aug.^p |
|---|---|---|---|---|---|---|---|---|---|---|
| | Seasonally adjusted | | | | | Not seasonally adjusted | | | | |
| 1 **Total loans and securities**[2] | 891.1 | [6]1,014.3 | [10]1,079.8 | 1,091.8 | 1,101.0 | 899.1 | [6]1,023.8 | [10]1,083.2 | 1,093.3 | 1,100.4 |
| 2 U.S. Treasury securities | 99.5 | 93.4 | 94.8 | 95.3 | 94.1 | 100.7 | 94.6 | 95.1 | 93.6 | 92.2 |
| 3 Other securities | 159.6 | [6]173.1 | 182.1 | 183.4 | 185.3 | 160.2 | [6]173.9 | 182.7 | 183.3 | 184.9 |
| 4 Total loans and leases[2] | 632.1 | [6]747.8 | [10]802.9 | 813.1 | 821.6 | 638.3 | [6]755.4 | [10]805.4 | 816.5 | 823.3 |
| 5 Commercial and industrial loans | [5]211.2 | [7]246.5 | [10]270.6 | 275.8 | 279.8 | [5]212.6 | [7]248.2 | [10]272.1 | 277.2 | 279.8 |
| 6 Real estate loans | [5]175.2 | 210.5 | [10]225.8 | 228.7 | 231.8 | [5]175.5 | 210.9 | [10]225.5 | 228.9 | 232.5 |
| 7 Loans to individuals | 138.2 | 164.9 | 176.9 | 177.8 | 178.7 | 139.0 | 165.9 | 176.4 | 178.2 | 180.3 |
| 8 Security loans | 20.6 | 19.4 | 23.1 | 23.7 | 23.0 | 22.0 | 20.7 | 23.2 | 20.1 | 23.0 |
| 9 Loans to nonbank financial institutions | [5]25.8 | [9]27.1 | [10]27.9 | 29.2 | 29.5 | [5]26.3 | [9]27.6 | [10]28.1 | 29.5 | 29.8 |
| 10 Agricultural loans | 25.8 | 28.2 | 29.1 | 29.1 | 29.2 | 25.7 | 28.1 | 29.2 | 29.5 | 29.8 |
| 11 Lease financing receivables | 5.8 | 7.4 | 8.1 | 8.3 | 8.5 | 5.8 | 7.4 | 8.1 | 8.3 | 8.5 |
| 12 All other loans | 29.5 | [6]43.6 | 41.4 | 40.5 | 41.1 | 31.5 | [6]46.6 | 42.8 | 44.7 | 40.2 |
| MEMO | | | | | | | | | | |
| 13 **Total loans and investments plus loans sold**[2,3] | 895.9 | [6]1,018.1 | [10]1,083.6 | 1,095.5 | 1,104.7 | 903.9 | [6]1,027.6 | [10]1,087.0 | 1,097.0 | 1,104.1 |
| 14 Total loans plus loans sold[2,3] | 636.9 | [6]751.6 | [10]806.7 | 816.8 | 825.3 | 643.0 | [6]759.2 | [10]809.2 | 820.2 | 827.0 |
| 15 Total loans sold to affiliates[3] | 4.8 | 3.8 | 3.8 | 3.7 | 3.7 | 4.8 | 3.8 | 3.8 | 3.7 | 3.7 |
| 16 Commercial and industrial loans plus loans sold[3] | [5]213.9 | [8]248.5 | [10]273.4 | 278.6 | 282.5 | [5]215.3 | [8]250.1 | [10]275.0 | 280.0 | 282.5 |
| 17 Commercial and industrial loans sold[3] | 2.7 | [8]1.9 | 2.8 | 2.8 | 2.8 | 2.7 | [8]1.9 | 2.8 | 2.8 | 2.8 |
| 18 Acceptances held | 7.5 | 6.8 | 7.5 | 8.0 | 7.8 | 8.6 | 7.5 | 7.5 | 7.8 | 7.3 |
| 19 Other commercial and industrial loans | [5]203.7 | 239.7 | 263.0 | 267.7 | 272.2 | [5]203.9 | 240.9 | 264.6 | 269.4 | 272.5 |
| 20 To U.S. addressees[4] | [5]193.8 | 226.6 | 246.3 | 250.4 | 254.2 | [5]193.7 | 226.5 | 248.0 | 252.2 | 254.7 |
| 21 To non-U.S. addressees | [5]9.9 | 13.1 | 16.7 | 17.3 | 17.9 | [5]10.3 | 14.4 | 16.6 | 17.3 | 17.8 |
| 22 Loans to foreign banks | 13.5 | 21.2 | 20.8 | 20.6 | 20.1 | 14.6 | 23.0 | 21.6 | 21.5 | 19.8 |
| 23 Loans to commercial banks in the United States | 54.1 | 57.3 | 67.0 | 68.9 | 71.2 | 56.9 | 60.3 | 66.1 | 65.6 | 66.7 |

For notes see bottom of opposite page.

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## 1.24 ASSETS AND LIABILITIES OF COMMERCIAL BANKING INSTITUTIONS Last-Wednesday-of-Month Series

Billions of dollars except for number of banks

| Account | 1978 | | | 1979 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Oct. | Nov. | Dec. | Jan.p | Feb.p | Mar.p | Apr.p | Mayp | Junep | Julyp | Aug.p |
| DOMESTICALLY CHARTERED COMMERCIAL BANKS[1] | | | | | | | | | | | |
| 1 Loans and investments | 990.4 | 1,005.5 | 1,030.4 | 1,018.9 | 1,025.2 | 1,031.4 | 1,048.3 | 1,059.4 | 1,071.3 | 1,081.8 | 1,085.8 |
| 2 Loans, gross | 727.0 | 741.2 | 761.6 | 750.4 | 755.6 | 759.8 | 773.9 | 785.3 | 797.9 | 807.6 | 810.8 |
| 3 Interbank | 39.2 | 41.5 | 45.3 | 41.3 | 42.1 | 42.3 | 44.4 | 45.9 | 46.3 | 48.1 | 50.3 |
| 4 Commercial and industrial | 215.5 | 218.0 | 221.6 | 221.9 | 225.3 | 227.8 | 233.2 | 236.8 | 241.1 | 242.6 | 244.7 |
| 5 Other | 472.2 | 481.6 | 494.7 | 487.2 | 488.2 | 489.6 | 496.3 | 502.6 | 510.6 | 516.8 | 515.8 |
| 6 U.S. Treasury securities | 94.0 | 93.3 | 93.1 | 92.1 | 93.1 | 93.6 | 94.2 | 93.2 | 91.6 | 92.1 | 90.7 |
| 7 Other securities | 169.4 | 171.0 | 175.7 | 176.4 | 176.5 | 178.0 | 180.2 | 181.0 | 181.7 | 182.1 | 184.3 |
| 8 Cash assets, total | 137.7 | 140.9 | 177.3 | 139.8 | 147.1 | 135.8 | 139.9 | 158.8 | 146.3 | 140.2 | 145.7 |
| 9 Currency and coin | 15.1 | 16.6 | 15.5 | 15.2 | 15.0 | 15.2 | 15.6 | 16.0 | 16.3 | 16.1 | 16.8 |
| 10 Reserves with Federal Reserve Banks | 34.6 | 32.6 | 34.4 | 29.8 | 29.7 | 30.0 | 33.9 | 32.8 | 32.6 | 29.6 | 33.7 |
| 11 Balances with depositary institutions | 36.3 | 38.3 | 52.3 | 40.2 | 42.5 | 36.8 | 39.0 | 44.6 | 40.8 | 41.2 | 41.1 |
| 12 Cash items in process of collection | 51.8 | 53.5 | 75.1 | 54.6 | 59.9 | 53.7 | 51.4 | 65.4 | 56.5 | 53.4 | 54.1 |
| 13 Other assets | 58.7 | 62.5 | 60.9 | 64.0 | 62.4 | 58.9 | 55.8 | 52.7 | 55.1 | 53.9 | 62.4 |
| **14 Total assets/total liabilities and capital** | **1,186.9** | **1,208.8** | **1,268.6** | **1,222.7** | **1,234.8** | **1,226.1** | **1,244.0** | **1,270.9** | **1,272.7** | **1,275.9** | **1,293.9** |
| 15 Deposits | 939.8 | 948.5 | 1,011.3 | 961.3 | 969.2 | 954.9 | 964.4 | 975.5 | 971.3 | 975.2 | 982.9 |
| 16 Demand | 345.2 | 345.7 | 399.2 | 347.5 | 352.1 | 335.0 | 348.0 | 357.8 | 352.4 | 352.6 | 352.4 |
| 17 Time and savings | 594.5 | 602.8 | 612.1 | 613.8 | 617.1 | 619.8 | 616.4 | 617.8 | 618.9 | 622.6 | 630.5 |
| 18 Savings | n.a. | n.a. | 219.7 | 215.2 | 215.2 | 216.8 | 215.9 | 215.5 | 216.4 | 218.3 | 216.7 |
| 19 Time | n.a. | n.a. | 392.4 | 398.6 | 401.9 | 403.0 | 400.5 | 402.3 | 402.5 | 404.2 | 413.8 |
| 20 Borrowings | 109.8 | 117.4 | 114.6 | 110.8 | 111.9 | 115.2 | 123.5 | 132.0 | 137.1 | 137.2 | 140.1 |
| 21 Other liabilities | 49.9 | 54.7 | 49.1 | 56.6 | 59.0 | 60.9 | 60.8 | 65.4 | 65.5 | 64.9 | 69.7 |
| 22 Residual (assets less liabilities) | 87.5 | 88.2 | 93.6 | 94.0 | 94.7 | 95.1 | 95.3 | 98.1 | 98.9 | 98.7 | 101.1 |
| MEMO | | | | | | | | | | | |
| 23 U.S. Treasury note balances included in borrowing | n.a. | 7.5 | 12.4 | 12.0 | 4.0 | 4.8 | 5.9 | 4.9 | 12.9 | 11.9 | 8.6 |
| 24 Number of banks | 14,606 | 14,618 | 14,602 | 14,586 | 14,593 | 14,597 | 14,610 | 14,616 | 14,620 | 14,584 | 14,607 |
| ALL COMMERCIAL BANKING INSTITUTIONS[2] | | | | | | | | | | | |
| 25 Loans and investments | 1,046.4 | 1,067.2 | 1,097.0 | 1,080.6 | 1,087.7 | 1,101.4 | 1,114.8 | 1,131.0 | 1,146.7 | 1,152.8 | ↑ |
| 26 Loans, gross | 780.5 | 800.2 | 825.5 | 809.7 | 815.6 | 827.2 | 837.7 | 854.0 | 870.5 | 875.9 | |
| 27 Interbank | 51.5 | 55.2 | 57.6 | 52.1 | 53.5 | 56.1 | 57.3 | 61.8 | 60.4 | 60.7 | |
| 28 Commercial and industrial | 241.9 | 246.5 | 251.2 | 251.8 | 255.6 | 259.8 | 264.9 | 269.2 | 275.2 | 277.5 | |
| 29 Other | 487.0 | 498.5 | 516.8 | 505.9 | 506.5 | 511.3 | 515.4 | 523.0 | 534.9 | 537.7 | |
| 30 U.S. Treasury securities | 95.2 | 94.6 | 94.5 | 93.3 | 94.3 | 94.9 | 95.6 | 94.6 | 93.1 | 93.5 | |
| 31 Other securities | 170.7 | 172.3 | 177.0 | 177.6 | 177.8 | 179.4 | 181.5 | 182.3 | 183.1 | 183.5 | |
| 32 Cash assets, total | 153.9 | 157.1 | 196.8 | 158.2 | 166.8 | 157.0 | 156.4 | 176.4 | 168.0 | 160.8 | |
| 33 Currency and coin | 15.1 | 16.6 | 15.5 | 15.2 | 15.1 | 15.2 | 15.6 | 16.1 | 16.3 | 16.1 | |
| 34 Reserves with Federal Reserve Banks | 35.1 | 33.0 | 35.0 | 30.2 | 30.3 | 30.7 | 34.5 | 33.4 | 33.4 | 30.4 | |
| 35 Balances with depositary institutions | 50.5 | 52.5 | 69.9 | 56.8 | 60.3 | 56.0 | 53.7 | 60.1 | 60.5 | 59.7 | |
| 36 Cash items in process of collection | 53.2 | 55.0 | 76.4 | 56.0 | 61.3 | 55.1 | 52.5 | 66.8 | 57.7 | 54.6 | |
| 37 Other assets | 71.6 | 76.3 | 75.9 | 78.3 | 76.8 | 74.0 | 70.5 | 67.3 | 71.3 | 69.4 | |
| **38 Total assets/total liabilities and capital** | **1,271.9** | **1,300.6** | **1,369.7** | **1,317.1** | **1,331.4** | **1,332.4** | **1,341.6** | **1,374.6** | **1,386.0** | **1,383.0** | n.a. |
| 39 Deposits | 968.6 | 979.9 | 1,049.0 | 994.3 | 1,002.5 | 994.0 | 997.0 | 1,012.5 | 1,015.6 | 1,012.1 | |
| 40 Demand | 359.0 | 359.5 | 418.9 | 363.2 | 368.1 | 355.7 | 361.7 | 375.1 | 376.4 | 369.6 | |
| 41 Time and savings | 609.6 | 620.4 | 630.0 | 631.2 | 634.4 | 638.3 | 635.3 | 637.4 | 639.2 | 642.5 | |
| 42 Savings | n.a. | n.a. | 220.3 | 215.9 | 215.9 | 218.0 | 216.9 | 216.7 | 217.2 | 219.1 | |
| 43 Time | n.a. | n.a. | 409.7 | 415.2 | 418.4 | 420.3 | 418.5 | 420.6 | 422.0 | 423.5 | |
| 44 Borrowings | 131.9 | 142.6 | 144.0 | 138.0 | 138.0 | 141.7 | 150.4 | 159.4 | 165.4 | 165.8 | |
| 45 Other liabilities | 82.1 | 88.0 | 81.2 | 88.8 | 94.4 | 99.7 | 97.0 | 102.8 | 104.0 | 104.3 | |
| 46 Residual (assets less liabilities) | 89.3 | 90.0 | 95.5 | 96.0 | 96.6 | 97.1 | 97.1 | 100.0 | 100.9 | 100.8 | |
| MEMO | | | | | | | | | | | |
| 47 U.S. Treasury note balances included in borrowing | n.a. | 7.5 | 12.4 | 12.0 | 4.0 | 4.8 | 5.9 | 4.9 | 12.9 | 11.9 | |
| 48 Number of banks | 14,919 | 14,932 | 14,923 | 14,913 | 14,926 | 14,930 | 14,946 | 14,954 | 14,968 | 14,933 | ↓ |

1. Domestically chartered commercial banks include all commercial banks in the United States except branches of foreign banks; included are member and nonmember banks, stock savings banks, and nondeposit trust companies.
2. Commercial banking institutions include domestically chartered commercial banks, branches and agencies of foreign banks, Edge Act and Agreement corporations, and New York state foreign investment corporations.

NOTE.—Figures are partly estimated except on call dates. They include all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries.

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## 1.25 COMMERCIAL BANK ASSETS AND LIABILITIES Call-Date Series

Millions of dollars, except for number of banks

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

1. Includes items not shown separately.

For Note see table 1.24.

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

Millions of dollars, except for number of banks

| Asset account | Insured commercial banks | Member banks[1] | | | | | Nonmember banks[1] |
|---|---|---|---|---|---|---|---|
| | | Total | Large banks | | | All other | |
| | | | New York City | City of Chicago | Other large | | |
| 1 Cash bank balances, items in process | 158,380 | 134,955 | 43,758 | 5,298 | 47,914 | 37,986 | 23,482 |
| 2 Currency and coin | 12,135 | 8,866 | 867 | 180 | 2,918 | 4,901 | 3,268 |
| 3 Reserves with Federal Reserve Banks | 28,043 | 28,041 | 3,621 | 1,152 | 12,200 | 11,067 | 3 |
| 4 Demand balances with banks in United States | 41,104 | 25,982 | 12,821 | 543 | 3,672 | 8,945 | 15,177 |
| 5 Other balances with banks in United States | 4,648 | 2,582 | 601 | 15 | 648 | 1,319 | 2,066 |
| 6 Balances with banks in foreign countries | 3,295 | 2,832 | 331 | 288 | 1,507 | 705 | 463 |
| 7 Cash items in process of collection | 69,156 | 66,652 | 25,516 | 3,119 | 26,969 | 11,049 | 2,504 |
| 8 Total securities held—Book value | 262,199 | 179,877 | 20,808 | 7,918 | 58,271 | 92,881 | 82,336 |
| 9 U.S. Treasury | 95,068 | 65,764 | 9,524 | 2,690 | 22,051 | 31,499 | 29,315 |
| 10 Other U.S. government agencies | 40,078 | 25,457 | 1,828 | 1,284 | 7,730 | 14,616 | 14,622 |
| 11 States and political subdivisions | 121,260 | 85,125 | 9,166 | 3,705 | 27,423 | 44,831 | 36,136 |
| 12 All other securities | 5,698 | 3,465 | 291 | 240 | 1,048 | 1,887 | 2,234 |
| 13 Unclassified total | 94 | 66 | ... | ... | 19 | 47 | 28 |
| 14 Trading-account securities | 6,833 | 6,681 | 3,238 | 708 | 2,446 | 290 | 151 |
| 15 U.S. Treasury | 4,125 | 4,103 | 2,407 | 408 | 1,210 | 78 | 23 |
| 16 Other U.S. government agencies | 825 | 816 | 401 | 82 | 278 | 55 | 9 |
| 17 States and political subdivisions | 1,395 | 1,381 | 363 | 117 | 794 | 107 | 14 |
| 18 All other trading account securities | 394 | 316 | 67 | 101 | 145 | 3 | 78 |
| 19 Unclassified | 94 | 66 | ... | ... | 19 | 47 | 28 |
| 20 Bank investment portfolios | 255,366 | 173,196 | 17,570 | 7,210 | 55,825 | 92,591 | 82,185 |
| 21 U.S. Treasury | 90,943 | 61,661 | 7,117 | 2,282 | 20,840 | 31,422 | 29,293 |
| 22 Other U.S. government agencies | 39,253 | 24,641 | 1,426 | 1,201 | 7,452 | 14,561 | 14,613 |
| 23 States and political subdivisions | 119,865 | 83,745 | 8,803 | 3,588 | 26,629 | 44,724 | 36,123 |
| 24 All other portfolio securities | 5,305 | 3,149 | 224 | 138 | 903 | 1,884 | 2,156 |
| 25 Federal Reserve stock and corporate stock | 1,656 | 1,403 | 311 | 111 | 507 | 475 | 253 |
| 26 Federal funds sold and securities resale agreement | 41,258 | 31,999 | 3,290 | 1,784 | 16,498 | 10,427 | 9,365 |
| 27 Commercial banks | 34,256 | 25,272 | 1,987 | 1,294 | 12,274 | 9,717 | 9,090 |
| 28 Brokers and dealers | 4,259 | 4,119 | 821 | 396 | 2,361 | 541 | 140 |
| 29 Others | 2,743 | 2,608 | 482 | 94 | 1,863 | 169 | 135 |
| 30 Other loans, gross | 675,915 | 500,802 | 79,996 | 26,172 | 190,565 | 204,069 | 175,113 |
| 31 LESS: Unearned income on loans | 17,019 | 11,355 | 675 | 107 | 3,765 | 6,809 | 5,664 |
| 32 Reserves for loan loss | 7,431 | 5,894 | 1,347 | 341 | 2,256 | 1,949 | 1,537 |
| 33 Other loans, net | 651,465 | 483,553 | 77,974 | 25,724 | 184,544 | 195,311 | 167,912 |
| *Other loans, gross, by category* | | | | | | | |
| 34 Real estate loans | 203,386 | 138,730 | 10,241 | 2,938 | 52,687 | 72,863 | 64,656 |
| 35 Construction and land development | 25,621 | 19,100 | 2,598 | 685 | 9,236 | 6,581 | 6,521 |
| 36 Secured by farmland | 8,418 | 3,655 | 23 | 34 | 453 | 3,146 | 4,763 |
| 37 Secured by residential properties | 117,176 | 81,370 | 5,362 | 1,559 | 31,212 | 43,236 | 35,806 |
| 38 1- to 4-family residences | 111,674 | 77,422 | 4,617 | 1,460 | 29,774 | 41,570 | 34,252 |
| 39 FHA-insured or VA-guaranteed | 7,503 | 6,500 | 508 | 44 | 3,446 | 2,502 | 1,003 |
| 40 Conventional | 104,171 | 70,922 | 4,109 | 1,417 | 26,328 | 39,068 | 33,249 |
| 41 Multifamily residences | 5,502 | 3,948 | 746 | 99 | 1,438 | 1,665 | 1,554 |
| 42 FHA-insured | 399 | 340 | 132 | 27 | 88 | 92 | 59 |
| 43 Conventional | 5,103 | 3,609 | 613 | 72 | 1,350 | 1,573 | 1,495 |
| 44 Secured by other properties | 52,171 | 34,605 | 2,258 | 660 | 11,786 | 19,901 | 17,566 |
| 45 Loans to financial institutions | 37,072 | 34,843 | 12,434 | 4,342 | 15,137 | 2,930 | 2,228 |
| 46 REITs and mortgage companies | 8,574 | 8,162 | 2,066 | 801 | 4,616 | 680 | 412 |
| 47 Domestic commercial banks | 3,362 | 2,618 | 966 | 165 | 1,206 | 281 | 744 |
| 48 Banks in foreign countries | 7,359 | 7,187 | 3,464 | 268 | 2,820 | 635 | 171 |
| 49 Other depositary institutions | 1,579 | 1,411 | 290 | 76 | 785 | 261 | 167 |
| 50 Other financial institutions | 16,198 | 15,465 | 5,649 | 3,033 | 5,710 | 1,073 | 733 |
| 51 Loans to security brokers and dealers | 11,042 | 10,834 | 6,465 | 1,324 | 2,846 | 199 | 207 |
| 52 Other loans to purchase or carry securities | 4,280 | 3,532 | 410 | 276 | 1,860 | 985 | 747 |
| 53 Loans to farmers except real estate | 28,054 | 15,296 | 168 | 150 | 3,781 | 11,196 | 12,758 |
| 54 Commercial and industrial loans | 213,123 | 171,815 | 39,633 | 13,290 | 67,833 | 51,059 | 41,309 |
| 55 Loans to individuals | 161,599 | 110,974 | 7,100 | 2,562 | 40,320 | 60,993 | 50,624 |
| 56 Installment loans | 131,571 | 90,568 | 5,405 | 1,711 | 33,640 | 49,811 | 41,003 |
| 57 Passenger automobiles | 58,908 | 37,494 | 1,077 | 209 | 11,626 | 24,582 | 21,414 |
| 58 Residential repair and modernization | 8,526 | 5,543 | 331 | 60 | 2,088 | 3,064 | 2,983 |
| 59 Credit cards and related plans | 21,938 | 19,333 | 2,268 | 1,267 | 9,736 | 6,062 | 2,605 |
| 60 Charge-account credit cards | 17,900 | 16,037 | 1,573 | 1,219 | 8,192 | 5,053 | 1,863 |
| 61 Check and revolving credit plans | 4,038 | 3,296 | 695 | 47 | 1,545 | 1,009 | 742 |
| 62 Other retail consumer goods | 19,689 | 13,296 | 427 | 57 | 5,242 | 7,570 | 6,393 |
| 63 Mobile homes | 9,642 | 6,667 | 179 | 19 | 2,563 | 3,905 | 2,976 |
| 64 Other | 10,047 | 6,629 | 249 | 38 | 2,678 | 3,664 | 3,417 |
| 65 Other installment loans | 22,510 | 14,902 | 1,302 | 119 | 4,948 | 8,533 | 7,608 |
| 66 Single-payment loans to individuals | 30,027 | 20,406 | 1,694 | 851 | 6,680 | 11,182 | 9,621 |
| 67 All other loans | 17,360 | 14,778 | 3,545 | 1,290 | 6,100 | 3,844 | 2,582 |
| **68 Total loans and securities, net** | **956,579** | **696,833** | **102,383** | **35,536** | **259,820** | **299,094** | **259,867** |
| 69 Direct lease financing | 6,717 | 6,212 | 1,145 | 96 | 3,931 | 1,041 | 505 |
| 70 Fixed assets—Buildings, furniture, real estate | 22,448 | 16,529 | 2,332 | 795 | 6,268 | 7,133 | 5,926 |
| 71 Investment in unconsolidated subsidiaries | 3,255 | 3,209 | 1,642 | 188 | 1,282 | 96 | 46 |
| 72 Customer acceptances outstanding | 16,557 | 16,036 | 8,315 | 1,258 | 6,054 | 409 | 521 |
| 73 Other assets | 34,559 | 30,408 | 11,323 | 1,000 | 12,810 | 5,275 | 4,249 |
| **74 Total assets** | **1,198,495** | **904,182** | **170,899** | **44,170** | **338,079** | **351,034** | **294,595** |

For notes see opposite page.

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1.26 Continued

| Liability or capital account | Insured commercial banks | Member banks[1] | | | | | Non-member banks[1] |
|---|---|---|---|---|---|---|---|
| | | Total | Large banks | | | All other | |
| | | | New York City | City of Chicago | Other large | | |
| 75 Demand deposits | 369,030 | 282,450 | 66,035 | 10,690 | 100,737 | 104,988 | 86,591 |
| 76 Mutual savings banks | 1,282 | 1,089 | 527 | 1 | 256 | 305 | 194 |
| 77 Other individuals, partnerships, and corporations | 279,651 | 205,591 | 31,422 | 7,864 | 79,429 | 86,876 | 74,061 |
| 78 U.S. government | 7,942 | 5,720 | 569 | 188 | 1,987 | 2,977 | 2,222 |
| 79 States and political subdivisions | 17,122 | 11,577 | 764 | 252 | 3,446 | 7,116 | 5,545 |
| 80 Foreign governments, central banks, etc. | 1,805 | 1,728 | 1,436 | 19 | 211 | 62 | 77 |
| 81 Commercial banks in United States | 39,596 | 38,213 | 21,414 | 1,807 | 10,803 | 4,189 | 1,393 |
| 82 Banks in foreign countries | 7,379 | 7,217 | 5,461 | 207 | 1,251 | 298 | 162 |
| 83 Certified and officers' checks, etc. | 14,253 | 11,315 | 4,443 | 352 | 3,354 | 3,166 | 2,937 |
| 84 Time deposits | 368,562 | 266,496 | 38,086 | 15,954 | 98,525 | 113,931 | 102,066 |
| 85 Accumulated for personal loan payments | 79 | 66 | 0 | 0 | 1 | 65 | 13 |
| 86 Mutual savings banks | 399 | 392 | 177 | 40 | 148 | 27 | 7 |
| 87 Other individuals, partnerships, and corporations | 292,120 | 210,439 | 29,209 | 12,074 | 76,333 | 92,824 | 81,680 |
| 88 U.S. government | 864 | 689 | 61 | 40 | 356 | 232 | 175 |
| 89 States and political subdivisions | 59,087 | 40,010 | 1,952 | 1,554 | 16,483 | 20,020 | 19,077 |
| 90 Foreign governments, central banks, etc. | 6,672 | 6,450 | 3,780 | 1,145 | 1,401 | 124 | 222 |
| 91 Commercial banks in United States | 7,961 | 7,289 | 2,077 | 999 | 3,585 | 629 | 672 |
| 92 Banks in foreign countries | 1,381 | 1,161 | 829 | 103 | 219 | 9 | 220 |
| 93 Savings deposits | 223,326 | 152,249 | 10,632 | 2,604 | 54,825 | 84,188 | 71,077 |
| 94 Individuals and nonprofit organizations | 207,701 | 141,803 | 9,878 | 2,448 | 51,161 | 78,316 | 65,897 |
| 95 Corporations and other profit organizations | 11,216 | 7,672 | 519 | 148 | 3,195 | 3,809 | 3,544 |
| 96 U.S. government | 82 | 65 | 2 | 3 | 24 | 35 | 17 |
| 97 States and political subdivisions | 4,298 | 2,682 | 215 | 4 | 437 | 2,025 | 1,616 |
| 98 All other | 30 | 27 | 18 | * | 8 | 2 | 3 |
| 99 **Total deposits** | **960,918** | **701,195** | **114,753** | **29,248** | **254,087** | **303,107** | **259,733** |
| 100 Federal funds purchased and securities sold under agreements to repurchase | 91,981 | 85,582 | 21,149 | 8,777 | 41,799 | 13,857 | 6,398 |
| 101 Commercial banks | 42,174 | 39,607 | 6,991 | 5,235 | 21,609 | 5,773 | 2,566 |
| 102 Brokers and dealers | 12,787 | 11,849 | 2,130 | 1,616 | 6,381 | 1,722 | 939 |
| 103 Others | 37,020 | 34,126 | 12,028 | 1,926 | 13,809 | 6,362 | 2,894 |
| 104 Other liabilities for borrowed money | 8,738 | 8,352 | 3,631 | 306 | 3,191 | 1,225 | 386 |
| 105 Mortgage indebtedness | 1,767 | 1,455 | 234 | 27 | 701 | 491 | 316 |
| 106 Bank acceptances outstanding | 16,661 | 16,140 | 8,398 | 1,260 | 6,070 | 412 | 521 |
| 107 Other liabilities | 27,124 | 23,883 | 8,860 | 1,525 | 9,020 | 4,477 | 3,494 |
| 108 **Total liabilities** | **1,107,188** | **836,607** | **157,026** | **41,144** | **314,868** | **323,569** | **270,849** |
| 109 Subordinated notes and debentures | 5,767 | 4,401 | 1,001 | 79 | 2,033 | 1,287 | 1,366 |
| 110 Equity capital | **85,540** | **63,174** | **12,871** | **2,947** | **21,177** | **26,178** | **22,380** |
| 111 Preferred stock | 88 | 36 | 0 | 0 | 5 | 31 | 52 |
| 112 Common stock | 17,875 | 12,816 | 2,645 | 570 | 4,007 | 5,594 | 5,064 |
| 113 Surplus | 32,341 | 23,127 | 4,541 | 1,404 | 8,148 | 9,034 | 9,217 |
| 114 Undivided profits | 33,517 | 26,013 | 5,554 | 921 | 8,680 | 10,858 | 7,509 |
| 115 Other capital reserves | 1,719 | 1,182 | 132 | 52 | 337 | 661 | 538 |
| 116 **Total liabilities and equity capital** | **1,198,495** | **904,182** | **170,899** | **44,170** | **338,079** | **351,034** | **294,595** |
| MEMO: | | | | | | | |
| 117 Demand deposits adjusted[2] | 252,337 | 171,864 | 18,537 | 5,576 | 60,978 | 86,774 | 80,472 |
| *Average for last 15 or 30 days* | | | | | | | |
| 118 Cash and due from bank | 146,283 | 124,916 | 36,862 | 6,030 | 45,731 | 36,293 | 21,379 |
| 119 Federal funds sold and securities purchased under agreements to resell | 43,873 | 33,682 | 4,272 | 1,887 | 16,007 | 11,517 | 10,307 |
| 120 Total loans | 651,874 | 483,316 | 76,750 | 25,722 | 184,790 | 196,054 | 168,558 |
| 121 Time deposits of $100,000 or more | 183,614 | 150,160 | 32,196 | 13,216 | 65,776 | 38,972 | 33,454 |
| 122 Total deposits | 944,593 | 687,543 | 107,028 | 28,922 | 250,804 | 300,789 | 257,062 |
| 123 Federal funds purchased and securities sold under agreements to repurchase | 92,685 | 86,635 | 22,896 | 9,473 | 40,541 | 13,725 | 6,053 |
| 124 Other liabilities for borrowed money | 8,716 | 8,326 | 3,679 | 370 | 3,211 | 1,067 | 390 |
| 125 Standby letters of credit outstanding | 18,820 | 17,658 | 10,063 | 1,477 | 4,820 | 1,297 | 1,162 |
| 126 Time deposits of $100,000 or more | 186,837 | 152,553 | 32,654 | 13,486 | 66,684 | 39,728 | 34,284 |
| 127 Certificates of deposit | 160,227 | 129,667 | 27,950 | 11,590 | 56,383 | 33,743 | 30,560 |
| 128 Other time deposits | 26,610 | 22,886 | 4,704 | 1,896 | 10,301 | 5,985 | 3,724 |
| 129 Number of banks | 14,390 | 5,593 | 12 | 9 | 153 | 5,419 | 8,810 |

1. Member banks exclude and nonmember banks include 13 noninsured trust companies that are members of the Federal Reserve System.
2. Demand deposits adjusted are demand deposits other than domestic commercial interbank and U.S. government, less cash items reported as in process of collection.

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

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

Millions of dollars, Wednesday figures

| Account | 1979 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | July 4 | July 11 | July 18 | July 25 | Aug. 1p | Aug. 8p | Aug. 15p | Aug. 22p | Aug. 29p |
| 1 Cash items in process of collection | 58,575 | 45,982 | 47,325 | 43,256 | 50,633 | 41,630 | 47,118 | 43,733 | 44,327 |
| 2 Demand deposits due from banks in the United States | 16,009 | 16,592 | 14,902 | 15,079 | 15,718 | 13,492 | 14,111 | 13,487 | 14,560 |
| 3 All other cash and due from depositary institutions | 27,224 | 25,601 | 34,056 | 29,987 | 29,358 | 26,241 | 28,868 | 30,248 | 34,654 |
| 4 **Total loans and securities** | **488,564** | **486,177** | **481,242** | **482,765** | **486,520** | **489,030** | **490,377** | **489,230** | **489,704** |
| *Securities* | | | | | | | | | |
| 5 U.S. Treasury securities | 36,399 | 36,693 | 35,744 | 35,636 | 35,206 | 34,651 | 35,064 | 35,037 | 34,655 |
| 6 Trading account | 4,853 | 5,142 | 4,755 | 5,010 | 4,799 | 4,291 | 4,449 | 4,570 | 4,668 |
| 7 Investment account, by maturity | 31,546 | 31,551 | 30,989 | 30,625 | 30,408 | 30,360 | 30,615 | 30,467 | 29,988 |
| 8 One year or less | 8,621 | 8,561 | 8,559 | 8,504 | 8,380 | 8,505 | 8,337 | 8,282 | 8,045 |
| 9 Over one through five years | 18,676 | 18,753 | 18,222 | 17,869 | 17,861 | 17,685 | 17,878 | 17,814 | 17,571 |
| 10 Over five years | 4,250 | 4,237 | 4,208 | 4,252 | 4,166 | 4,170 | 4,400 | 4,372 | 4,371 |
| 11 Other securities | 67,222 | 67,930 | 67,749 | 67,971 | 68,383 | 68,962 | 69,079 | 69,200 | 69,775 |
| 12 Trading account | 3,751 | 4,074 | 3,806 | 3,781 | 4,020 | 4,287 | 4,155 | 4,109 | 4,214 |
| 13 Investment account | 63,471 | 63,856 | 63,942 | 64,190 | 64,363 | 64,675 | 64,924 | 65,091 | 65,562 |
| 14 U.S. government agencies | 13,420 | 13,842 | 13,846 | 13,997 | 14,024 | 14,006 | 14,234 | 14,274 | 14,620 |
| 15 States and political subdivision, by maturity | 47,230 | 47,199 | 47,313 | 47,412 | 47,589 | 47,940 | 47,962 | 48,122 | 48,232 |
| 16 One year or less | 6,344 | 6,177 | 6,187 | 6,201 | 6,150 | 6,279 | 6,294 | 6,366 | 6,350 |
| 17 Over one year | 40,886 | 41,022 | 41,126 | 41,212 | 41,439 | 41,662 | 41,668 | 41,756 | 41,883 |
| 18 Other bonds, corporate stocks and securities | 2,821 | 2,814 | 2,782 | 2,780 | 2,750 | 2,728 | 2,729 | 2,695 | 2,709 |
| *Loans* | | | | | | | | | |
| 19 Federal funds sold[1] | 29,843 | 28,091 | 24,687 | 25,080 | 25,734 | 28,291 | 27,522 | 25,922 | 25,684 |
| 20 To commercial banks | 20,355 | 18,709 | 17,932 | 17,150 | 18,135 | 18,136 | 19,694 | 18,070 | 17,713 |
| 21 To nonbank brokers and dealers in securities | 7,398 | 7,214 | 5,117 | 5,718 | 5,912 | 7,171 | 5,897 | 5,851 | 5,899 |
| 22 To others | 2,089 | 2,168 | 1,638 | 2,212 | 1,688 | 2,984 | 1,931 | 2,000 | 2,072 |
| 23 Other loans, gross | 366,210 | 364,688 | 364,365 | 365,414 | 368,540 | 368,590 | 370,218 | 370,650 | 371,204 |
| 24 Commercial and industrial | 145,715 | 146,256 | 146,205 | 146,162 | 147,436 | 147,431 | 147,240 | 147,676 | 147,602 |
| 25 Bankers' acceptances and commercial paper | 4,098 | 4,184 | 3,968 | 3,832 | 4,236 | 3,876 | 3,497 | 3,654 | 3,627 |
| 26 All other | 141,616 | 142,072 | 142,236 | 142,330 | 143,199 | 143,555 | 143,744 | 144,022 | 143,976 |
| 27 U.S. addresses | 135,218 | 135,696 | 135,901 | 136,018 | 136,895 | 137,243 | 137,396 | 137,672 | 137,494 |
| 28 Non-U.S. addressees | 6,398 | 6,376 | 6,336 | 6,312 | 6,304 | 6,312 | 6,347 | 6,350 | 6,481 |
| 29 Real estate | 88,703 | 89,198 | 89,796 | 90,151 | 90,447 | 90,796 | 91,260 | 91,581 | 92,017 |
| 30 To individuals for personal expenditures | 65,293 | 65,281 | 65,462 | 65,711 | 66,053 | 66,455 | 66,738 | 67,082 | 67,498 |
| To financial institutions | | | | | | | | | |
| 31 Commercial banks in the United States | 3,496 | 3,061 | 2,907 | 3,136 | 3,273 | 2,853 | 3,048 | 3,164 | 3,174 |
| 32 Banks in foreign countries | 6,811 | 7,132 | 6,343 | 6,509 | 6,658 | 6,453 | 6,411 | 6,412 | 6,776 |
| 33 Sales finance, personal finance companies, etc. | 9,641 | 9,678 | 9,656 | 9,359 | 10,026 | 10,130 | 9,862 | 9,770 | 9,725 |
| 34 Other financial institutions | 15,579 | 15,468 | 15,438 | 15,217 | 15,488 | 15,668 | 15,747 | 15,711 | 15,932 |
| 35 To nonbank brokers and dealers in securities | 10,394 | 8,780 | 8,835 | 9,595 | 9,504 | 9,324 | 10,128 | 9,873 | 9,066 |
| 36 To others for purchasing and carrying securities[2] | 2,532 | 2,511 | 2,516 | 2,507 | 2,512 | 2,540 | 2,560 | 2,570 | 2,582 |
| 37 To finance agricultural production | 4,867 | 4,891 | 4,913 | 4,913 | 4,950 | 4,989 | 4,947 | 4,931 | 4,923 |
| 38 All other | 13,177 | 12,431 | 12,294 | 12,152 | 12,193 | 11,949 | 12,277 | 11,879 | 11,908 |
| 39 LESS: Unearned income | 6,340 | 6,424 | 6,465 | 6,490 | 6,453 | 6,515 | 6,566 | 6,629 | 6,647 |
| 40 Loan loss reserve | 4,771 | 4,801 | 4,838 | 4,845 | 4,891 | 4,949 | 4,941 | 4,950 | 4,967 |
| 41 Other loans, net | 355,100 | 353,462 | 353,063 | 354,079 | 357,196 | 357,125 | 358,712 | 359,071 | 359,589 |
| 42 Lease financing receivables | 6,774 | 6,843 | 6,846 | 6,864 | 6,940 | 7,023 | 7,042 | 7,050 | 7,080 |
| 43 All other assets | 56,425 | 58,231 | 55,858 | 56,578 | 57,078 | 56,662 | 58,174 | 56,143 | 56,255 |
| 44 **Total assets** | **653,572** | **639,426** | **640,229** | **634,530** | **646,247** | **634,078** | **645,690** | **639,891** | **646,580** |
| *Deposits* | | | | | | | | | |
| 45 Demand deposits | 193,342 | 185,002 | 183,154 | 177,218 | 187,520 | 174,430 | 184,066 | 174,395 | 177,489 |
| 46 Mutual savings banks | 945 | 747 | 726 | 587 | 783 | 680 | 770 | 602 | 662 |
| 47 Individuals, partnerships, and corporations | 135,638 | 129,930 | 128,149 | 124,718 | 130,620 | 124,471 | 131,249 | 124,909 | 124,276 |
| 48 States and political subdivisions | 4,848 | 4,413 | 4,646 | 4,510 | 5,438 | 4,246 | 4,888 | 4,485 | 4,315 |
| 49 U.S. government | 937 | 1,622 | 2,297 | 1,666 | 773 | 559 | 1,236 | 565 | 590 |
| 50 Commercial banks in the United States | 31,995 | 30,721 | 31,016 | 29,889 | 32,275 | 28,215 | 29,023 | 28,129 | 30,750 |
| 51 Banks in foreign countries | 8,143 | 7,475 | 6,805 | 7,470 | 7,432 | 7,456 | 7,336 | 6,932 | 7,192 |
| 52 Foreign governments and official institutions | 1,475 | 1,748 | 1,324 | 1,198 | 1,365 | 1,273 | 1,606 | 1,376 | 1,664 |
| 53 Certified and officers' checks | 9,360 | 8,346 | 8,192 | 7,181 | 8,834 | 7,529 | 7,957 | 7,397 | 8,039 |
| 54 Time and savings deposits | 248,598 | 246,321 | 246,862 | 248,228 | 249,111 | 249,833 | 250,118 | 251,541 | 252,105 |
| 55 Savings | 77,916 | 78,257 | 78,100 | 77,915 | 77,632 | 77,770 | 77,615 | 77,450 | 77,140 |
| 56 Individuals and nonprofit organizations | 72,805 | 73,122 | 73,012 | 72,830 | 72,607 | 72,694 | 72,533 | 72,387 | 72,018 |
| 57 Partnerships and corporations operated for profit | 4,183 | 4,210 | 4,199 | 4,259 | 4,227 | 4,279 | 4,257 | 4,291 | 4,334 |
| 58 Domestic governmental units | 911 | 901 | 866 | 802 | 774 | 775 | 801 | 747 | 756 |
| 59 All other | 16 | 24 | 23 | 24 | 24 | 22 | 23 | 25 | 30 |
| 60 Time | 170,682 | 168,064 | 168,762 | 170,313 | 171,479 | 172,063 | 172,503 | 174,090 | 174,965 |
| 61 Individuals, partnerships, and corporations | 138,466 | 136,572 | 137,345 | 138,625 | 139,819 | 140,388 | 140,853 | 142,372 | 143,058 |
| 62 States and political subdivisions | 21,000 | 20,757 | 20,828 | 21,103 | 21,172 | 21,279 | 21,187 | 21,422 | 21,685 |
| 63 U.S. government | 455 | 453 | 438 | 444 | 441 | 481 | 481 | 476 | 505 |
| 64 Commercial banks in the United States | 4,966 | 4,694 | 4,664 | 4,678 | 4,570 | 4,608 | 4,592 | 4,514 | 4,419 |
| 65 Foreign governments, official institutions, and banks | 5,796 | 5,587 | 5,486 | 5,463 | 5,477 | 5,307 | 5,390 | 5,306 | 5,298 |
| 66 Federal funds purchased[3] | 91,559 | 93,865 | 94,055 | 90,779 | 90,142 | 94,892 | 93,490 | 92,342 | 95,042 |
| Other liabilities for borrowed money | | | | | | | | | |
| 67 Borrowings from Federal Reserve Banks | 1,753 | 829 | 965 | 575 | 810 | 380 | 2,100 | 877 | 256 |
| 68 Treasury tax-and-loan notes | 7,118 | 5,002 | 5,972 | 7,350 | 5,961 | 3,080 | 2,220 | 5,262 | 4,911 |
| 69 All other liabilities for borrowed money | 14,310 | 13,112 | 13,377 | 14,905 | 15,876 | 15,202 | 15,911 | 16,901 | 16,077 |
| 70 Other liabilities and subordinated note and debentures | 53,320 | 51,666 | 52,416 | 51,954 | 53,029 | 52,367 | 53,916 | 54,734 | 56,628 |
| 71 **Total liabilities** | **610,001** | **595,798** | **596,800** | **591,010** | **602,450** | **590,186** | **601,821** | **596,051** | **602,508** |
| 72 Residual (total assets minus total liabilities)[4] | 43,571 | 43,628 | 43,429 | 43,520 | 43,797 | 43,892 | 43,869 | 43,840 | 44,072 |

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

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

Millions of dollars, Wednesday figures

| Account | 1979 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | July 4 | July 11 | July 18 | July 25 | Aug. 1p | Aug. 8p | Aug. 15p | Aug. 22p | Aug. 29p |
| 1 Cash items in process of collection | 55,682 | 43,755 | 44,947 | 41,201 | 48,321 | 39,707 | 44,766 | 41,637 | 42,373 |
| 2 Demand deposits due from banks in the United States | 15,172 | 15,891 | 14,197 | 14,344 | 14,966 | 12,800 | 13,351 | 12,799 | 13,796 |
| 3 All other cash and due from depositary institutions | 25,522 | 24,055 | 32,088 | 28,393 | 27,800 | 24,708 | 27,309 | 28,552 | 32,817 |
| 4 **Total loans and securities** | **457,582** | **454,844** | **450,299** | **451,658** | **455,300** | **457,669** | **459,109** | **457,779** | **458,328** |
| *Securities* | | | | | | | | | |
| 5 U.S. Treasury securities | 34,028 | 34,320 | 33,361 | 33,254 | 32,846 | 32,295 | 32,694 | 32,690 | 32,300 |
| 6 Trading account | 4,812 | 5,100 | 4,703 | 4,974 | 4,754 | 4,256 | 4,400 | 4,528 | 4,621 |
| 7 Investment account, by maturity | 29,217 | 29,220 | 28,658 | 28,280 | 28,092 | 28,039 | 28,294 | 28,162 | 27,679 |
| 8 One year or less | 8,064 | 8,006 | 8,005 | 7,942 | 7,828 | 7,950 | 7,803 | 7,758 | 7,518 |
| 9 Over one through five years | 17,224 | 17,298 | 16,766 | 16,395 | 16,402 | 16,222 | 16,396 | 16,336 | 16,093 |
| 10 Over five years | 3,929 | 3,916 | 3,887 | 3,943 | 3,861 | 3,866 | 4,095 | 4,068 | 4,068 |
| 11 Other securities | 62,065 | 62,755 | 62,562 | 62,705 | 63,120 | 63,679 | 63,817 | 63,942 | 64,486 |
| 12 Trading account | 3,669 | 3,993 | 3,739 | 3,702 | 3,938 | 4,205 | 4,080 | 4,030 | 4,107 |
| 13 Investment account | 58,396 | 58,763 | 58,823 | 59,002 | 59,182 | 59,474 | 59,737 | 59,912 | 60,379 |
| 14 U.S. government agencies | 12,435 | 12,856 | 12,830 | 12,965 | 13,005 | 12,988 | 13,203 | 13,246 | 13,591 |
| 15 States and political subdivision, by maturity | 43,339 | 43,290 | 43,382 | 43,428 | 43,603 | 43,935 | 43,982 | 44,148 | 44,255 |
| 16 One year or less | 5,811 | 5,615 | 5,623 | 5,620 | 5,574 | 5,699 | 5,730 | 5,791 | 5,772 |
| 17 Over one year | 37,528 | 37,674 | 37,759 | 37,808 | 38,029 | 38,236 | 38,252 | 38,356 | 38,483 |
| 18 Other bonds, corporate stocks and securities | 2,622 | 2,616 | 2,611 | 2,609 | 2,573 | 2,551 | 2,552 | 2,518 | 2,532 |
| *Loans* | | | | | | | | | |
| 19 Federal funds sold[1] | 27,779 | 25,779 | 22,800 | 23,093 | 23,730 | 26,179 | 25,587 | 23,851 | 23,768 |
| 20 To commercial banks | 18,627 | 16,760 | 16,372 | 15,468 | 16,471 | 16,437 | 18,162 | 16,362 | 16,230 |
| 21 To nonbank brokers and dealers in securities | 7,102 | 6,907 | 4,826 | 5,446 | 5,608 | 6,819 | 5,562 | 5,553 | 5,537 |
| 22 To others | 2,049 | 2,112 | 1,602 | 2,180 | 1,652 | 2,923 | 1,863 | 1,936 | 2,002 |
| 23 Other loans, gross | 344,017 | 342,406 | 342,067 | 343,127 | 346,134 | 346,162 | 347,694 | 348,048 | 348,561 |
| 24 Commercial and industrial | 138,370 | 138,851 | 138,788 | 138,742 | 140,021 | 139,986 | 139,784 | 140,198 | 140,135 |
| 25 Bankers' acceptances and commercial paper | 4,043 | 4,130 | 3,916 | 3,777 | 4,171 | 3,806 | 3,421 | 3,567 | 3,536 |
| 26 All other | 134,327 | 134,721 | 134,872 | 134,965 | 135,850 | 136,180 | 136,363 | 136,631 | 136,598 |
| 27 U.S. addresses | 127,978 | 128,392 | 128,584 | 128,703 | 129,596 | 129,918 | 130,069 | 130,330 | 130,165 |
| 28 Non-U.S. addressees | 6,349 | 6,329 | 6,288 | 6,262 | 6,254 | 6,262 | 6,293 | 6,302 | 6,433 |
| 29 Real estate | 83,294 | 83,780 | 84,334 | 84,660 | 84,946 | 85,296 | 85,731 | 86,053 | 86,476 |
| 30 To individuals for personal expenditures | 57,923 | 57,889 | 57,998 | 58,182 | 58,459 | 58,824 | 59,055 | 59,356 | 59,735 |
| To financial institutions | | | | | | | | | |
| 31 Commercial banks in the United States | 3,418 | 2,985 | 2,826 | 3,064 | 3,204 | 2,782 | 2,981 | 3,083 | 3,102 |
| 32 Banks in foreign countries | 6,754 | 7,058 | 6,281 | 6,447 | 6,601 | 6,408 | 6,366 | 6,366 | 6,723 |
| 33 Sales finance, personal finance companies, etc. | 9,456 | 9,487 | 9,475 | 9,178 | 9,847 | 9,938 | 9,669 | 9,579 | 9,540 |
| 34 Other financial institutions | 15,102 | 14,989 | 14,976 | 14,769 | 15,026 | 15,216 | 15,304 | 15,264 | 15,479 |
| 35 To nonbank brokers and dealers in securities | 10,265 | 8,658 | 8,711 | 9,477 | 9,377 | 9,197 | 9,998 | 9,736 | 8,939 |
| 36 To others for purchasing and carrying securities[2] | 2,298 | 2,287 | 2,290 | 2,286 | 2,294 | 2,320 | 2,338 | 2,347 | 2,356 |
| 37 To finance agricultural production | 4,699 | 4,723 | 4,752 | 4,743 | 4,778 | 4,817 | 4,772 | 4,755 | 4,747 |
| 38 All other | 12,438 | 11,698 | 11,636 | 11,577 | 11,583 | 11,377 | 11,696 | 11,312 | 11,328 |
| 39 LESS: Unearned income | 5,804 | 5,883 | 5,921 | 5,944 | 5,909 | 5,967 | 6,014 | 6,074 | 6,092 |
| 40 Loan loss reserve | 4,503 | 4,533 | 4,569 | 4,576 | 4,620 | 4,679 | 4,669 | 4,679 | 4,695 |
| 41 Other loans, net | 333,710 | 331,990 | 331,577 | 332,606 | 335,605 | 335,516 | 337,011 | 337,295 | 337,774 |
| 42 Lease financing receivables | 6,588 | 6,658 | 6,660 | 6,678 | 6,751 | 6,835 | 6,854 | 6,862 | 6,892 |
| 43 All other assets | 54,888 | 56,746 | 54,354 | 55,000 | 55,529 | 55,165 | 56,702 | 54,653 | 54,662 |
| 44 **Total assets** | **615,435** | **601,950** | **602,546** | **597,274** | **608,667** | **596,884** | **608,092** | **602,283** | **608,869** |
| *Deposits* | | | | | | | | | |
| 45 Demand deposits | 181,582 | 173,871 | 172,031 | 166,507 | 176,304 | 163,830 | 172,974 | 163,842 | 166,836 |
| 46 Mutual savings banks | 906 | 713 | 702 | 562 | 742 | 650 | 742 | 574 | 627 |
| 47 Individuals, partnerships, and corporations | 126,673 | 121,268 | 119,554 | 116,406 | 122,000 | 116,131 | 122,544 | 116,503 | 115,911 |
| 48 States and political subdivisions | 4,258 | 3,859 | 3,956 | 3,873 | 4,831 | 3,710 | 4,344 | 3,926 | 3,749 |
| 49 U.S. government | 850 | 1,495 | 2,114 | 1,537 | 702 | 503 | 1,137 | 507 | 538 |
| 50 Commercial banks in the United States | 30,320 | 29,316 | 29,737 | 28,600 | 30,872 | 26,946 | 27,677 | 26,918 | 29,472 |
| 51 Banks in foreign countries | 8,082 | 7,419 | 6,742 | 7,410 | 7,351 | 7,389 | 7,269 | 6,878 | 7,116 |
| 52 Foreign governments and official institutions | 1,474 | 1,747 | 1,323 | 1,191 | 1,359 | 1,248 | 1,574 | 1,375 | 1,662 |
| 53 Certified and officers' checks | 9,018 | 8,053 | 7,902 | 6,926 | 8,447 | 7,252 | 7,688 | 7,162 | 7,761 |
| 54 Time and savings deposits | 231,364 | 229,167 | 229,729 | 231,146 | 232,133 | 232,774 | 232,972 | 234,323 | 234,758 |
| 55 Savings | 72,311 | 72,623 | 72,458 | 72,313 | 72,057 | 72,176 | 72,030 | 71,892 | 71,609 |
| 56 Individuals and nonprofit organizations | 67,596 | 67,901 | 67,790 | 67,628 | 67,425 | 67,514 | 67,370 | 67,227 | 66,889 |
| 57 Partnerships and corporations operated for profit | 3,866 | 3,882 | 3,878 | 3,935 | 3,906 | 3,958 | 3,936 | 3,965 | 4,006 |
| 58 Domestic governmental units | 833 | 818 | 768 | 727 | 704 | 684 | 701 | 676 | 686 |
| 59 All other | 15 | 23 | 21 | 22 | 23 | 21 | 22 | 24 | 29 |
| 60 Time | 159,053 | 156,544 | 157,271 | 158,833 | 160,076 | 160,598 | 160,942 | 162,431 | 163,149 |
| 61 Individuals, partnerships, and corporations | 129,082 | 127,254 | 128,018 | 129,291 | 130,563 | 131,102 | 131,507 | 132,943 | 133,497 |
| 62 States and political subdivisions | 19,021 | 18,830 | 18,912 | 19,191 | 19,257 | 19,330 | 19,204 | 19,420 | 19,657 |
| 63 U.S. government | 448 | 447 | 432 | 438 | 435 | 474 | 474 | 469 | 498 |
| 64 Commercial banks in the United States | 4,724 | 4,449 | 4,430 | 4,458 | 4,355 | 4,395 | 4,377 | 4,303 | 4,207 |
| 65 Foreign governments, official institutions, and banks | 5,778 | 5,564 | 5,478 | 5,455 | 5,466 | 5,296 | 5,379 | 5,296 | 5,289 |
| 66 Federal funds purchased[3] | 87,148 | 89,311 | 89,541 | 86,150 | 85,644 | 89,956 | 88,693 | 87,282 | 90,114 |
| Other liabilities for borrowed money | | | | | | | | | |
| 67 Borrowings from Federal Reserve Banks | 1,718 | 804 | 856 | 553 | 778 | 358 | 2,023 | 790 | 208 |
| 68 Treasury tax-and-loan notes | 6,568 | 4,631 | 5,513 | 6,795 | 5,509 | 2,863 | 2,058 | 4,898 | 4,595 |
| 69 All other liabilities for borrowed money | 14,006 | 12,744 | 12,895 | 14,553 | 15,393 | 14,786 | 15,501 | 16,527 | 15,590 |
| 70 Other liabilities and subordinated note and debentures | 52,148 | 50,493 | 51,249 | 50,786 | 51,864 | 51,180 | 52,751 | 53,542 | 55,474 |
| 71 **Total liabilities** | **574,535** | **561,021** | **561,814** | **556,490** | **567,625** | **555,747** | **566,972** | **561,205** | **567,575** |
| 72 Residual (total assets minus total liabilities)[4] | 40,900 | 40,929 | 40,731 | 40,783 | 41,042 | 41,136 | 41,120 | 41,078 | 41,294 |

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

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

Millions of dollars, Wednesday figures

| Account | 1979 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | July 4 | July 11 | July 18 | July 25 | Aug. 1p | Aug. 8p | Aug. 15p | Aug. 22p | Aug. 29p |
| 1 Cash items in process of collection | 20,411 | 16,424 | 16,931 | 15,785 | 18,407 | 14,769 | 15,759 | 14,821 | 16,424 |
| 2 Demand deposits due from banks in the United States | 9,326 | 11,197 | 9,878 | 10,506 | 10,691 | 8,978 | 9,167 | 8,837 | 9,685 |
| 3 All other cash and due from depositary institutions | 4,811 | 4,381 | 6,701 | 5,931 | 6,242 | 6,257 | 6,262 | 7,081 | 8,917 |
| 4 **Total loans and securities**[1] | **107,673** | **105,056** | **104,089** | **103,718** | **105,142** | **104,959** | **105,683** | **104,973** | **105,198** |
| *Securities* | | | | | | | | | |
| 5 U.S. Treasury securities[2] | ....... | ....... | ....... | ....... | ....... | ....... | ....... | ....... | ....... |
| 6 Trading account[2] | ....... | ....... | ....... | ....... | ....... | ....... | ....... | ....... | ....... |
| 7 Investment account, by maturity | 6,952 | 6,903 | 6,542 | 6,321 | 6,265 | 6,170 | 6,149 | 6,087 | 5,818 |
| 8 One year or less | 1,163 | 1,167 | 1,188 | 1,175 | 1,154 | 1,237 | 1,221 | 1,209 | 1,128 |
| 9 Over one through five years | 5,145 | 5,092 | 4,717 | 4,470 | 4,498 | 4,340 | 4,334 | 4,285 | 4,115 |
| 10 Over five years | 643 | 644 | 637 | 676 | 613 | 594 | 594 | 593 | 574 |
| 11 Other securities[2] | ....... | ....... | ....... | ....... | ....... | ....... | ....... | ....... | ....... |
| 12 Trading account[2] | ....... | ....... | ....... | ....... | ....... | ....... | ....... | ....... | ....... |
| 13 Investment account | 10,978 | 11,089 | 11,112 | 11,100 | 11,033 | 11,073 | 11,164 | 11,156 | 11,269 |
| 14 U.S. government agencies | 1,590 | 1,715 | 1,719 | 1,719 | 1,746 | 1,727 | 1,834 | 1,814 | 1,892 |
| 15 States and political subdivision, by maturity | 8,776 | 8,758 | 8,764 | 8,755 | 8,683 | 8,762 | 8,745 | 8,785 | 8,819 |
| 16 One year or less | 1,342 | 1,355 | 1,318 | 1,313 | 1,242 | 1,334 | 1,339 | 1,334 | 1,348 |
| 17 Over one year | 7,434 | 7,403 | 7,446 | 7,442 | 7,441 | 7,428 | 7,406 | 7,450 | 7,471 |
| 18 Other bonds, corporate stocks and securities | 612 | 616 | 628 | 626 | 604 | 584 | 585 | 557 | 558 |
| *Loans* | | | | | | | | | |
| 19 Federal funds sold[3] | 8,658 | 6,846 | 7,019 | 6,266 | 6,915 | 7,140 | 6,676 | 6,342 | 7,292 |
| 20 To commercial banks | 4,881 | 3,927 | 4,924 | 3,338 | 4,439 | 3,696 | 3,958 | 3,757 | 4,606 |
| 21 To nonbank brokers and dealers in securities | 3,070 | 2,225 | 1,626 | 1,835 | 2,002 | 2,434 | 2,095 | 1,963 | 2,053 |
| 22 To others | 706 | 694 | 470 | 1,093 | 473 | 1,010 | 622 | 622 | 632 |
| 23 Other loans, gross | 83,418 | 82,568 | 81,776 | 82,390 | 83,301 | 82,984 | 84,105 | 83,814 | 83,265 |
| 24 Commercial and industrial | 41,889 | 42,192 | 42,143 | 42,210 | 42,501 | 42,540 | 42,533 | 42,714 | 42,712 |
| 25 Bankers' acceptances and commercial paper | 1,394 | 1,379 | 1,249 | 1,123 | 1,113 | 1,007 | 862 | 942 | 1,000 |
| 26 All other | 40,495 | 40,813 | 40,893 | 41,087 | 41,388 | 41,533 | 41,671 | 41,772 | 41,712 |
| 27 U.S. addressees | 38,220 | 38,557 | 38,651 | 38,878 | 39,187 | 39,350 | 39,456 | 39,555 | 39,485 |
| 28 Non-U.S. addressees | 2,275 | 2,255 | 2,243 | 2,209 | 2,202 | 2,184 | 2,214 | 2,216 | 2,227 |
| 29 Real estate | 11,115 | 11,155 | 11,268 | 11,390 | 11,415 | 11,510 | 11,556 | 11,583 | 11,613 |
| 30 To individuals for personal expenditures | 7,734 | 7,746 | 7,761 | 7,769 | 7,828 | 7,859 | 7,917 | 7,971 | 8,012 |
| To financial institutions | | | | | | | | | |
| 31 Commercial banks in the United States | 1,220 | 1,006 | 927 | 1,114 | 1,026 | 861 | 1,053 | 1,067 | 968 |
| 32 Banks in foreign countries | 3,346 | 3,618 | 2,937 | 2,960 | 3,069 | 3,041 | 2,990 | 2,911 | 3,248 |
| 33 Sales finance, personal finance companies, etc. | 3,450 | 3,572 | 3,534 | 3,283 | 3,764 | 3,919 | 3,683 | 3,531 | 3,506 |
| 34 Other financial institutions | 4,575 | 4,459 | 4,458 | 4,407 | 4,450 | 4,493 | 4,618 | 4,756 | 4,775 |
| 35 To nonbank brokers and dealers in securities | 6,544 | 5,483 | 5,543 | 5,977 | 5,916 | 5,588 | 6,244 | 6,028 | 4,901 |
| 36 To others for purchasing and carrying securities[4] | 439 | 441 | 451 | 453 | 455 | 452 | 450 | 456 | 456 |
| 37 To finance agricultural production | 222 | 222 | 222 | 215 | 205 | 203 | 203 | 203 | 206 |
| 38 All other | 2,884 | 2,675 | 2,530 | 2,611 | 2,673 | 2,518 | 2,857 | 2,595 | 2,866 |
| 39 LESS: Unearned income | 849 | 856 | 864 | 862 | 858 | 867 | 870 | 879 | 890 |
| 40 Loan loss reserve | 1,483 | 1,494 | 1,496 | 1,497 | 1,514 | 1,542 | 1,541 | 1,547 | 1,555 |
| 41 Other loans, net | 81,086 | 80,219 | 79,416 | 80,031 | 80,929 | 80,575 | 81,694 | 81,388 | 80,819 |
| 42 Lease financing receivables | 1,280 | 1,303 | 1,299 | 1,306 | 1,308 | 1,348 | 1,354 | 1,354 | 1,364 |
| 43 All other assets[5] | 27,439 | 29,809 | 26,871 | 27,915 | 27,791 | 27,818 | 28,714 | 26,936 | 26,424 |
| 44 **Total assets** | **170,941** | **168,171** | **165,770** | **165,161** | **169,581** | **164,130** | **166,941** | **164,002** | **168,013** |
| *Deposits* | | | | | | | | | |
| 45 Demand deposits | 59,200 | 59,292 | 57,592 | 56,317 | 60,276 | 54,499 | 58,027 | 53,661 | 56,736 |
| 46 Mutual savings banks | 508 | 395 | 391 | 276 | 410 | 345 | 410 | 297 | 275 |
| 47 Individuals, partnerships, and corporations | 30,041 | 29,664 | 28,986 | 28,408 | 30,441 | 27,826 | 30,669 | 27,984 | 27,462 |
| 48 States and political subdivisions | 481 | 504 | 464 | 412 | 586 | 398 | 538 | 424 | 386 |
| 49 U.S. government | 92 | 326 | 574 | 364 | 112 | 58 | 208 | 74 | 65 |
| 50 Commercial banks in the United States | 16,343 | 17,651 | 17,580 | 17,215 | 18,139 | 15,900 | 15,750 | 15,267 | 17,706 |
| 51 Banks in foreign countries | 6,195 | 5,654 | 4,802 | 5,579 | 5,310 | 5,605 | 5,451 | 5,118 | 5,328 |
| 52 Foreign governments and official institutions | 1,126 | 1,397 | 1,036 | 826 | 987 | 874 | 1,242 | 1,018 | 1,353 |
| 53 Certified and officers' checks | 4,415 | 3,702 | 3,758 | 3,237 | 4,290 | 3,492 | 3,758 | 3,479 | 4,161 |
| 54 Time and savings deposits | 40,776 | 40,083 | 40,298 | 40,215 | 40,829 | 40,939 | 40,959 | 41,132 | 41,066 |
| 55 Savings | 10,104 | 10,123 | 10,077 | 10,044 | 9,998 | 9,984 | 9,962 | 9,936 | 9,891 |
| 56 Individuals and nonprofit organizations | 9,481 | 9,509 | 9,480 | 9,450 | 9,414 | 9,412 | 9,393 | 9,361 | 9,306 |
| 57 Partnerships and corporations operated for profit | 403 | 401 | 403 | 410 | 400 | 406 | 399 | 406 | 401 |
| 58 Domestic governmental units | 213 | 199 | 181 | 169 | 169 | 155 | 157 | 153 | 165 |
| 59 All other | 7 | 14 | 13 | 14 | 14 | 10 | 12 | 15 | 19 |
| 60 Time | 30,671 | 29,960 | 30,221 | 30,171 | 30,831 | 30,955 | 30,997 | 31,196 | 31,175 |
| 61 Individuals, partnerships, and corporations | 24,682 | 24,177 | 24,402 | 24,502 | 25,037 | 25,164 | 25,172 | 25,451 | 25,521 |
| 62 States and political subdivisions | 1,262 | 1,281 | 1,317 | 1,353 | 1,383 | 1,430 | 1,472 | 1,515 | 1,511 |
| 63 U.S. government | 44 | 45 | 44 | 50 | 56 | 60 | 65 | 69 | 83 |
| 64 Commercial banks in the United States | 1,412 | 1,304 | 1,362 | 1,262 | 1,301 | 1,314 | 1,309 | 1,290 | 1,189 |
| 65 Foreign governments, official institutions, and banks | 3,271 | 3,153 | 3,095 | 3,003 | 3,054 | 2,988 | 2,979 | 2,871 | 2,870 |
| 66 Federal funds purchased[6] | 28,154 | 27,598 | 25,298 | 27,236 | 25,986 | 27,931 | 24,776 | 25,746 | 26,480 |
| Other liabilities for borrowed money | | | | | | | | | |
| 67 Borrowings from Federal Reserve Banks | 995 | 275 | 375 | 49 | ........ | 100 | 1,435 | 100 | ........ |
| 68 Treasury tax-and-loan notes | 1,255 | 970 | 1,154 | 1,398 | 1,132 | 616 | 433 | 1,083 | 1,043 |
| 69 All other liabilities for borrowed money | 7,081 | 7,183 | 7,234 | 7,432 | 7,661 | 7,183 | 7,184 | 7,922 | 7,777 |
| 70 Other liabilities and subordinated note and debentures | 20,116 | 19,352 | 20,400 | 19,121 | 20,188 | 19,349 | 20,575 | 20,854 | 21,412 |
| 71 **Total liabilities** | **157,576** | **154,754** | **152,350** | **151,768** | **156,072** | **150,616** | **153,391** | **150,499** | **154,515** |
| 72 Residual (total assets minus total liabilities)[7] | 13,364 | 13,417 | 13,420 | 13,392 | 13,509 | 13,513 | 13,550 | 13,503 | 13,498 |

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

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## 1.30 LARGE WEEKLY REPORTING COMMERCIAL BANKS Balance Sheet Memoranda

Millions of dollars, Wednesday figures

| Category | 1979 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | July 4 | July 11 | July 18 | July 25 | Aug. 1[p] | Aug. 8[p] | Aug. 15[p] | Aug. 22[p] | Aug. 29[p] |
| BANKS WITH ASSETS OF $750 MILLION OR MORE | | | | | | | | | |
| 1 Total loans (gross) and investments adjusted[1] | 475,824 | 475,633 | 471,706 | 473,813 | 476,455 | 479,505 | 479,141 | 479,575 | 480,432 |
| 2 Total loans (gross) adjusted[1] | 372,202 | 371,009 | 368,213 | 370,207 | 372,866 | 375,892 | 374,998 | 375,338 | 376,001 |
| 3 Demand deposits adjusted[2] | 101,836 | 106,678 | 102,516 | 102,407 | 103,840 | 104,026 | 106,689 | 101,968 | 101,821 |
| 4 Time deposits in accounts of $100,000 or more | 115,474 | 113,176 | 113,469 | 114,945 | 115,596 | 116,209 | 116,390 | 117,576 | 118,377 |
| 5 Negotiable CDs | 81,533 | 79,404 | 79,522 | 80,854 | 81,436 | 81,995 | 82,297 | 83,525 | 84,234 |
| 6 Other time deposits | 33,942 | 33,772 | 33,947 | 34,091 | 34,159 | 34,214 | 34,093 | 34,051 | 34,142 |
| 7 Loans sold outright to affiliates[3] | 3,682 | 3,737 | 3,675 | 3,734 | 3,783 | 3,753 | 3,626 | 3,680 | 3,716 |
| 8 Commercial and industrial | 2,738 | 2,792 | 2,734 | 2,794 | 2,866 | 2,813 | 2,706 | 2,723 | 2,769 |
| 9 Other | 944 | 945 | 940 | 940 | 916 | 940 | 920 | 957 | 946 |
| BANKS WITH ASSETS OF $1 BILLION OR MORE | | | | | | | | | |
| 10 Total loans (gross) and investments adjusted[1] | 445,844 | 445,516 | 441,591 | 443,646 | 446,155 | 449,095 | 448,650 | 449,088 | 449,784 |
| 11 Total loans (gross) adjusted[1] | 349,751 | 348,441 | 345,668 | 347,688 | 350,190 | 353,122 | 352,139 | 352,455 | 352,998 |
| 12 Demand deposits adjusted[2] | 94,730 | 99,304 | 95,233 | 95,168 | 96,410 | 96,674 | 99,394 | 94,780 | 94,454 |
| 13 Time deposits in accounts of $100,000 or more | 107,991 | 105,821 | 106,152 | 107,548 | 108,302 | 108,820 | 108,932 | 110,044 | 110,706 |
| 14 Negotiable CDs | 76,496 | 74,486 | 74,622 | 75,873 | 76,503 | 76,881 | 76,928 | 77,926 | 78,496 |
| 15 Other time deposits | 31,494 | 31,335 | 31,530 | 31,674 | 31,799 | 31,939 | 32,004 | 32,118 | 32,210 |
| 16 Loans sold outright to affiliates[3] | 3,638 | 3,691 | 3,629 | 3,691 | 3,740 | 3,709 | 3,581 | 3,626 | 3,669 |
| 17 Commercial and industrial | 2,718 | 2,771 | 2,713 | 2,776 | 2,847 | 2,793 | 2,686 | 2,702 | 2,750 |
| 18 Other | 919 | 920 | 916 | 915 | 892 | 916 | 894 | 924 | 919 |
| BANKS IN NEW YORK CITY | | | | | | | | | |
| 19 Total loans (gross) and investments adjusted[1,4] | 103,904 | 102,473 | 100,599 | 101,625 | 102,048 | 102,810 | 103,083 | 102,575 | 102,069 |
| 20 Total loans (gross) adjusted[1] | 85,974 | 84,481 | 82,944 | 84,204 | 84,750 | 85,566 | 85,770 | 85,332 | 84,982 |
| 21 Demand deposits adjusted[2] | 22,355 | 24,892 | 22,506 | 22,952 | 23,617 | 23,771 | 26,309 | 23,499 | 22,541 |
| 22 Time deposits in accounts of $100,000 or more | 24,741 | 24,035 | 24,244 | 24,186 | 24,660 | 24,934 | 24,912 | 25,019 | 25,023 |
| 23 Negotiable CDs | 17,484 | 16,752 | 16,937 | 16,853 | 17,304 | 17,416 | 17,304 | 17,466 | 17,650 |
| 24 Other time deposits | 7,257 | 7,283 | 7,308 | 7,333 | 7,356 | 7,518 | 7,608 | 7,553 | 7,372 |

1. Exclusive of loans and federal funds transactions with domestic commercial banks.
2. All demand deposits except U.S. government and domestic banks less cash items in process of collection.
3. 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.
4. Excludes trading account securities.

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## 1.31 LARGE WEEKLY REPORTING COMMERCIAL BANKS Domestic Classified Commercial and Industrial Loans

Millions of dollars

| Industry classification | Outstanding | | | | | Net change during | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1979 | | | | | 1979 | | 1979 | | |
| | Apr. 25 | May 30 | June 27 | July 25 | Aug. 29p | Q1 | Q2 | June | July | Aug.p |
| 1 Durable goods manufacturing | 20,699 | 20,648 | 20,905 | 21,450 | 21,594 | 1,677 | 1,324 | 257 | 545 | 144 |
| 2 Nondurable goods manufacturing | 17,589 | 17,303 | 17,403 | 17,423 | 18,253 | 311 | −86 | 100 | 20 | 830 |
| 3 Food, liquor, and tobacco | 4,753 | 4,365 | 4,371 | 4,252 | 4,482 | 11 | −440 | 6 | −119 | 231 |
| 4 Textiles, apparel, and leather | 4,339 | 4,547 | 4,701 | 4,859 | 5,092 | 396 | 495 | 154 | 158 | 233 |
| 5 Petroleum refining | 2,113 | 2,067 | 1,967 | 1,929 | 1,831 | −380 | −310 | −100 | −38 | −98 |
| 6 Chemicals and rubber | 3,605 | 3,496 | 3,448 | 3,437 | 3,644 | 45 | −62 | −48 | −11 | 207 |
| 7 Other nondurable goods | 2,779 | 2,827 | 2,916 | 2,946 | 3,203 | 236 | 230 | 89 | 30 | 257 |
| 8 Mining (including crude petroleum and natural gas) | 10,383 | 10,888 | 11,008 | 11,221 | 11,445 | 11 | 858 | 120 | 213 | 224 |
| 9 Trade | 22,957 | 23,574 | 23,976 | 24,596 | 23,999 | 1,327 | 1,496 | 402 | 619 | −597 |
| 10 Commodity dealers | 1,815 | 1,957 | 1,917 | 2,099 | 1,665 | −78 | 25 | −40 | 182 | −434 |
| 11 Other wholesale | 11,262 | 11,401 | 11,741 | 12,001 | 11,946 | 760 | 778 | 340 | 260 | −55 |
| 12 Retail | 9,880 | 10,216 | 10,318 | 10,495 | 10,388 | 645 | 693 | 103 | 177 | −108 |
| 13 Transportation, communication, and other public utilities | 14,474 | 14,610 | 15,324 | 15,387 | 15,751 | 437 | 1,262 | 714 | 62 | 365 |
| 14 Transportation | 6,319 | 6,405 | 6,451 | 6,487 | 6,642 | 443 | 185 | 46 | 35 | 155 |
| 15 Communication | 1,886 | 1,886 | 2,050 | 2,106 | 2,148 | 138 | 199 | 164 | 55 | 42 |
| 16 Other public utilities | 6,269 | 6,319 | 6,823 | 6,794 | 6,961 | −146 | 877 | 504 | −28 | 167 |
| 17 Construction | 5,478 | 5,744 | 5,583 | 5,723 | 5,701 | 168 | 210 | −161 | 140 | −22 |
| 18 Services | 16,490 | 16,868 | 17,250 | 17,589 | 17,821 | 721 | 1,180 | 382 | 339 | 232 |
| 19 All other[1] | 14,614 | 14,847 | 15,444 | 15,314 | 15,602 | −1,921 | 1,481 | 597 | −130 | 287 |
| 20 **Total domestic loans** | **122,685** | **124,483** | **126,894** | **128,703** | **130,165** | **2,731** | **7,724** | **2,412** | **1,808** | **1,462** |
| 21 MEMO: Term loans (original maturity more than 1 year) included in domestic loans | 61,941 | 63,328 | 64,474 | 64,312 | 65,986 | 3,740 | 3,960 | 1,146 | −162 | 1,673 |

1. Includes commercial and industrial loans at a few banks with assets of $1 billion or more that do not classify their loans.

NOTE. New series. The 134 large weekly reporting commercial banks with domestic assets of $1 billion or more as of December 31, 1977 are included in this series. The revised series is on a last-Wednesday-of-the-month basis.

## 1.311 MAJOR NONDEPOSIT SOURCES OF FUNDS OF COMMERCIAL BANKS[1]

Monthly averages, billions of dollars

| Source | December outstanding | | | Outstanding in 1979 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1976 | 1977 | 1978 | Jan. | Feb. | Mar. | Apr. | May | June | July | Aug. |
| Total nondeposit funds | | | | | | | | | | | |
| 1 Seasonally adjusted[2] | 55.4 | 62.7 | 84.9 | 83.1 | 95.8 | 100.7 | 104.8 | 111.2 | 115.7 | 119.4 | 127.7 |
| 2 Not seasonally adjusted | 54.2 | 61.3 | 83.9 | 82.2 | 93.7 | 98.4 | 102.5 | 113.3 | 115.5 | 118.2 | 129.7 |
| Federal funds, RPs, and other borrowings from nonbanks | | | | | | | | | | | |
| 3 Seasonally adjusted[3] | 47.1 | 58.4 | 74.8 | 73.2 | 80.2 | 80.9 | 82.3 | 84.3 | 84.4 | 86.5 | 91.2 |
| 4 Not seasonally adjusted | 45.8 | 57.0 | 73.8 | 72.3 | 78.1 | 78.6 | 80.0 | 86.4 | 84.2 | 85.4 | 93.3 |
| 5 Net Eurodollar borrowings, not seasonally adjusted | 4.5 | −0.5 | 6.3 | 6.3 | 12.0 | 16.3 | 18.9 | 23.2 | 27.5 | 29.1 | ...... |
| 6 Loans sold to affiliates, not seasonally adjusted[4] | 3.8 | 4.8 | 3.8 | 3.6 | 3.6 | 3.5 | 3.6 | 3.7 | 3.8 | 3.7 | 3.7 |
| MEMO | | | | | | | | | | | |
| 7 Security RP borrowings, seasonally adjusted[5] | 27.9 | 36.3 | 43.8 | 43.8 | 42.9 | 42.7 | 43.0 | 42.0 | 45.0 | 42.8 | 40.9 |
| 8 Not seasonally adjusted | 27.0 | 35.1 | 42.4 | 40.8 | 41.4 | 42.2 | 42.5 | 44.8 | 44.5 | 42.5 | 42.5 |
| 9 U.S. Treasury demand balances, not seasonally adjusted[6] | 4.4 | 5.1 | 10.2 | 11.9 | 8.3 | 6.5 | 5.3 | 8.4 | 10.8 | 13.2 | 9.9 |
| 10 Domestic chartered banks net positions with own foreign branches, not seasonally adjusted[7] | −6.0 | −12.5 | −10.7 | −10.1 | −6.3 | −4.5 | −1.9 | 2.6 | 5.8 | 6.3 | 8.9 |
| 11 Gross due from balances | 12.8 | 21.1 | 25.5 | 24.6 | 23.3 | 22.5 | 21.6 | 19.7 | 20.0 | 20.1 | 19.2 |
| 12 Gross due to balances | 6.8 | 8.6 | 14.8 | 14.5 | 17.0 | 18.0 | 19.7 | 22.3 | 25.8 | 26.4 | 28.1 |
| 13 Foreign-related institutions net positions with directly related institutions, not seasonally adjusted[8] | 9.7 | 11.1 | 17.0 | 16.4 | 18.3 | 20.8 | 20.8 | 20.6 | 21.7 | 22.8 | 23.8 |
| 14 Gross due from balances | 8.3 | 10.3 | 14.2 | 15.4 | 15.0 | 15.3 | 15.7 | 15.9 | 17.6 | 17.6 | 17.6 |
| 15 Gross due to balances | 18.1 | 21.4 | 31.2 | 31.7 | 33.3 | 36.0 | 36.5 | 36.5 | 39.3 | 40.4 | 41.4 |

1. Commercial banks are those in the 50 states and the District of Columbia with national or state charters plus U.S. branches, agencies, and New York investment company subsidiaries of foreign banks and Edge Act corporations.
2. Includes seasonally adjusted Federal funds, RPs, and other borrowings from nonbanks and not seasonally adjusted net Eurodollars and loans to affiliates. Includes averages of Wednesday data for domestic chartered banks and averages of current and previous month-end data for foreign-related institutions.
3. Other borrowings are borrowings on any instrument, such as a promissory note or due bill, given for the purpose of borrowing money for the banking business. This includes borrowings from Federal Reserve Banks and from foreign banks, term federal funds, overdrawn due from bank balances, loan RPs, and participations in pooled loans. Includes averages of daily figures for member banks and averages of current and previous month-end data for foreign-related institutions.
4. Loans initially booked by the bank and later sold to affiliates that are still held by affiliates. Averages of Wednesday data.
5. Based on daily average data reported by 46 large banks.
6. Includes U.S. Treasury demand deposits and Treasury tax and loan notes at commercial banks. Averages of daily data.
7. Includes averages of daily figures for member banks and quarterly call report figures for nonmember banks.
8. Includes averages of current and previous month-end data.

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## 1.32 GROSS DEMAND DEPOSITS of Individuals, Partnerships, and Corporations[1]

Billions of dollars, estimated daily-average balances

| Type of holder | Commercial banks | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1974 | 1975 | 1976 | 1977 | 1978 | | | | 1979[2] | |
| | Dec. | Dec. | Dec. | Dec. | Mar. | June | Sept. | Dec. | Mar. | June |
| 1 **All holders, individuals, partnerships, and corporations** | **225.0** | **236.9** | **250.1** | **274.4** | **262.5** | **271.2** | **278.8** | **294.6** | **270.4** | **285.6** |
| 2 Financial business | 19.0 | 20.1 | 22.3 | 25.0 | 24.5 | 25.7 | 25.9 | 27.8 | 24.4 | 25.4 |
| 3 Nonfinancial business | 118.8 | 125.1 | 130.2 | 142.9 | 131.5 | 137.7 | 142.5 | 152.7 | 135.9 | 145.1 |
| 4 Consumer | 73.3 | 78.0 | 82.6 | 91.0 | 91.8 | 92.9 | 95.0 | 97.4 | 93.9 | 98.6 |
| 5 Foreign | 2.3 | 2.4 | 2.7 | 2.5 | 2.4 | 2.4 | 2.5 | 2.7 | 2.7 | 2.8 |
| 6 Other | 11.7 | 11.3 | 12.4 | 12.9 | 12.3 | 12.4 | 13.1 | 14.1 | 13.5 | 13.7 |

| Type of holder | Weekly reporting banks | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1975 | 1976 | 1977 | 1978 | | | | | 1979[3] | |
| | Dec. | Dec. | Dec. | Aug. | Sept. | Oct. | Nov. | Dec. | Mar. | June |
| 7 **All holders, individuals, partnerships, and corporations** | **124.4** | **128.5** | **139.1** | **137.7** | **139.7** | **141.3** | **142.7** | **147.0** | **121.9** | **128.8** |
| 8 Financial business | 15.6 | 17.5 | 18.5 | 19.4 | 18.9 | 19.1 | 19.3 | 19.8 | 16.9 | 18.4 |
| 9 Nonfinancial business | 69.9 | 69.7 | 76.3 | 72.0 | 74.1 | 75.0 | 75.7 | 79.0 | 64.6 | 68.1 |
| 10 Consumer | 29.9 | 31.7 | 34.6 | 36.8 | 37.1 | 37.5 | 37.7 | 38.2 | 31.1 | 33.0 |
| 11 Foreign | 2.3 | 2.6 | 2.4 | 2.4 | 2.4 | 2.5 | 2.5 | 2.5 | 2.6 | 2.7 |
| 12 Other | 6.6 | 7.1 | 7.4 | 7.1 | 7.3 | 7.2 | 7.5 | 7.5 | 6.7 | 6.6 |

1. 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.

2. Beginning with the March 1979 survey, the demand deposit ownership survey sample was reduced to 232 banks from 349 banks, and the estimation procedure was modified slightly. To aid in comparing estimates based on the old and new reporting sample, the following estimates in billions of dollars for December 1978 have been constructed using the new smaller sample: financial business, 27.0; nonfinancial business, 146.9; consumer, 98.3; foreign, 2.8; and other, 15.1.

3. After the end of 1978 the large weekly reporting bank panel was changed to 170 large commercial banks, each of which had total assets in domestic offices exceeding $750 million as of Dec. 31, 1977. See "Announcements," p. 408 in the May 1978 BULLETIN. Beginning in March 1979, demand deposit ownership estimates for these large banks are constructed quarterly on the basis of 97 sample banks and are not comparable with earlier data. The following estimates in billions of dollars for December 1978 have been constructed for the new large-bank panel: financial business, 18.2; nonfinancial business, 67.2; consumer, 32.8; foreign, 2.5; other, 6.8.

## 1.33 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

| Instrument | 1976 | 1977 | 1978 | 1979 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Dec. | Dec. | Dec. | Jan. | Feb. | Mar. | Apr. | May | June | July |
| | Commercial paper (seasonally adjusted) | | | | | | | | | |
| 1 **All issuers** | **52,971** | **65,101** | **83,665** | **85,226** | **87,358** | **90,796** | **92,725** | **96,106** | **101,516** | **102,447** |
| Financial companies[1] | | | | | | | | | | |
| *Dealer-placed paper*[2] | | | | | | | | | | |
| 2 Total | 7,261 | 8,884 | 12,296 | 12,915 | 13,419 | 14,247 | 14,961 | 15,551 | 16,537 | 17,042 |
| 3 Bank-related | 1,900 | 2,132 | 3,521 | 4,413 | 3,969 | 3,793 | 4,251 | 4,141 | 3,826 | 3,951 |
| *Directly placed paper*[3] | | | | | | | | | | |
| 4 Total | 32,511 | 40,484 | 51,630 | 52,880 | 54,586 | 55,653 | 55,313 | 57,886 | 61,256 | 60,532 |
| 5 Bank-related | 5,959 | 7,102 | 12,314 | 12,191 | 12,166 | 12,642 | 12,788 | 13,799 | 15,130 | 14,722 |
| 6 Nonfinancial companies[4] | 13,199 | 15,733 | 19,739 | 19,431 | 19,353 | 20,896 | 22,451 | 22,669 | 23,723 | 24,873 |
| | Bankers dollar acceptances (not seasonally adjusted) | | | | | | | | | |
| 7 **Total** | **22,523** | 25,450 | 33,700 | 33,749 | 34,337 | 34,617 | 34,391 | 35,286 | 36,989 | 39,040 |
| *Holder* | | | | | | | | | | |
| 8 Accepting banks | 10,442 | 10,434 | 8,579 | 7,339 | 7,715 | 7,645 | 7,535 | 7,844 | 8,180 | 9,275 |
| 9 Own bills | 8,769 | 8,915 | 7,653 | 6,214 | 6,708 | 6,535 | 6,685 | 6,895 | 6,956 | 7,499 |
| 10 Bills bought | 1,673 | 1,519 | 927 | 1,125 | 1,007 | 1,110 | 849 | 950 | 1,224 | 1,777 |
| Federal Reserve Banks | | | | | | | | | | |
| 11 Own account | 991 | 954 | 1 | 0 | 0 | 204 | 252 | 0 | 1,400 | 1,159 |
| 12 Foreign correspondents | 375 | 362 | 664 | 765 | 750 | 793 | 861 | 940 | 971 | 952 |
| 13 Others | 10,715 | 13,904 | 24,456 | 25,646 | r25,872 | 25,975 | 25,744 | 26,501 | 27,837 | 27,654 |
| *Basis* | | | | | | | | | | |
| 14 Imports into United States | 4,992 | 6,378 | 8,574 | 8,869 | 9,114 | 9,281 | 8,679 | 9,007 | 9,202 | 9,499 |
| 15 Exports from United States | 4,818 | 5,863 | 7,586 | 7,762 | 7,858 | 8,104 | 8,087 | 8,367 | 8,599 | 8,784 |
| 16 All other | 12,713 | 13,209 | 17,540 | 17,118 | 17,365 | 17,232 | 17,625 | 17,912 | 19,189 | 20,756 |

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.

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## 1.34 PRIME RATE CHARGED BY BANKS on Short-Term Business Loans

Percent per annum

| Effective date | Rate | Effective date | Rate | Month | Average rate | Month | Average rate |
|---|---|---|---|---|---|---|---|
| 1978—June 16 | 8¾ | 1978—Nov. 1 | 10½ | 1977—Nov | 7.75 | 1978—Oct | 9.94 |
| 30 | 9 | 6 | 10¾ | Dec | 7.75 | Nov | 10.94 |
| | | 17 | 11 | | | Dec | 11.55 |
| Aug. 31 | 9¼ | 24 | 11½ | 1978—Jan | 7.93 | | |
| | | | | Feb | 8.00 | 1979—Jan | 11.75 |
| Sept. 15 | 9½ | Dec. 26 | 11¾ | Mar | 8.00 | Feb | 11.75 |
| 28 | 9¾ | | | Apr | 8.00 | Mar | 11.75 |
| | | 1979—June 19 | 11½ | May | 8.27 | Apr | 11.75 |
| Oct. 13 | 10 | July 27 | 11¾ | June | 8.63 | May | 11.75 |
| 27 | 10¼ | | | July | 9.00 | June | 11.65 |
| | | Aug. 16 | 12 | Aug | 9.01 | July | 11.54 |
| | | 28 | 12¼ | Sept | 9.41 | Aug | 11.91 |

## 1.35 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, May 7–12, 1979

| 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) | 8,576,070 | 949,806 | 637,101 | 588,718 | 1,427,889 | 673,770 | 4,298,785 |
| 2 Number of loans | 162,509 | 122,951 | 19,944 | 9,112 | 8,161 | 1,061 | 1,281 |
| 3 Weighted average maturity (months) | 2.9 | 3.4 | 3.3 | 3.2 | 3.1 | 3.2 | 2.5 |
| 4 Weighted average interest rate (percent per annum) | 12.34 | 12.30 | 12.69 | 13.02 | 12.61 | 12.68 | 12.07 |
| 5 Interquartile range[1] | 11.50–13.02 | 10.67–13.42 | 11.19–13.83 | 12.36–13.75 | 12.00–13.37 | 12.16–13.17 | 11.50–12.40 |
| *Percentage of amount of loans* | | | | | | | |
| 6 With floating rate | 47.6 | 20.8 | 25.4 | 29.2 | 48.7 | 65.4 | 56.2 |
| 7 Made under commitment | 47.2 | 24.0 | 30.0 | 44.2 | 47.6 | 60.0 | 53.2 |
| **Long-Term Commercial and Industrial Loans** | | | | | | | |
| 8 Amount of loans (thousands of dollars) | 1,485,131 | | 423,381 | | 376,270 | 127,185 | 558,296 |
| 9 Number of loans | 25,164 | | 22,615 | | 2,161 | 181 | 208 |
| 10 Weighted average maturity (months) | 48.2 | | 40.2 | | 58.5 | 47.3 | 47.6 |
| 11 Weighted average interest rate (percent per annum) | 12.08 | | 11.57 | | 11.80 | 12.90 | 12.48 |
| 12 Interquartile range[1] | 11.30–13.16 | | 10.00–13.24 | | 10.75–13.00 | 11.75–13.52 | 11.75–13.00 |
| *Percentage of amount of loans* | | | | | | | |
| 13 With floating rate | 47.4 | | 13.2 | | 29.2 | 82.2 | 77.6 |
| 14 Made under commitment | 50.0 | | 38.6 | | 23.4 | 59.5 | 74.5 |
| **Construction and Land Development Loans** | | | | | | | |
| 15 Amount of loans (thousands of dollars) | 1,019,842 | 96,803 | 108,609 | 131,421 | 307,713 | 375,295 | |
| 16 Number of loans | 18,490 | 11,506 | 3,209 | 1,826 | 1,680 | 268 | |
| 17 Weighted average maturity (months) | 7.6 | 8.9 | 6.3 | 7.7 | 8.4 | 6.9 | |
| 18 Weighted average interest rate (percent per annum) | 12.23 | 12.39 | 11.94 | 11.89 | 12.36 | 12.28 | |
| 19 Interquartile range[1] | 11.25–13.45 | 11.30–13.35 | 10.76–12.62 | 10.00–12.73 | 10.64–13.72 | 11.25–13.75 | |
| *Percentage of amount of loans* | | | | | | | |
| 20 With floating rate | 49.3 | 28.5 | 19.6 | 44.5 | 40.3 | 72.4 | |
| 21 Secured by real estate | 79.5 | 87.7 | 96.4 | 95.1 | 70.3 | 74.7 | |
| 22 Made under commitment | 50.3 | 45.9 | 23.4 | 27.0 | 41.2 | 74.9 | |
| *Type of construction* | | | | | | | |
| 23 1- to 4-family | 43.0 | 81.5 | 75.2 | 76.8 | 41.9 | 12.7 | |
| 24 Multifamily | 11.6 | 2.3 | 2.0 | 2.5 | 8.5 | 22.7 | |
| 24 Nonresidential | 45.4 | 16.1 | 22.8 | 20.7 | 49.7 | 64.6 | |

| Loans to Farmers | All sizes | 1–9 | 10–24 | 25–49 | 50–99 | 100–249 | 250 and over |
|---|---|---|---|---|---|---|---|
| 26 Amount of loans (thousands of dollars) | 1,057,427 | 200,607 | 181,082 | 145,374 | 178,938 | 157,441 | 193,955 |
| 27 Number of loans | 74,330 | 53,495 | 12,330 | 4,309 | 2,717 | 1,104 | 375 |
| 28 Weighted average maturity (months) | 7.5 | 8.1 | 8.5 | 6.5 | 11.4 | 5.4 | 5.0 |
| 29 Weighted average interest rate (percent per annum) | 11.20 | 10.56 | 10.69 | 10.73 | 10.89 | 11.97 | 12.35 |
| 30 Interquartile range[1] | 10.21–12.24 | 9.88–11.19 | 10.00–11.24 | 10.00–11.46 | 10.12–11.30 | 11.00–13.16 | 11.41–13.52 |
| *By purpose of loan* | | | | | | | |
| 31 Feeder livestock | 11.21 | 10.57 | 10.68 | 10.83 | 10.80 | 11.52 | 12.31 |
| 32 Other livestock | 11.74 | 10.46 | 10.08 | 10.11 | 11.96 | 12.83 | [2] |
| 33 Other current operating expenses | 11.20 | 10.52 | 10.95 | 10.87 | 11.00 | 12.41 | 12.50 |
| 34 Farm machinery and equipment | 10.61 | 10.70 | 10.27 | 10.40 | 11.52 | [2] | [2] |
| 35 Other | 11.15 | 10.70 | 10.82 | 10.95 | 10.03 | 11.79 | 12.70 |

1. Interest rate range that covers the middle 50 percent of the total dollar amount of loans made.

2. Fewer than 10 sample loans.

NOTE. For more detail, see the Board's G. 14 (416) statistical release.

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## 1.36 INTEREST RATES Money and Capital Markets

Averages, percent per annum

| Instrument | 1976 | 1977 | 1978 | 1979 | | | | 1979, week ending | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | May | June | July | Aug. | Aug. 4 | Aug. 11 | Aug. 18 | Aug. 25 | Sept. 1 |
| | | | | | | | | | | | | |
| **Money market rates** | | | | | | | | | | | | |
| 1 Federal funds[1] | 5.05 | 5.54 | 7.94 | 10.24 | 10.29 | 10.47 | 10.94 | 10.75 | 10.67 | 10.80 | 11.04 | 11.16 |
| Prime commercial paper[2,3] | | | | | | | | | | | | |
| 2 90- to 119-day | 5.24 | 5.54 | 7.94 | 9.95 | 9.76 | 9.87 | 10.43 | 9.99 | 10.10 | 10.37 | 10.61 | 10.88 |
| 3 4- to 6-month | 5.35 | 5.60 | 7.99 | 9.98 | 9.71 | 9.82 | 10.39 | 9.98 | 10.07 | 10.32 | 10.56 | 10.87 |
| 4 Finance company paper, directly placed, 3- to 6-month[2,3] | 5.22 | 5.49 | 7.78 | 9.75 | 9.44 | 9.39 | 9.82 | 9.62 | 9.63 | 9.79 | 9.91 | 10.07 |
| 5 Prime bankers acceptances, 90-day[3,4] | 5.19 | 5.59 | 8.11 | 9.98 | 9.79 | 9.99 | 10.62 | 10.11 | 10.27 | 10.60 | 10.82 | 11.11 |
| 6 Large negotiable certificates of deposit, 3-month, secondary market[5] | 5.26 | 5.58 | 8.20 | 10.15 | 9.95 | 10.11 | 10.69 | 10.23 | 10.25 | 10.53 | 10.81 | 11.08 |
| 7 Eurodollar deposits, 3-month[6] | 5.57 | 6.05 | 8.74 | 10.73 | 10.52 | 10.87 | 11.53 | 11.13 | 11.00 | 11.25 | 11.63 | 12.10 |
| U.S. Treasury bills[3,7] | | | | | | | | | | | | |
| Market yields | | | | | | | | | | | | |
| 8 3-month | 4.98 | 5.27 | 7.19 | 9.61 | 9.06 | 9.24 | 9.52 | 9.23 | 9.40 | 9.52 | 9.55 | 9.74 |
| 9 6-month | 5.26 | 5.53 | 7.58 | 9.54 | 9.06 | 9.24 | 9.49 | 9.31 | 9.39 | 9.47 | 9.53 | 9.70 |
| 10 1-year | 5.52 | 5.71 | 7.74 | 9.27 | 8.81 | 8.87 | 9.16 | 8.93 | 8.95 | 9.15 | 9.28 | 9.41 |
| Rates on new issue[8] | | | | | | | | | | | | |
| 11 3-month | 4.989 | 5.265 | 7.221 | 9.592 | 9.045 | 9.262 | 9.450 | 9.154 | 9.320 | 9.495 | 9.599 | 9.680 |
| 12 6-month | 5.266 | 5.510 | 7.572 | 9.562 | 9.062 | 9.190 | 9.450 | 9.301 | 9.320 | 9.481 | 9.504 | 9.645 |
| **Capital market rates** | | | | | | | | | | | | |
| U.S. TREASURY NOTES AND BONDS | | | | | | | | | | | | |
| Constant maturities[9] | | | | | | | | | | | | |
| 13 1-year | 5.88 | 6.09 | 8.34 | 10.12 | 9.57 | 9.64 | 9.98 | 9.72 | 9.72 | 9.95 | 10.14 | 10.28 |
| 14 2-year | ...... | 6.45 | 8.34 | 9.78 | 9.22 | 9.14 | 9.46 | 9.27 | 9.27 | 9.38 | 9.57 | 9.75 |
| 15 3-year | 6.77 | 6.69 | 8.29 | 9.42 | 8.95 | 8.94 | 9.14 | 9.01 | 8.98 | 9.06 | 9.20 | 9.40 |
| 16 5-year | 7.18 | 6.99 | 8.32 | 9.24 | 8.85 | 8.90 | 9.06 | 8.96 | 8.93 | 9.01 | 9.11 | 9.27 |
| 17 7-year | 7.42 | 7.23 | 8.36 | 9.23 | 8.86 | 8.92 | 9.05 | 8.99 | 8.95 | 9.00 | 9.09 | 9.23 |
| 18 10-year | 7.61 | 7.42 | 8.41 | 9.25 | 8.91 | 8.95 | 9.03 | 8.97 | 8.94 | 9.00 | 9.06 | 9.17 |
| 19 20-year | 7.86 | 7.67 | 8.48 | 9.21 | 8.91 | 8.92 | 8.97 | 8.96 | 8.92 | 8.95 | 8.97 | 9.04 |
| 20 30-year | ...... | ...... | 8.49 | 9.19 | 8.92 | 8.93 | 8.98 | 8.97 | 8.93 | 8.96 | 9.00 | 9.05 |
| Remaining maturities[10] | | | | | | | | | | | | |
| 21 3 to 5 years | 6.94 | 6.85 | 8.30 | 9.30 | 8.89 | 8.88 | 9.08 | 8.98 | 8.95 | 9.02 | 9.12 | 9.30 |
| 22 Over 10 years (long-term) | 6.78 | 7.06 | 7.89 | 8.55 | 8.32 | 8.35 | 8.42 | 8.41 | 8.36 | 8.39 | 8.43 | 8.51 |
| STATE AND LOCAL NOTES AND BONDS | | | | | | | | | | | | |
| Moody's series[11] | | | | | | | | | | | | |
| 23 Aaa | 5.66 | 5.20 | 5.52 | 5.81 | 5.54 | 5.58 | 5.72 | 5.60 | 5.70 | 5.70 | 5.75 | 5.85 |
| 24 Baa | 7.49 | 6.12 | 6.27 | 6.38 | 6.19 | 6.11 | 6.36 | 6.30 | 6.20 | 6.40 | 6.40 | 6.50 |
| 25 *Bond Buyer* series[12] | 6.64 | 5.68 | 6.03 | 6.25 | 6.13 | 6.13 | 6.20 | 6.14 | 6.13 | 6.16 | 6.23 | 6.36 |
| CORPORATE BONDS | | | | | | | | | | | | |
| 26 Seasoned issues, all industries[13] | 9.01 | 8.43 | 9.07 | 9.96 | 9.81 | 9.69 | 9.74 | 9.74 | 9.73 | 9.72 | 9.74 | 9.79 |
| *By rating groups* | | | | | | | | | | | | |
| 27 Aaa | 8.43 | 8.02 | 8.73 | 9.50 | 9.29 | 9.20 | 9.23 | 9.24 | 9.20 | 9.20 | 9.23 | 9.30 |
| 28 Aa | 8.75 | 8.24 | 8.92 | 9.86 | 9.66 | 9.49 | 9.53 | 9.55 | 9.52 | 9.51 | 9.53 | 9.57 |
| 29 A | 9.09 | 8.49 | 9.12 | 10.00 | 9.89 | 9.75 | 9.85 | 9.82 | 9.84 | 9.83 | 9.86 | 9.91 |
| 30 Baa | 9.75 | 8.97 | 9.45 | 10.47 | 10.38 | 10.29 | 10.35 | 10.34 | 10.35 | 10.34 | 10.35 | 10.37 |
| Aaa utility bonds[14] | | | | | | | | | | | | |
| 31 New issue | 8.48 | 8.19 | 8.96 | 9.83 | 9.50 | 9.58 | 9.48 | 9.52 | 9.40 | 9.42 | 9.47 | 9.62 |
| 32 Recently offered issues | 8.49 | 8.19 | 8.97 | 9.84 | 9.50 | 9.53 | 9.49 | 9.57 | 9.44 | 9.45 | 9.47 | 9.54 |
| MEMO: Dividend/price ratio[15] | | | | | | | | | | | | |
| 33 Preferred stocks | 7.97 | 7.60 | 8.25 | 8.82 | 8.87 | 8.93 | 9.02 | 9.00 | 8.97 | 8.94 | 9.10 | 9.09 |
| 34 Common stocks | 3.77 | 4.56 | 5.28 | 5.58 | 5.53 | 5.50 | 5.30 | 5.45 | 5.36 | 5.25 | 5.22 | 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 November 1977, unweighted average of offering rates quoted by at least five dealers (in the case of commercial paper), or finance companies (in the case of finance paper). Previously, most representative rate quoted by those dealers and finance companies.
3. Yields are quoted on a bank-discount basis.
4. Average of the midpoint of the range of daily dealer closing rates offered for domestic issues.
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 Apr. 5, 1978, weekly figures are simple averages of offering rates.
6. Averages of daily quotations for the week ending Wednesday.
7. Except for new bill issues, yields are computed from daily closing bid prices.
8. Rates are recorded in the week in which bills are issued.
9. Yield on the more actively traded issues adjusted to constant maturities by the U.S. Treasury, based on daily closing bid prices.
10. 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.
11. General obligations only, based on figures for Thursday, from Moody's Investors Service.
12. Twenty issues of mixed quality.
13. Averages of daily figures from Moody's Investors Service.
14. 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.

15. Provided by Standard and Poor's Corporation.

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## 1.37 STOCK MARKET Selected Statistics

| Indicator | 1976 | 1977 | 1978 | 1979 Feb. | Mar. | Apr. | May | June | July | Aug. |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | **Prices and trading (averages of daily figures)** | | | | | | |
| *Common stock prices* | | | | | | | | | | |
| 1 New York Stock Exchange (Dec. 31, 1965 = 50) | 54.45 | 53.67 | 53.76 | 55.06 | 56.18 | 57.50 | 56.21 | 57.61 | 58.38 | 61.19 |
| 2 Industrial | 60.44 | 57.84 | 58.30 | 60.42 | 61.89 | 63.64 | 62.21 | 63.57 | 64.24 | 67.71 |
| 3 Transportation | 39.57 | 41.07 | 43.25 | 42.27 | 43.22 | 45.92 | 45.60 | 47.53 | 48.85 | 52.48 |
| 4 Utility | 36.97 | 40.91 | 39.23 | 39.22 | 38.94 | 38.63 | 37.48 | 38.44 | 38.88 | 39.26 |
| 5 Finance | 52.94 | 55.23 | 56.74 | 56.09 | 57.65 | 59.50 | 58.80 | 61.87 | 64.43 | 68.40 |
| 6 Standard & Poor's Corporation (1941–43 = 10)[1] | 102.01 | 98.18 | 96.11 | 98.23 | 100.11 | 102.10 | 99.73 | 101.73 | 102.71 | 107.36 |
| 7 American Stock Exchange (Aug. 31, 1973 = 100) | 101.63 | 116.18 | 144.56 | 160.92 | 171.51 | 181.14 | 180.81 | 196.08 | 197.63 | 208.29 |
| *Volume of trading (thousands of shares)* | | | | | | | | | | |
| 8 New York Stock Exchange | 21,189 | 20,936 | 28,591 | 25,037 | 29,536 | 31,033 | 28,352 | 34,662 | 32,416 | 35,870 |
| 9 American Stock Exchange | 2,565 | 2,514 | 3,922 | 2,944 | 4,105 | 4,262 | 3,888 | 5,236 | 3,890 | 4,503 |
| | | | | **Customer financing (end-of-period balances, in millions of dollars)** | | | | | | |
| 10 Regulated margin credit at brokers/dealers[2] | 8,166 | 9,993 | 11,035 | 10,989 | 11,056 | 11,416 | 11,314 | 11,763 | | ........ |
| 11 Margin stock[3] | 7,960 | 9,740 | 10,830 | 10,790 | 10,870 | 11,220 | 11,130 | 11,590 | | ........ |
| 12 Convertible bonds | 204 | 250 | 205 | 195 | 185 | 194 | 183 | 172 | | ........ |
| 13 Subscription issues | 2 | 3 | 1 | 4 | 1 | 2 | 1 | 1 | n.a. | ........ |
| *Free credit balances at brokers*[4] | | | | | | | | | | |
| 14 Margin-account | 585 | 640 | 835 | 775 | 830 | 835 | 840 | 897 | | ........ |
| 15 Cash-account | 1,855 | 2,060 | 2,510 | 2,430 | 2,490 | 2,550 | 2,590 | 2,880 | | ........ |
| | | | | **Margin-account debt at brokers (percentage distribution, end of period)** | | | | | | |
| 16 Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | | ........ |
| *By equity class (in percent)*[5] | | | | | | | | | | |
| 17 Under 40 | 12.0 | 18.0 | 33.0 | 29.0 | 21.0 | 23.0 | 22.0 | 21.0 | | ........ |
| 18 40–49 | 23.0 | 36.0 | 28.0 | 31.0 | 29.0 | 29.0 | 30.0 | 28.0 | n.a. | ........ |
| 19 50–59 | 35.0 | 23.0 | 18.0 | 18.0 | 25.0 | 23.0 | 23.0 | 26.0 | | ........ |
| 20 60–69 | 15.0 | 11.0 | 10.0 | 11.0 | 12.0 | 12.0 | 12.0 | 12.0 | | ........ |
| 21 70–79 | 8.7 | 6.0 | 6.0 | 6.0 | 7.0 | 7.0 | 7.0 | 7.0 | | ........ |
| 22 80 or more | 6.0 | 5.0 | 5.0 | 5.0 | 6.0 | 6.0 | 6.0 | 6.0 | | ........ |
| | | | | **Special miscellaneous-account balances at brokers (end of period)** | | | | | | |
| 23 Total balances (millions of dollars)[6] | 8,776 | 9,910 | 13,092 | 13,006 | 13,147 | 13,218 | 13,099 | 13,634 | ........ | ........ |
| *Distribution by equity status (percent)* | | | | | | | | | | |
| 24 Net credit status | 41.3 | 43.4 | 41.3 | 40.5 | 43.2 | 42.1 | 41.3 | 42.6 | ........ | ........ |
| Debit status, equity of | | | | | | | | | | |
| 25 60 percent or more | 47.8 | 44.9 | 45.1 | 47.7 | 46.8 | 47.6 | 48.6 | 47.3 | ........ | ........ |
| 26 Less than 60 percent | 10.9 | 11.7 | 13.6 | 11.8 | 10.0 | 10.3 | 10.1 | 10.1 | ........ | ........ |

**Margin requirements (percent of market value and effective date)[7]**

| Indicator | Mar. 11, 1968 | June 8, 1968 | May 6, 1970 | Dec. 6, 1971 | Nov. 24, 1972 | Jan. 3, 1974 |
|---|---|---|---|---|---|---|
| 27 Margin stocks | 70 | 80 | 65 | 55 | 65 | 50 |
| 28 Convertible bonds | 50 | 60 | 50 | 50 | 50 | 50 |
| 29 Short sales | 70 | 80 | 65 | 55 | 65 | 50 |

1. Effective July 1976, includes a new financial group, banks and insurance companies. With this change the index includes 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.
2. Margin credit includes all credit extended to purchase or carry stocks or related equity instruments and secured at least in part by stock. Credit extended is end-of-month data for member firms of the New York Stock Exchange.
In addition to assigning a current loan value to margin stock generally, Regulations T and U permit special loan values for convertible bonds and stock acquired through exercise of subscription rights.
3. A distribution of this total by equity class is shown on lines 17–22.
4. Free credit balances are in accounts with no unfulfilled commitments to the brokers and are subject to withdrawal by customers on demand.
5. Each customer's equity in his collateral (market value of collateral less net debit balance) is expressed as a percentage of current collateral values.
6. 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.
7. Regulations G, T, and U of the Federal Reserve Board of Governors, prescribed in accordance with the Securities Exchange Act or 1934, limit the amount of credit to purchase and carry margin stocks that may be extended on securities as collateral by prescribing a maximum loan value, which is a specified percentage of the market value of the collateral at the time the credit is extended. Margin requirements are the difference between the market value (100 percent) and the maximum loan value. The term "margin stocks" is defined in the corresponding regulation.

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## 1.38 SAVINGS INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

| Account | 1975 | 1976 | 1977 | 1978 | | 1979 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Nov. | Dec. | Jan. | Feb. | Mar. | Apr. | May | June | July[p] |
| | Savings and loan associations | | | | | | | | | | | |
| 1 Assets | **338,233** | **391,907** | **459,241** | **520,677** | **523,649** | **529,820** | **534,168** | **539,715** | **543,459** | **549,181** | **555,571** | **561,213** |
| 2 Mortgages | 278,590 | 323,005 | 381,163 | 429,420 | 432,858 | 435,460 | 437,905 | 441,420 | 445,705 | 451,054 | 456,629 | 460,707 |
| 3 Cash and investment securities[1] | 30,853 | 35,724 | 39,150 | 45,869 | 44,855 | 47,653 | 49,018 | 50,130 | 48,674 | 48,257 | 48,231 | 49,504 |
| 4 Other | 28,790 | 33,178 | 38,928 | 45,388 | 45,936 | 46,707 | 47,245 | 48,165 | 49,080 | 49,870 | 50,711 | 51,002 |
| 5 Liabilities and net worth | **338,233** | **391,907** | **459,241** | **520,677** | **523,649** | **529,820** | **534,168** | **539,715** | **543,459** | **549,181** | **555,571** | **561,213** |
| 6 Savings capital | 285,743 | 335,912 | 386,800 | 425,207 | 431,009 | 435,752 | 438,633 | 446,981 | 445,831 | 447,872 | 454,738 | 456,757 |
| 7 Borrowed money | 20,634 | 19,083 | 27,840 | 40,981 | 42,960 | 42,468 | 41,368 | 41,592 | 43,765 | 44,380 | 47,051 | 48,500 |
| 8 FHLBB | 17,524 | 15,708 | 19,945 | 30,322 | 31,990 | 31,758 | 31,004 | 31,123 | 32,389 | 33,003 | 34,266 | 35,306 |
| 9 Other | 3,110 | 3,375 | 7,895 | 10,659 | 10,970 | 10,610 | 10,364 | 10,469 | 11,376 | 11,377 | 12,785 | 13,194 |
| 10 Loans in process | 5,128 | 6,840 | 9,911 | 11,015 | 10,737 | 10,445 | 10,287 | 10,346 | 10,706 | 11,136 | 11,278 | 11,320 |
| 11 Other | 6,949 | 8,074 | 9,506 | 14,666 | 9,918 | 11,971 | 14,250 | 10,919 | 12,971 | 15,283 | 11,703 | 13,542 |
| 12 Net worth[2] | 19,779 | 21,998 | 25,184 | 28,808 | 29,025 | 29,284 | 29,630 | 29,877 | 30,186 | 30,510 | 30,801 | 31,094 |
| 13 MEMO: Mortgage loan commitments outstanding[3] | 10,673 | 14,826 | 19,875 | 20,738 | 18,911 | 18,053 | 19,038 | 21,085 | 22,923 | 23,569 | 22,777 | 22,367 |
| | Mutual savings banks[9] | | | | | | | | | | | |
| 14 Assets | **121,056** | **134,812** | **147,287** | **157,436** | **158,174** | **158,892** | **160,078** | **161,866** | | | | |
| Loans | | | | | | | | | | | | |
| 15 Mortgage | 77,221 | 81,630 | 88,195 | 94,497 | 95,157 | 95,552 | 95,821 | 96,136 | | | | |
| 16 Other | 4,023 | 5,183 | 6,210 | 7,921 | 7,195 | 7,744 | 8,455 | 9,421 | | | | |
| Securities | | | | | | | | | | | | |
| 17 U.S. government | 4,740 | 5,840 | 5,895 | 5,035 | 4,959 | 4,838 | 4,801 | 4,814 | n.a. | n.a. | n.a. | |
| 18 State and local government | 1,545 | 2,417 | 2,828 | 3,307 | 3,333 | 3,328 | 3,167 | 3,126 | | | | |
| 19 Corporate and other[4] | 27,992 | 33,793 | 37,918 | 39,679 | 39,732 | 40,007 | 40,307 | 40,658 | | | | |
| 20 Cash | 2,330 | 2,355 | 2,401 | 3,033 | 3,665 | 3,274 | 3,306 | 3,410 | | | | |
| 21 Other assets | 3,205 | 3,593 | 3,839 | 3,962 | 4,131 | 4,149 | 4,222 | 4,300 | | | | |
| 22 Liabilities | **121,056** | **134,812** | **147,287** | **157,436** | **158,174** | **158,892** | **160,078** | **161,866** | | | | n.a. |
| 23 Deposits | 109,873 | 122,877 | 134,017 | 141,155 | 142,701 | 142,879 | 143,539 | 145,650 | 145,096 | 145,056 | 146,057 | |
| 24 Regular[5] | 109,291 | 121,961 | 132,744 | 139,697 | 141,170 | 141,388 | 142,071 | 144,042 | 143,210 | 143,271 | 144,161 | |
| 25 Ordinary savings | 69,653 | 74,535 | 78,005 | 72,398 | 71,816 | 69,244 | 68,817 | 68,829 | 67,758 | 67,577 | 68,104 | |
| 26 Time and other | 39,639 | 47,426 | 54,739 | 67,299 | 69,354 | 72,145 | 73,254 | 75,213 | [c]75,452 | 75,694 | 76,057 | |
| 27 Other | 582 | 916 | 1,272 | 1,458 | 1,531 | 1,491 | 1,468 | 1,608 | [c]1,886 | 1,784 | 1,896 | |
| 28 Other liabilities | 2,755 | 2,884 | 3,292 | 5,411 | 4,565 | 5,032 | 5,485 | 5,048 | [c]5,050 | 5,172 | 4,545 | |
| 29 General reserve accounts | 8,428 | 9,052 | 9,978 | 10,870 | 10,907 | 10,980 | 11,054 | 11,167 | [c]11,085 | 11,153 | 11,212 | |
| 30 MEMO: Mortgage loan commitments outstanding[6] | 1,803 | 2,439 | 4,066 | 4,843 | 4,400 | 4,366 | 4,453 | 4,482 | 4,449 | 4,352 | n.a. | |
| | Life insurance companies | | | | | | | | | | | |
| 31 Assets | **289,304** | **321,552** | **351,722** | **385,562** | **389,021** | **393,402** | **395,553** | **399,530** | **402,426** | **405,627** | | |
| Securities | | | | | | | | | | | | |
| 32 Government | 13,758 | 17,942 | 19,553 | 19,711 | 19,579 | 19,829 | 19,922 | 20,119 | 19,958 | 20,381 | | |
| 33 United States[7] | 4,736 | 5,368 | 5,315 | 4,934 | 4,795 | 5,049 | 5,209 | 5,324 | 5,147 | 5,149 | | |
| 34 State and local | 4,508 | 5,594 | 6,051 | 6,235 | 6,250 | 6,236 | 6,132 | 6,106 | 5,979 | 6,272 | | |
| 35 Foreign[8] | 4,514 | 6,980 | 8,187 | 8,542 | 8,534 | 8,544 | 8,581 | 8,689 | 8,832 | 8,960 | | |
| 36 Business | 135,317 | 157,246 | 175,654 | 197,615 | 197,342 | 201,061 | 201,869 | 203,971 | 205,247 | 207,775 | n.a. | n.a. |
| 37 Bonds | 107,256 | 122,984 | 141,891 | 162,347 | 161,923 | 165,552 | 166,693 | 167,625 | 168,862 | 171,762 | | |
| 38 Stocks | 28,061 | 34,262 | 33,763 | 34,780 | 35,419 | 35,509 | 35,176 | 36,346 | 36,385 | 36,013 | | |
| 39 Mortgages | 89,167 | 91,552 | 96,848 | 104,106 | 105,932 | 106,397 | 107,137 | 108,189 | 109,009 | 109,614 | | |
| 40 Real estate | 9,621 | 10,476 | 11,060 | 11,707 | 11,776 | 11,841 | 11,919 | 11,959 | 12,071 | 12,101 | | |
| 41 Policy loans | 24,467 | 25,834 | 27,556 | 29,818 | 30,202 | 30,506 | 30,835 | 31,224 | 31,586 | 31,832 | | |
| 42 Other assets | 16,971 | 18,502 | 21,051 | 22,605 | 24,190 | 23,768 | 23,871 | 24,068 | 24,555 | 23,924 | | |
| | Credit unions | | | | | | | | | | | |
| 43 Total assets/liabilities and capital | 38,037 | 45,225 | 54,084 | 61,614 | 62,595 | 61,756 | 62,319 | 63,883 | 63,247 | 64,372 | 65,603 | 66,563 |
| 44 Federal | 20,209 | 24,396 | 29,574 | 34,215 | 34,681 | 34,165 | 34,419 | 35,289 | 34,653 | 35,268 | 35,986 | 36,733 |
| 45 State | 17,828 | 20,829 | 24,510 | 27,399 | 27,914 | 27,591 | 27,900 | 28,594 | 28,594 | 29,104 | 29,617 | 29,830 |
| 46 Loans outstanding | 28,169 | 34,384 | 42,055 | 51,103 | 51,807 | 51,526 | 51,716 | 52,480 | 52,542 | 53,100 | 53,831 | 54,160 |
| 47 Federal | 14,869 | 18,311 | 22,717 | 28,031 | 28,583 | 28,340 | 28,427 | 28,918 | 28,849 | 29,109 | 29,525 | 29,674 |
| 48 State | 13,300 | 16,073 | 19,338 | 23,072 | 23,224 | 23,186 | 23,289 | 23,562 | 23,693 | 23,991 | 24,306 | 24,486 |
| 49 Savings | 33,013 | 39,173 | 46,832 | 52,418 | 53,048 | 51,916 | 52,484 | 54,243 | 53,745 | 54,638 | [r]55,948 | 56,512 |
| 50 Federal (shares) | 17,530 | 21,130 | 25,849 | 28,992 | 29,326 | 28,427 | 28,743 | 29,741 | 29,339 | 29,755 | 30,563 | 30,857 |
| 51 State (shares and deposits) | 15,483 | 18,043 | 20,983 | 23,426 | 23,722 | 23,489 | 23,741 | 24,502 | 24,406 | 24,883 | [r]25,386 | 25,655 |

For notes see bottom of page A30.

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## 1.39 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

| Type of account or operation | Transition quarter (July–Sept. 1976) | Fiscal year 1977 | Fiscal year 1978 | Calendar year 1978 H1 | Calendar year 1978 H2 | Calendar year 1979 H1 | 1979 May | 1979 June | 1979 July |
|---|---|---|---|---|---|---|---|---|---|
| *U.S. budget* | | | | | | | | | |
| 1 Receipts[1] | r81,773 | 357,762 | 401,997 | 210,650 | 206,275 | 246,574 | 38,287 | 53,910 | 33,268 |
| 2 Outlays[1] | 94,729 | 402,725 | 450,836 | r222,561 | r238,186 | 245,616 | 41,618 | 40,687 | 40,482 |
| 3 Surplus, or deficit (−) | −12,956 | −44,963 | −48,839 | r−11,912 | r−31,912 | 958 | − 3,331 | 13,223 | −7,214 |
| 4 Trust funds | −1,952 | r9,497 | 12,693 | 4,334 | r11,754 | 4,041 | 6,274 | 1,981 | 3,805 |
| 5 Federal funds[2] | −11,004 | r−54,460 | −61,532 | r−16,246 | r−43,666 | −4,999 | −9,605 | 11,241 | −3,408 |
| *Off-budget entities surplus, or deficit (−)* | | | | | | | | | |
| 6 Federal Financing Bank outlays | r−2,575 | r−8,415 | r−10,661 | r−5,105 | r−5,082 | −7,712 | −1,560 | −1,723 | −809 |
| 7 Other[3] | r790 | r−264 | r355 | −790 | 1,843 | −447 | 69 | −264 | −143 |
| *U.S. budget plus off-budget, including Federal Financing Bank* | | | | | | | | | |
| 8 Surplus, or deficit (−) | −14,741 | r−53,642 | r−59,145 | r−17,806 | r−35,151 | −7,201 | −4,822 | 11,236 | −8,166 |
| Financed by | | | | | | | | | |
| 9 Borrowing from the public | 18,027 | 53,516 | r59,115 | r23,378 | r30,314 | 6,039 | 1,806 | −1,458 | 4,831 |
| 10 Cash and monetary assets (decrease, or increase (−))[4] | −2,899 | r−2,247 | r−3,021 | −5,098 | 3,381 | −8,878 | −16 | −13,044 | 4,711 |
| 11 Other[5] | −387 | r2,373 | r3,051 | r−474 | r1,456 | 10,040 | 3,032 | 3,266 | −1,376 |
| MEMO: | | | | | | | | | |
| 12 Treasury operating balance (level, end of period) | 17,418 | 19,104 | 22,444 | 17,526 | 16,291 | 17,485 | 4,657 | 17,485 | 13,530 |
| 13 Federal Reserve Banks | 13,299 | 15,740 | 16,647 | 11,614 | 4,196 | 3,290 | 1,974 | 3,290 | 2,765 |
| 14 Tax and loan accounts | 4,119 | 3,364 | 5,797 | 5,912 | 12,095 | 14,195 | 2,683 | 14,195 | 10,765 |

1. Effective June 1978, earned income credit payments in excess of an individual's tax liability, formerly treated as income tax refunds, are classified as outlays retroactive to January 1976.
2. Half-year figures calculated as a residual (total surplus/deficit less trust fund surplus/deficit).
3. Includes Pension Benefit Guaranty Corp.; Postal Service Fund; Rural Electrification and Telephone Revolving Fund; and Rural Telephone Bank.
4. Includes U.S. Treasury operating cash accounts; special drawing rights; gold tranche drawing rights; loans to International Monetary Fund; and other cash and monetary assets.
5. Includes accured 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; and profit on the sale of gold.

SOURCE. "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government," *Treasury Bulletin*, and the *Budget of the United States Government, Fiscal Year 1980.*

### NOTES TO TABLE 1.38

1. Holdings of stock of the Federal Home Loan Banks are included in "other assets."
2. Includes net undistributed income, which is accrued by most, but not all, associations.
3. Excludes figures for loans in process, which are shown as a liability.
4. Includes securities of foreign governments and international organizations and nonguaranteed issues of U.S. government agencies.
5. Excludes checking, club, and school accounts.
6. Commitments outstanding (including loans in process) of banks in New York State as reported to the Savings Banks Association of the State of New York.
7. Direct and guaranteed obligations. Excludes federal agency issues not guaranteed, which are shown in this table under "business" securities.
8. Issues of foreign governments and their subdivisions and bonds of the International Bank for Reconstruction and Development.
9. The NAMSB reports that, effective April 1979, balance sheet data are not strictly comparable with previous months. This largely reflects: (1) changes in FDIC reporting proceedures; and (2) reclassification of certain items.

NOTE. *Savings and loan associations:* Estimates by the FHLBB for all associations in the United States. Data are based on monthly reports of federally insured associations and annual reports of other associations. Even when revised, data for current and preceding year are subject to further revision.

*Mutual savings banks:* Estimates of National Association of Mutual Savings Banks for all savings banks in the United States. Data are reported on a gross-of-valuation-reserves basis.

*Life insurance companies:* Estimates of the American Council of Life Insurance for all life insurance companies in the United States. Annual figures are annual-statement asset values, with bonds carried on an amortized basis and stocks at year-end market value. Adjustments for interest due and accrued and for differences between market and book values are not made on each item separately but are included, in total, in "other assets."

*Credit unions:* Estimates by the National Credit Union Administration for a group of federal and state-chartered credit unions that account for about 30 percent of credit union assets. Figures are preliminary and revised annually to incorporate recent benchmark data.

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## 1.40 U.S. BUDGET RECEIPTS AND OUTLAYS

Millions of dollars

| Source or type | Transition quarter (July–Sept. 1976) | Fiscal year 1977 | Fiscal year 1978 | Calendar year 1978 H1 | Calendar year 1978 H2 | Calendar year 1979 H1 | 1979 May | 1979 June | 1979 July |
|---|---|---|---|---|---|---|---|---|---|
| RECEIPTS | | | | | | | | | |
| 1 **All sources**[1] | **81,773** | **357,762** | **401,997** | **210,650** | **206,275** | **246,574** | **38,287** | **53,910** | **33,268** |
| 2 Individual income taxes, net | 38,801 | 157,626 | 180,988 | 90,336 | 98,854 | 111,603 | 14,575 | 25,568 | 17,086 |
| 3 Withheld | 32,949 | 144,820 | 165,215 | 82,784 | 90,148 | 98,683 | 16,736 | 18,080 | 16,714 |
| 4 Presidential Election Campaign Fund | 1 | 37 | 39 | 36 | 3 | 32 | 7 | 4 | 0 |
| 5 Nonwithheld | 6,809 | 42,062 | 47,804 | 37,584 | 10,777 | 44,116 | 5,696 | 8,424 | 1,241 |
| 6 Refunds[1] | 958 | 29,293 | 32,070 | 30,068 | 2,075 | 31,228 | 7,864 | 940 | 869 |
| Corporation income taxes | | | | | | | | | |
| 7 Gross receipts | 9,808 | 60,057 | 65,380 | 38,496 | 28,536 | 42,427 | 1,870 | 16,016 | 2,518 |
| 8 Refunds | 1,348 | 5,164 | 5,428 | 2,782 | 2,757 | 2,889 | 467 | 376 | 499 |
| 9 Social insurance taxes and contributions, net | 25,760 | 108,683 | 123,410 | 66,191 | 61,064 | 75,609 | 18,652 | 9,375 | 10,566 |
| 10 Payroll employment taxes and contributions[2] | 21,534 | 88,196 | 99,626 | 51,668 | 51,052 | 59,298 | 12,932 | 8,374 | 8,857 |
| 11 Self-employment taxes and contributions[3] | 269 | 4,014 | 4,267 | 3,892 | 369 | 4,616 | 318 | 322 | 0 |
| 12 Unemployment insurance | 2,698 | 11,312 | 13,850 | 7,800 | 6,727 | 8,623 | 4,864 | 188 | 1,204 |
| 13 Other net receipts[4] | 1,259 | 5,162 | 5,668 | 2,831 | 2,917 | 3,072 | 538 | 491 | 504 |
| 14 Excise taxes | 4,473 | 17,548 | 18,376 | 8,835 | 9,879 | 8,984 | 1,601 | 1,464 | 1,659 |
| 15 Customs deposits | 1,212 | 5,150 | 6,573 | 3,320 | 3,748 | 3,682 | 645 | 637 | 647 |
| 16 Estate and gift taxes | 1,455 | 7,327 | 5,285 | 2,587 | 2,691 | 2,657 | 559 | 414 | 463 |
| 17 Miscellaneous receipts[5] | 1,612 | 6,536 | 7,413 | 3,667 | 4,260 | 4,501 | 852 | 811 | 828 |
| OUTLAYS | | | | | | | | | |
| 18 **All types**[1] | **94,729** | **402,725** | **450,836** | **222,518** | **238,150** | **245,616** | **41,618** | **40,687** | **40,482** |
| 19 National defense | 22,307 | 97,501 | 105,186 | 52,979 | 55,129 | 57,643 | 9,965 | 9,973 | 10,397 |
| 20 International affairs | 2,197 | 4,813 | 5,922 | 2,904 | 2,221 | 3,538 | 743 | 482 | −427 |
| 21 General science, space, and technology | 1,161 | 4,677 | 4,742 | 2,395 | 2,362 | 2,461 | 442 | 461 | 433 |
| 22 Energy | 794 | 4,172 | 5,861 | 2,487 | 4,461 | 4,417 | 737 | 789 | 713 |
| 23 Natural resources and environment | 2,532 | 10,000 | 10,925 | 4,959 | 6,119 | 5,672 | 969 | 900 | 1,154 |
| 24 Agriculture | 581 | 5,532 | 7,731 | 2,353 | 4,854 | 3,020 | 69 | −525 | −369 |
| 25 Commerce and housing credit | 1,392 | −44 | 3,325 | −946 | 3,291 | 60 | 16 | 95 | 173 |
| 26 Transportation | 3,304 | 14,636 | 15,444 | 7,723 | 8,758 | 7,688 | 1,326 | 1,340 | 1,552 |
| 27 Community and regional development | 1,340 | 6,286 | 11,000 | 5,928 | 6,108 | 4,499 | 787 | 912 | 702 |
| 28 Education, training, employment, and social services | 5,162 | 20,985 | 26,463 | 12,792 | 13,676 | 14,467 | 2,559 | 2,193 | 2,472 |
| 29 Health | 8,721 | 38,785 | 43,676 | 21,391 | 23,942 | 24,860 | 4,258 | 4,268 | 4,108 |
| 30 Income security[1] | 32,797 | 137,915 | 146,212 | 75,201 | 73,305 | 81,173 | 13,588 | 13,595 | 13,669 |
| 31 Veterans benefits and services | 3,962 | 18,038 | 18,974 | 9,603 | 9,545 | 10,127 | 1,694 | 2,497 | 667 |
| 32 Administration of justice | 859 | 3,600 | 3,802 | 1,946 | 1,973 | 2,096 | 364 | 323 | 336 |
| 33 General government | 883 | 3,374 | 3,777 | 1,803 | 2,111 | 2,291 | 454 | 405 | 365 |
| 34 General-purpose fiscal assistance | 2,092 | 9,499 | 9,601 | 4,665 | 4,385 | 3,890 | 160 | 76 | 1,800 |
| 35 Interest[6] | 7,216 | 38,009 | 43,966 | 22,280 | 24,110 | 26,934 | 4,241 | 7,834 | 3,491 |
| 36 Undistributed offsetting receipts[6,7] | −2,567 | −15,053 | −15,772 | −7,945 | −8,200 | −8,999 | −755 | −4,931 | −753 |

1. Effective June 1978, earned income credit payments in excess of an individual's tax liability, formerly treated as income tax refunds, are classified as outlays retroactive to January 1976.
2. Old-age, disability, and hospital insurance, and railroad retirement accounts.
3. Old-age, disability, and hospital insurance.
4. Supplementary medical insurance premiums, federal employee retirement contributions, and Civil Service retirement and disability fund.
5. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.
6. Effective September 1976, "Interest" and "Undistributed Offsetting Receipts" reflect the accounting conversion for the interest on special issues for U.S. government accounts from an accrual basis to a cash basis.
7. Consists of interest received by trust funds, rents and royalties on the Outer Continental Shelf, and U.S. government contributions for employee retirement.

SOURCE. "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government" and the *Budget of the U.S. Government, Fiscal Year 1980.*

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## 1.41 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

| Item | 1976 | 1977 | | | 1978 | | | 1979 | |
|---|---|---|---|---|---|---|---|---|---|
| | Dec. 31 | June 30 | Sept. 30 | Dec. 31 | June 30 | Sept. 30 | Dec. 31 | Mar. 31 | June 30 |
| 1 **Federal debt outstanding** | **665.5** | **685.2** | **709.1** | **729.2** | **758.8** | **780.4** | **797.7** | **804.6** | **812.2** |
| 2 Public debt securities | 653.5 | 674.4 | 698.8 | 718.9 | 749.0 | 771.5 | 789.2 | 796.8 | 804.9 |
| 3 Held by public | 506.4 | 523.2 | 543.4 | 564.1 | 587.9 | 603.6 | 619.2 | 630.5 | 626.4 |
| 4 Held by agencies | 147.1 | 151.2 | 155.5 | 154.8 | 161.1 | 168.0 | 170.0 | 166.3 | 178.5 |
| 5 Agency securities | 12.0 | 10.8 | 10.3 | 10.2 | 9.8 | 8.9 | 8.5 | 7.8 | 7.3 |
| 6 Held by public | 10.0 | 9.0 | 8.5 | 8.4 | 8.0 | 7.4 | 7.0 | 6.3 | 5.9 |
| 7 Held by agencies | 1.9 | 1.8 | 1.8 | 1.8 | 1.8 | 1.5 | 1.5 | 1.5 | 1.5 |
| 8 **Debt subject to statutory limit** | **654.7** | **675.6** | **700.0** | **720.1** | **750.2** | **772.7** | **790.3** | **797.9** | **806.0** |
| 9 Public debt securities | 652.9 | 673.8 | 698.2 | 718.3 | 748.4 | 770.9 | 788.6 | 796.2 | 804.3 |
| 10 Other debt[1] | 1.7 | 1.7 | 1.7 | 1.7 | 1.8 | 1.8 | 1.7 | 1.7 | 1.7 |
| 11 MEMO: Statutory debt limit | 682.0 | 700.0 | 700.0 | 752.0 | 752.0 | 798.0 | 798.0 | 798.0 | 830.0 |

1. Includes guaranteed debt of government agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds.

NOTE. Data from *Treasury Bulletin* (U.S. Treasury Department).

## 1.42 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership

Billions of dollars, end of period

| Type and holder | 1975 | 1976 | 1977 | 1978 | 1979 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Apr. | May | June | July | Aug. |
| 1 **Total gross public debt** | **576.6** | **653.5** | **718.9** | **789.2** | **796.4** | **804.8** | **804.9** | **807.5** | **813.1** |
| *By type* | | | | | | | | | |
| 2 Interest-bearing debt | 575.7 | 652.5 | 715.2 | 782.4 | 795.4 | 803.8 | 799.9 | 806.5 | 812.1 |
| 3 Marketable | 363.2 | 421.3 | 459.9 | 487.5 | 504.6 | 506.9 | 499.3 | 507.0 | 509.2 |
| 4 Bills | 157.5 | 164.0 | 161.1 | 161.7 | 163.7 | 163.1 | 159.9 | 159.9 | 160.5 |
| 5 Notes | 167.1 | 216.7 | 251.8 | 265.8 | 275.3 | 276.1 | 272.1 | 278.3 | 277.6 |
| 6 Bonds | 38.6 | 40.6 | 47.0 | 60.0 | 65.5 | 67.7 | 67.4 | 68.8 | 71.1 |
| 7 Nonmarketable[1] | 212.5 | 231.2 | 255.3 | 294.8 | 290.8 | 296.9 | 300.5 | 299.5 | 302.9 |
| 8 Convertible bonds[2] | 2.3 | 2.3 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 |
| 9 State and local government series | 1.2 | 4.5 | 13.9 | 24.3 | 24.0 | 24.0 | 24.1 | 24.2 | 24.6 |
| 10 Foreign issues[3] | 21.6 | 22.3 | 22.2 | 29.6 | 25.4 | 25.2 | 26.8 | 28.0 | 27.7 |
| 11 Government | 21.6 | 22.3 | 22.2 | 28.0 | 21.3 | 21.0 | 22.7 | 23.9 | 23.5 |
| 12 Public | 0 | 0 | 0 | 1.6 | 4.2 | 4.2 | 4.2 | 4.2 | 4.2 |
| 13 Savings bonds and notes | 67.9 | 72.3 | 77.0 | 80.9 | 80.8 | 80.8 | 80.8 | 80.9 | 80.9 |
| 14 Government account series[4] | 119.4 | 129.7 | 139.8 | 157.5 | 158.2 | 164.6 | 166.3 | 163.9 | 167.3 |
| 15 Non-interest-bearing debt | 1.0 | 1.1 | 3.7 | 6.8 | .9 | 1.0 | 5.1 | 1.0 | 1.0 |
| *By holder*[5] | | | | | | | | | |
| 16 U.S. government agencies and trust funds | 139.1 | 147.1 | 154.8 | 170.0 | 170.7 | 177.1 | 178.6 | | |
| 17 Federal Reserve Banks | 89.8 | 97.0 | 102.5 | 109.6 | 108.6 | 106.2 | 109.2 | | |
| 18 Private investors | 349.4 | 409.5 | 461.3 | 508.6 | 517.1 | 521.5 | 516.6 | | |
| 19 Commercial banks | 85.1 | 103.8 | 101.4 | 93.4 | 97.0 | 98.5 | 95.0 | | |
| 20 Mutual savings banks | 4.5 | 5.9 | 5.9 | 5.2 | 5.2 | 5.2 | 5.0 | | |
| 21 Insurance companies | 9.5 | 12.7 | 15.1 | 15.0 | 14.8 | 14.7 | 14.5 | | |
| 22 Other corporations | 20.2 | 27.7 | 22.7 | 20.6 | 23.6 | 26.2 | 24.0 | n.a. | n.a. |
| 23 State and local governments | 34.2 | 41.6 | 55.2 | 68.6 | 69.1 | 69.2 | 68.0 | | |
| Individuals | | | | | | | | | |
| 24 Savings bonds | 67.3 | 72.0 | 76.7 | 80.7 | 80.6 | 80.6 | 80.6 | | |
| 25 Other securities | 24.0 | 28.8 | 28.6 | 30.0 | 31.5 | 31.8 | 31.8 | | |
| 26 Foreign and international[6] | 66.5 | 78.1 | 109.6 | 137.8 | 124.8 | 118.0 | 119.5 | | |
| 27 Other miscellaneous investors[7] | 38.0 | 38.9 | 46.1 | 57.4 | 70.6 | 77.5 | 78.3 | | |

1. Includes (not shown separately): Securities issued to the Rural Electrification Administration, depositary bonds, retirement plan bonds, and individual retirement bonds.
2. These nonmarketable bonds, also known as Investment Series B Bonds, may be exchanged (or converted) at the owner's option for 1½ percent, 5-year marketable Treasury notes. Convertible bonds that have been so exchanged are removed from this category and recorded in the notes category above.
3. Nonmarketable dollar-denominated and foreign currency denominated series held by foreigners.
4. Held almost entirely by U.S. government agencies and trust funds.
5. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.
6. Consists of the investments of foreign balances and international accounts in the United States. Beginning with July 1974, the figures exclude non-interest-bearing notes issued to the International Monetary Fund.
7. Includes savings and loan associations, nonprofit institutions, corporate pension trust funds, dealers and brokers, certain government deposit accounts, and government sponsored agencies.
8. Includes a nonmarketable Federal Reserve special certificate for $2.6 billion.

NOTE. Gross public debt excludes guaranteed agency securities and, beginning in July 1974, includes Federal Financing Bank security issues.

Data by type of security from *Monthly Statement of the Public Debt of the United States* (U.S. Treasury Department); data by holder from *Treasury Bulletin.*

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## 1.43 U.S. GOVERNMENT MARKETABLE SECURITIES Ownership, by maturity

Par value; millions of dollars, end of period

| Type of holder | 1977 | 1978 | 1979 | | 1977 | 1978 | 1979 | |
|---|---|---|---|---|---|---|---|---|
| | | | May | June | | | May | June |
| | All maturities | | | | 1 to 5 years | | | |
| 1 **All holders** | **459,927** | **487,546** | **506,867** | **499,343** | **151,264** | **162,886** | **161,719** | **155,150** |
| 2 U.S. government agencies and trust funds | 14,420 | 12,695 | 12,682 | 12,452 | 4,788 | 3,310 | 2,509 | 2,503 |
| 3 Federal Reserve Banks | 101,191 | 109,616 | 106,185 | 109,241 | 27,012 | 31,283 | 28,634 | 28,204 |
| 4 Private investors | 344,315 | 365,235 | 388,001 | 377,650 | 119,464 | 128,293 | 130,576 | 124,443 |
| 5 Commercial banks | 75,363 | 68,890 | 70,704 | 67,790 | 38,691 | 38,390 | 38,157 | 36,028 |
| 6 Mutual savings banks | 4,379 | 3,499 | 3,379 | 3,287 | 2,112 | 1,918 | 1,811 | 1,765 |
| 7 Insurance companies | 12,378 | 11,635 | 11,792 | 11,612 | 4,729 | 4,664 | 4,822 | 4,657 |
| 8 Nonfinancial corporations | 9,474 | 8,272 | 9,925 | 8,826 | 3,183 | 3,635 | 3,299 | 3,068 |
| 9 Savings and loan associations | 4,817 | 3,835 | 3,555 | 3,669 | 2,368 | 2,255 | 1,989 | 2,013 |
| 10 State and local governments | 15,495 | 18,815 | 18,544 | 18,023 | 3,875 | 3,997 | 4,385 | 4,016 |
| 11 All others | 222,409 | 250,288 | 270,101 | 264,442 | 64,505 | 73,433 | 76,112 | 72,896 |
| | Total, within 1 year | | | | 5 to 10 years | | | |
| 12 **All holders** | **230,691** | **228,516** | **243,856** | **243,171** | **45,328** | **50,400** | **47,786** | **47,561** |
| 13 U.S. government agencies and trust funds | 1,906 | 1,488 | 2,280 | 2,280 | 2,129 | 1,989 | 1,989 | 1,765 |
| 14 Federal Reserve Banks | 56,702 | 52,801 | 53,558 | 56,778 | 10,404 | 14,809 | 12,225 | 12,436 |
| 15 Private investors | 172,084 | 174,227 | 188,018 | 184,114 | 32,795 | 33,601 | 33,572 | 33,359 |
| 16 Commercial banks | 29,477 | 20,608 | 22,347 | 21,906 | 6,162 | 7,490 | 7,542 | 7,363 |
| 17 Mutual savings banks | 1,400 | 817 | 847 | 804 | 584 | 496 | 457 | 461 |
| 18 Insurance companies | 2,398 | 1,838 | 1,870 | 1,860 | 3,204 | 2,899 | 2,768 | 2,750 |
| 19 Nonfinancial corporations | 5,770 | 4,048 | 5,759 | 5,069 | 307 | 369 | 470 | 354 |
| 20 Savings and loan associations | 2,236 | 1,414 | 1,407 | 1,499 | 143 | 89 | 82 | 82 |
| 21 State and local governments | 7,917 | 8,194 | 6,811 | 6,682 | 1,283 | 1,588 | 1,669 | 1,693 |
| 22 All others | 122,885 | 137,309 | 148,978 | 146,293 | 21,112 | 20,671 | 20,584 | 20,656 |
| | Bills, within 1 year | | | | 10 to 20 years | | | |
| 23 **All holders** | **161,081** | **161,747** | **163,076** | **159,890** | **12,906** | **19,800** | **24,968** | **24,922** |
| 24 U.S. government agencies and trust funds | 32 | 2 | * | * | 3,102 | 3,876 | 4,524 | 4,524 |
| 25 Federal Reserve Banks | 42,004 | 42,397 | 38,165 | 40,309 | 1,510 | 2,088 | 3,118 | 3,127 |
| 26 Private investors | 119,035 | 119,348 | 124,910 | 119,580 | 8,295 | 13,836 | 17,326 | 17,271 |
| 27 Commercial banks | 11,996 | 5,707 | 6,373 | 6,036 | 456 | 956 | 1,135 | 1,093 |
| 28 Mutual savings banks | 484 | 150 | 151 | 130 | 137 | 143 | 142 | 139 |
| 29 Insurance companies | 1,187 | 753 | 506 | 412 | 1,245 | 1,460 | 1,488 | 1,489 |
| 30 Nonfinancial corporations | 4,329 | 1,792 | 2,916 | 2,602 | 133 | 86 | 247 | 219 |
| 31 Savings and loan associations | 806 | 262 | 223 | 248 | 54 | 60 | 61 | 60 |
| 32 State and local governments | 6,092 | 5,524 | 4,177 | 3,770 | 890 | 1,420 | 1,749 | 1,762 |
| 33 All others | 94,152 | 105,161 | 110,564 | 106,382 | 5,380 | 9,711 | 12,505 | 12,508 |
| | Other, within 1 year | | | | Over 20 years | | | |
| 34 **All holders** | **69,610** | **66,769** | **80,780** | **83,282** | **19,738** | **25,944** | **28,538** | **28,538** |
| 35 U.S. government agencies and trust funds | 1,874 | 1,487 | 2,280 | 2,280 | 2,495 | 2,031 | 1,380 | 1,380 |
| 36 Federal Reserve Banks | 14,698 | 10,404 | 15,393 | 16,469 | 5,564 | 8,635 | 8,650 | 8,696 |
| 37 Private investors | 53,039 | 54,879 | 63,108 | 64,534 | 11,679 | 15,278 | 18,508 | 18,461 |
| 38 Commercial banks | 15,482 | 14,901 | 15,973 | 15,870 | 578 | 1,446 | 1,523 | 1,400 |
| 39 Mutual savings banks | 916 | 667 | 696 | 674 | 146 | 126 | 121 | 117 |
| 40 Insurance companies | 1,211 | 1,084 | 1,364 | 1,447 | 802 | 774 | 844 | 856 |
| 41 Nonfinancial corporations | 1,441 | 2,256 | 2,843 | 2,467 | 81 | 135 | 150 | 117 |
| 42 Savings and loan associations | 1,430 | 1,152 | 1,184 | 1,251 | 16 | 17 | 17 | 15 |
| 43 State and local governments | 1,825 | 2,670 | 2,634 | 2,912 | 1,530 | 3,616 | 3,930 | 3,869 |
| 44 All others | 28,733 | 32,149 | 38,414 | 39,911 | 8,526 | 9,164 | 11,922 | 12,088 |

NOTE. Direct public issues only. Based on Treasury Survey of Ownership from *Treasury Bulletin* (U.S. Treasury Department).

Data complete for U.S. government agencies and trust funds and Federal Reserve Banks, but data for other groups include only holdings of those institutions that report. The following figures show, for each category, the number and proportion reporting as of June 30, 1979: (1) 5,449 commercial banks, 461 mutual savings banks, and 723 insurance companies, each about 80 percent; (2) 431 nonfinancial corporations and 485 savings and loan associations, each about 50 percent; and (3) 490 state and local governments, about 40 percent.

"All others," a residual, includes holdings of all those not reporting in the Treasury Survey, including investor groups not listed separately.

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## 1.44 U.S. GOVERNMENT SECURITIES DEALERS Transactions

Par value; averages of daily figures, in millions of dollars

| Item | 1976 | 1977 | 1978 | 1979 May | 1979 June | 1979 July | 1979, week ending Wednesday May 23 | May 30 | June 6 | June 13 | June 20 | June 27 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 **U.S. government securities** | **10,449** | **10,838** | **10,285** | **13,354** | **15,284** | **11,145** | **15,140** | **16,942** | **15,929** | **16,755** | **14,476** | **14,453** |
| *By maturity* | | | | | | | | | | | | |
| 2 Bills | 6,676 | 6,746 | 6,173 | 7,555 | 9,286 | 6,770 | 7,946 | 9,556 | 10,391 | 9,744 | 9,546 | 8,365 |
| 3 Other within 1 year | 210 | 237 | 392 | 347 | r448 | 308 | 361 | 437 | 375 | 408 | 415 | 479 |
| 4 1–5 years | 2,317 | 2,320 | 1,889 | 2,257 | 2,562 | 1,979 | 3,096 | 3,559 | 2,147 | 2,623 | 2,310 | 2,968 |
| 5 5–10 years | 1,019 | 1,148 | 965 | 1,560 | 1,472 | 906 | 1,970 | 1,636 | 1,537 | 2,064 | 1,106 | 1,319 |
| 6 Over 10 years | 229 | 388 | 866 | 1,635 | r1,516 | 1,092 | 1,766 | 1,754 | 1,479 | 1,826 | 1,099 | 1,321 |
| *By type of customer* | | | | | | | | | | | | |
| 7 U.S. government securities dealers | 1,360 | 1,267 | 1,135 | 1,205 | 1,335 | 1,060 | 1,312 | 1,421 | 1,860 | 1,200 | 1,298 | 1,063 |
| 8 U.S. government securities brokers | 3,407 | 3,709 | 3,838 | 5,262 | r6,112 | 4,432 | 6,495 | 7,013 | 5,619 | 7,517 | 5,645 | 5,892 |
| 9 Commercial banks | 2,426 | 2,295 | 1,804 | 2,009 | r2,447 | 1,767 | 2,294 | 2,507 | 2,524 | 2,823 | 2,121 | 2,338 |
| 10 All others[1] | 3,257 | 3,568 | 3,508 | 4,878 | r5,390 | 3,644 | 5,040 | 6,001 | 5,926 | 5,214 | 5,412 | 5,160 |
| 11 **Federal agency securities** | **1,548** | **1,729** | **1,894** | **2,621** | **r3,232** | **2,509** | **3,536** | **3,635** | **3,295** | **3,801** | **2,477** | **3,061** |

1. Includes, among others, all other dealers and brokers in commodities and securities, foreign banking agencies, and the Federal Reserve System.

NOTE. Averages for transactions are based on number of trading days in the period.

Transactions are market purchases and sales of U.S. government securities dealers reporting to the Federal Reserve Bank of New York. The figures exclude allotments of, and exchanges for, new U.S. government securities, redemptions of called or matured securities, or purchases or sales of securities under repurchase, reverse repurchase (resale), or similar contracts.

## 1.45 U.S. GOVERNMENT SECURITIES DEALERS Positions and Sources of Financing

Par value; averages of daily figures, in millions of dollars

| Item | 1976 | 1977 | 1978 | 1979 May | 1979 June | 1979 July | 1979, week ending Wednesday May 2 | May 9 | May 16 | May 23 | May 30 | June 6 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Positions[2] | | | | | |
| 1 **U.S. government securities** | **7,592** | **5,172** | **2,656** | **r5,266** | **7,166** | **2,980** | **2,856** | **4,522** | **4,708** | **5,552** | **8,115** | **7,919** |
| 2 Bills | 6,290 | 4,772 | 2,452 | r5,100 | 7,445 | 3,634 | 3,384 | 4,084 | 4,669 | 5,376 | 7,677 | 7,925 |
| 3 Other within 1 year | 188 | 99 | 260 | −34 | 101 | 52 | −33 | 9 | −175 | 8 | 46 | −139 |
| 4 1–5 years | 515 | 60 | −92 | −744 | −437 | −513 | −393 | −851 | −907 | −818 | −367 | −419 |
| 5 5–10 years | 402 | 92 | 40 | 377 | 223 | 46 | −139 | 458 | 422 | 390 | 354 | 376 |
| 6 Over 10 years | 198 | 149 | −4 | 567 | −167 | −240 | 37 | 823 | 700 | 596 | 405 | 177 |
| 7 **Federal agency securities** | **729** | **693** | **606** | **1,660** | **2,168** | **1,984** | **1,165** | **1,237** | **1,338** | **2,056** | **2,284** | **2,424** |
| | | | | | | | Financing[3] | | | | | |
| 8 **All sources** | **8,715** | **9,877** | **10,204** | **14,849** | **17,111** | **16,217** | **13,045** | **13,151** | **13,824** | **15,549** | **17,211** | **17,389** |
| Commercial banks | | | | | | | | | | | | |
| 9 New York City | 1,896 | 1,313 | 599 | 733 | 1,638 | 1,266 | 850 | 522 | 51 | 1,193 | 1,279 | 1,252 |
| 10 Outside New York City | 1,660 | 1,987 | 2,174 | 2,839 | 2,883 | 2,324 | 1,879 | 2,417 | 2,633 | 2,763 | 3,615 | 3,728 |
| 11 Corporations[1] | 1,479 | 2,423 | 2,370 | 2,901 | 3,410 | 3,434 | 2,373 | 2,363 | 2,489 | 3,223 | 3,603 | 3,761 |
| 12 All others | 3,681 | 4,155 | 5,052 | 8,377 | 9,180 | 9,193 | 7,943 | 7,830 | 8,651 | 8,370 | 8,714 | 8,649 |

1. All business corporations except commercial banks and insurance companies.

2. New amounts (in terms of par values) of securities owned by nonbank dealer firms and dealer departments of commercial banks on a commitment, that is, trade-date basis, including any such securities that have been sold under agreements to repurchase. The maturities of some repurchase agreements are sufficiently long, however, to suggest that the securities involved are not available for trading purposes. Securities owned, and hence dealer positions, do not include securities purchased under agreements to resell.

3. Total amounts outstanding of funds borrowed by nonbank dealer firms and dealer departments of commercial banks against U.S. government and federal agency securities (through both collateral loans and sales under agreements to repurchase), plus internal funds used by bank dealer departments to finance positions in such securities. Borrowings against securities held under agreement to resell are excluded where the borrowing contract and the agreement to resell are equal in amount and maturity, that is, a matched agreement.

NOTE. Averages for positions are based on number of trading days in the period; those for financing, on the number of calendar days in the period.

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## 1.46 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

| Agency | 1976 | 1977 | 1978 | 1978 | 1979 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Dec. | Jan. | Feb. | Mar. | Apr. | May |
| 1 **Federal and federally sponsored agencies**[1] | **103,848** | **112,472** | **137,063** | **137,063** | **138,726** | **140,999** | **143,265** | **145,556** | **146,429** |
| 2 Federal agencies | 22,419 | 22,760 | 23,488 | 23,488 | 23,431 | 23,485 | 23,507 | 23,568 | 23,366 |
| 3 Defense Department[2] | 1,113 | 983 | 868 | 868 | 864 | 859 | 839 | 822 | 807 |
| 4 Export-Import Bank[3,4] | 8,574 | 8,671 | 8,711 | 8,711 | 8,515 | 8,499 | 8,326 | 8,322 | 8,107 |
| 5 Federal Housing Administration[5] | 575 | 581 | 588 | 588 | 582 | 586 | 580 | 576 | 568 |
| 6 Government National Mortgage Association participation certificates[6] | 4,120 | 3,743 | 3,141 | 3,141 | 3,141 | 3,141 | 3,141 | 3,099 | 3,099 |
| 7 Postal Service[7] | 2,998 | 2,431 | 2,364 | 2,364 | 2,364 | 2,364 | 2,364 | 2,364 | 2,202 |
| 8 Tennessee Valley Authority | 4,935 | 6,015 | 7,460 | 7,460 | 7,620 | 7,690 | 7,900 | 7,985 | 8,155 |
| 9 United States Railway Association[7] | 104 | 336 | 356 | 356 | 345 | 346 | 357 | 400 | 428 |
| 10 Federally sponsored agencies[1] | 81,429 | 89,712 | 113,575 | 113,575 | 115,295 | 117,514 | 119,758 | 121,988 | 123,063 |
| 11 Federal Home Loan Banks | 16,811 | 18,345 | 27,563 | 27,563 | 27,677 | 28,447 | 28,265 | 28,121 | 28,577 |
| 12 Federal Home Loan Mortgage Corporation | 1,690 | 1,686 | 2,262 | 2,262 | 2,262 | 2,461 | 2,333 | 2,330 | 2,323 |
| 13 Federal National Mortgage Association | 30,565 | 31,890 | 41,080 | 41,080 | 41,917 | 42,405 | 43,625 | 44,792 | 44,639 |
| 14 Federal Land Banks | 17,127 | 19,118 | 20,360 | 20,360 | 19,275 | 19,275 | 19,275 | 18,389 | 18,389 |
| 15 Federal Intermediate Credit Banks | 10,494 | 11,174 | 11,469 | 11,469 | 9,978 | 8,958 | 7,890 | 6,994 | 5,958 |
| 16 Banks for Cooperatives | 4,330 | 4,434 | 4,843 | 4,843 | 4,392 | 3,852 | 3,351 | 2,473 | 1,483 |
| 17 Farm Credit Banks[1] | ........ | 2,548 | 5,081 | 5,081 | 8,877 | 11,134 | 13,987 | 17,838 | 20,597 |
| 18 Student Loan Marketing Association[8] | 410 | 515 | 915 | 915 | 915 | 980 | 1,030 | 1,050 | 1,095 |
| 19 Other | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 1 | 2 |
| MEMO: | | | | | | | | | |
| 20 **Federal Financing Bank debt**[7,9] | **28,711** | **38,580** | **51,298** | **51,298** | **52,154** | **53,221** | **55,310** | **56,610** | **58,186** |
| *Lending to federal and federally sponsored agencies* | | | | | | | | | |
| 21 Export-Import Bank[4] | 5,208 | 5,834 | 6,898 | 6,898 | 6,898 | 6,898 | 7,131 | 7,131 | 7,131 |
| 22 Postal Service[7] | 2,748 | 2,181 | 2,114 | 2,114 | 2,114 | 2,114 | 2,114 | 2,114 | 1,952 |
| 23 Student Loan Marketing Association[8] | 410 | 515 | 915 | 915 | 915 | 980 | 1,030 | 1,050 | 1,095 |
| 24 Tennessee Valley Authority | 3,110 | 4,190 | 5,635 | 5,635 | 5,795 | 5,865 | 6,075 | 6,260 | 6,430 |
| 25 United States Railway Association[7] | 104 | 336 | 356 | 356 | 345 | 346 | 357 | 400 | 428 |
| *Other lending*[10] | | | | | | | | | |
| 26 Farmers Home Administration | 10,750 | 16,095 | 23,825 | 23,825 | 24,445 | 25,160 | 25,985 | 26,890 | 28,050 |
| 27 Rural Electrification Administration | 1,415 | 2,647 | 4,604 | 4,604 | 4,680 | 4,735 | 4,962 | 5,122 | 5,253 |
| 28 Other | 4,966 | 6,782 | 6,951 | 6,951 | 6,962 | 7,123 | 7,656 | 7,643 | 7,847 |

1. In September 1977 the Farm Credit Banks issued their first consolidated bonds, and in January 1979 they began issuing these bonds on a regular basis to replace the financing activities of the Federal Land Banks, the Federal Intermediate Credit Banks, and the Banks for Cooperatives. Line 17 represents those consolidated bonds outstanding, as well as any discount notes that have been issued. Lines 1 and 10 reflect the addition of this item.

2. Consists of mortages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.

3. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.

4. Off-budget Aug. 17, 1974, through Sept. 30, 1976; on-budget thereafter.

5. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.

6. 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.

7. Off-budget.

8. 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.

9. 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.

10. 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.

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## 1.47 NEW SECURITY ISSUES of State and Local Governments

Millions of dollars

| Type of issue or issuer, or use | 1976 | 1977 | 1978 | 1979 | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Jan.r | Feb.r | Mar.r | Apr.r | Mayr | June |
| 1 **All issues, new and refunding** [1] | **35,313** | **46,769** | **48,607** | **2,854** | **2,598** | **4,637** | **3,360** | **3,078** | **4,205** |
| *Type of issue* | | | | | | | | | |
| 2 General obligation | 18,040 | 18,042 | 17,854 | 1,310 | 955 | 1,059 | 1,232 | 1,131 | 1,511 |
| 3 Revenue | 17,140 | 28,655 | 30,658 | 1,523 | 1,638 | 3,570 | 2,117 | 1,945 | 2,675 |
| 4 Housing Assistance Administration [2] | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| 5 U.S. government loans | 133 | 72 | 95 | 21 | 5 | 8 | 11 | 2 | 19 |
| *Type of issuer* | | | | | | | | | |
| 6 State | 7,054 | 6,354 | 6,632 | 467 | 580 | 436 | 298 | 204 | 642 |
| 7 Special district and statutory authority | 15,304 | 21,717 | 24,156 | 971 | 1,177 | 2,930 | 1,581 | 1,528 | 1,562 |
| 8 Municipalities, counties, townships, school districts | 12,845 | 18,623 | 17,718 | 1,396 | 836 | 1,263 | 1,468 | 1,344 | 1,982 |
| 9 **Issues for new capital, total** | **32,108** | **36,189** | **37,629** | **2,825** | **2,570** | **4,624** | **3,332** | **3,069** | **3,882** |
| *Use of proceeds* | | | | | | | | | |
| 10 Education | 4,900 | 5,076 | 5,003 | 492 | 420 | 281 | 447 | 665 | 512 |
| 11 Transportation | 2,586 | 2,951 | 3,460 | 248 | 224 | 204 | 134 | 120 | 274 |
| 12 Utilities and conservation | 9,594 | 8,119 | 9,026 | 543 | 734 | 1,133 | 498 | 545 | 989 |
| 13 Social welfare | 6,566 | 8,274 | 10,494 | 766 | 731 | 2,036 | 1,489 | 681 | 1,037 |
| 14 Industrial aid | 483 | 4,676 | 3,526 | 277 | 195 | 315 | 170 | 386 | 282 |
| 15 Other purposes | 7,979 | 7,093 | 6,120 | 499 | 266 | 655 | 594 | 672 | 788 |

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 | 1976 | 1977 | 1978 | 1978 | 1979 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Dec. | Jan.r | Feb.r | Mar. | Apr. | May |
| 1 **All issues** [1] | **53,488** | **53,792** | **47,230** | **4,367** | **3,770** | **3,170** | **4,401** | **4,311** | **3,963** |
| 2 **Bonds** | **42,380** | **42,015** | **36,872** | **3,247** | **3,106** | **2,257** | **3,729** | **3,732** | **3,372** |
| *Type of offering* | | | | | | | | | |
| 3 Public | 26,453 | 24,072 | 19,815 | 1,227 | 1,282 | 1,336 | 1,904 | 2,984 | 2,023 |
| 4 Private placement | 15,927 | 17,943 | 17,057 | 2,020 | 1,824 | 921 | 1,825 | 748 | 1,349 |
| *Industry group* | | | | | | | | | |
| 5 Manufacturing | 13,264 | 12,204 | 9,572 | 1,031 | 893 | 278 | 739 | 534 | 1,089 |
| 6 Commercial and miscellaneous | 4,372 | 6,234 | 5,246 | 690 | 494 | 279 | 362 | 26 | 238 |
| 7 Transportation | 4,387 | 1,996 | 2,007 | 123 | 142 | 266 | 245 | 264 | 177 |
| 8 Public utility | 8,297 | 8,262 | 7,092 | 364 | 460 | 517 | 721 | 866 | 618 |
| 9 Communication | 2,787 | 3,063 | 3,373 | 285 | 259 | 558 | 517 | 261 | 97 |
| 10 Real estate and financial | 9,274 | 10,258 | 9,586 | 755 | 858 | 359 | 1,145 | 1,779 | 1,153 |
| 11 **Stocks** | **11,108** | **11,777** | **10,358** | **1,120** | **664** | **913** | **672** | **579** | **591** |
| *Type* | | | | | | | | | |
| 12 Preferred | 2,803 | 3,916 | 2,832 | 424 | 171 | 201 | 231 | 155 | 184 |
| 13 Common | 8,305 | 7,861 | 7,526 | 696 | 493 | 712 | 441 | 424 | 407 |
| *Industry group* | | | | | | | | | |
| 14 Manufacturing | 2,237 | 1,189 | 1,241 | 42 | 41 | 121 | 24 | 36 | 84 |
| 15 Commercial and miscellaneous | 1,183 | 1,834 | 1,816 | 303 | 169 | 93 | 114 | 210 | 203 |
| 16 Transportation | 24 | 456 | 263 | 113 | ... | ... | 55 | ... | 39 |
| 17 Public utility | 6,121 | 5,865 | 5,140 | 271 | 357 | 669 | 335 | 257 | 237 |
| 18 Communication | 776 | 1,379 | 264 | 175 | ... | ... | 65 | ... | 7 |
| 19 Real estate and financial | 771 | 1,049 | 1,631 | 216 | 96 | 29 | 79 | 78 | 21 |

1. Figures, which represent gross proceeds of issues maturing in more than one 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.

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## 1.49 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

| Item | 1977 | 1978 | 1979 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Jan. | Feb. | Mar. | Apr. | May | June | July |
| INVESTMENT COMPANIES[1] | | | | | | | | | |
| 1 Sales of own shares[2] | 6,401 | 6,645 | 648 | 451 | 523 | 594 | 549 | 676 | 744 |
| 2 Redemptions of own shares[3] | 6,027 | 7,231 | 607 | 548 | 646 | 761 | 715 | 667 | 706 |
| 3 Net sales | 357 | −586 | 41 | −97 | −123 | −175 | −166 | 9 | 38 |
| 4 Assets[4] | 45,049 | 44,980 | 46,591 | 45,016 | 47,051 | 47,142 | 46,431 | 48,064 | 48,771 |
| 5 Cash position[5] | 3,274 | 4,507 | 4,624 | 4,851 | 4,746 | 4,862 | 4,869 | 5,012 | 5,052 |
| 6 Other | 41,775 | 40,473 | 41,967 | 40,165 | 42,305 | 42,280 | 41,562 | 43,052 | 43,719 |

1. Excluding money market funds.
2. 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.
3. Excludes share redemption resulting from conversions from one fund to another in the same group.
4. Market value at end of period, less current liabilities.
5. Also includes all U.S. government securities and other short-term debt securities.

NOTE. Investment Company Institute data based on reports of members, which comprise substantially all open-end investment companies registered with the Securities and Exchange Commission. Data reflect newly formed companies after their initial offering of securities.

## 1.50 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

| Account | 1976 | 1977 | 1978 | 1977 | 1978 | | | | 1979 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2[p] |
| 1 **Profits before tax** | **156.0** | **177.1** | **206.0** | **183.0** | **177.5** | **207.2** | **212.0** | **227.4** | **233.3** | **226.9** |
| 2 Profits tax liability | 63.8 | 72.6 | 84.5 | 75.1 | 70.8 | 84.7 | 87.5 | 95.1 | 91.3 | 88.2 |
| 3 Profits after tax | 92.2 | 104.5 | 121.5 | 107.9 | 106.7 | 122.4 | 124.5 | 132.3 | 142.0 | 138.6 |
| 4 Dividends | 37.5 | 42.1 | 47.2 | 43.4 | 45.1 | 46.0 | 47.8 | 49.7 | 51.5 | 52.3 |
| 5 Undistributed profits | 54.7 | 62.4 | 74.3 | 64.5 | 61.6 | 76.4 | 76.8 | 82.6 | 90.5 | 86.3 |
| 6 Capital consumption allowances | 97.1 | 109.3 | 119.8 | 113.1 | 116.5 | 119.1 | 120.6 | 123.1 | 125.5 | 130.4 |
| 7 Net cash flow | 151.8 | 171.7 | 194.1 | 177.6 | 178.1 | 195.5 | 197.3 | 205.7 | 216.0 | 216.7 |

SOURCE. *Survey of Current Business* (U.S. Department of Commerce.)

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## 1.51 NONFINANCIAL CORPORATIONS Current Assets and Liabilities

Billions of dollars, except for ratio

| Account | 1975 | 1976 | 1977 Q2 | 1977 Q3 | 1977 Q4 | 1978 Q1 | 1978 Q2 | 1978 Q3 | 1978 Q4 | 1979 Q1 |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 **Current assets** | **759.0** | **826.3** | **858.5** | **881.8** | **900.9** | **925.0** | **954.2** | **992.6** | **1,028.1** | **1,078.2** |
| 2 Cash | 82.1 | 87.3 | 83.3 | 83.5 | 94.3 | 88.8 | 91.3 | 91.6 | 103.5 | 102.2 |
| 3 U.S. government securities | 19.0 | 23.6 | 19.9 | 19.3 | 18.7 | 18.6 | 17.3 | 16.1 | 17.8 | 19.1 |
| 4 Notes and accounts receivable | 272.1 | 293.3 | 313.0 | 326.9 | 325.0 | 337.4 | 356.0 | 376.4 | 381.9 | 405.0 |
| 5 Inventories | 315.9 | 342.9 | 359.9 | 368.3 | 375.6 | 390.5 | 399.3 | 415.5 | 428.3 | 452.6 |
| 6 Other | 69.9 | 79.2 | 82.5 | 83.8 | 87.3 | 89.6 | 90.3 | 92.9 | 96.5 | 99.3 |
| 7 **Current liabilities** | **451.6** | **492.7** | **514.1** | **533.2** | **546.8** | **574.2** | **593.5** | **626.3** | **662.2** | **701.8** |
| 8 Notes and accounts payable | 264.2 | 282.0 | 295.9 | 306.1 | 313.7 | 325.2 | 337.9 | 356.2 | 375.1 | 392.6 |
| 9 Other | 187.4 | 210.6 | 218.1 | 227.1 | 233.1 | 249.0 | 255.6 | 270.0 | 287.1 | 309.2 |
| 10 **Net working capital** | **307.4** | **333.6** | **344.5** | **348.6** | **354.1** | **350.7** | **360.7** | **366.3** | **365.9** | **376.4** |
| 11 MEMO: Current ratio[1] | 1.681 | 1.677 | 1.670 | 1.654 | 1.648 | 1.611 | 1.608 | 1.585 | 1.552 | 1.536 |

1. Ratio of total current assets to total current liabilities.

NOTE. For a description of this series, see "Working Capital of Nonfinancial Corporations" in the July 1978 BULLETIN, pp. 533–37.

All data in this table have been revised to reflect the most current benchmarks. Complete data are available upon request from the Flow of Funds Section, Division of Research and Statistics.

SOURCE. Federal Trade Commission.

## 1.52 BUSINESS EXPENDITURES on New Plant and Equipment

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

| Industry | 1977 | 1978 | 1978 Q1 | 1978 Q2 | 1978 Q3 | 1978 Q4 | 1979 Q1 | 1979 Q2 | 1979 Q3 | 1979 Q4[2] |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 **All industries** | **135.72** | **153.60** | **144.25** | **150.76** | **155.41** | **163.96** | **165.94** | **170.30** | **174.74** | **180.98** |
| *Manufacturing* | | | | | | | | | | |
| 2 Durable goods industries | 27.75 | 31.59 | 28.72 | 31.40 | 32.25 | 33.99 | 34.00 | 36.60 | 38.09 | 39.10 |
| 3 Nondurable goods industries | 32.33 | 35.86 | 32.86 | 35.80 | 35.50 | 39.26 | 37.56 | 39.75 | 41.80 | 42.88 |
| *Nonmanufacturing* | | | | | | | | | | |
| 4 Mining | 4.49 | 4.81 | 4.45 | 4.81 | 4.99 | 4.98 | 5.46 | 5.40 | 5.11 | 5.26 |
| Transportation | | | | | | | | | | |
| 5 Railroad | 2.82 | 3.33 | 3.35 | 3.09 | 3.38 | 3.49 | 4.02 | 2.76 | 3.89 | 4.62 |
| 6 Air | 1.63 | 2.34 | 2.67 | 2.08 | 2.20 | 2.39 | 3.35 | 2.92 | 2.60 | 2.66 |
| 7 Other | 2.55 | 2.42 | 2.44 | 2.23 | 2.47 | 2.55 | 2.71 | 2.93 | 3.01 | 3.30 |
| Public utilities | | | | | | | | | | |
| 8 Electric | 21.57 | 24.71 | 23.15 | 23.83 | 24.92 | 26.95 | 27.70 | 27.63 | 27.96 | 27.62 |
| 9 Gas and other | 4.21 | 4.72 | 4.78 | 4.62 | 4.70 | 4.78 | 4.66 | 4.79 | 4.83 | 5.83 |
| 10 Communication | 15.43 | 18.15 | 17.07 | 18.18 | 18.90 | 18.46 | 18.75 | } 47.51 | 47.45 | 49.71 |
| 11 Commercial and other[1] | 22.95 | 25.67 | 24.76 | 24.71 | 26.09 | 27.12 | 27.73 | | | |

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).

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## 1.53 DOMESTIC FINANCE COMPANIES Assets and Liabilities

Billions of dollars, end of period

| Account | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 Q2 | 1978 Q3 | 1978 Q4 | 1979 Q1 | 1979 Q2 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | |
| Account receivable, gross | | | | | | | | | | |
| 1 Consumer | 35.4 | 36.1 | 36.0 | 38.6 | 44.0 | 47.1 | 49.7 | 52.6 | 54.9 | 58.7 |
| 2 Business | 32.3 | 37.2 | 39.3 | 44.7 | 55.2 | 59.5 | 58.3 | 63.3 | 66.7 | 70.1 |
| 3 Total | 67.7 | 73.3 | 75.3 | 83.4 | 99.2 | 106.6 | 108.0 | 116.0 | 121.6 | 128.8 |
| 4 LESS: Reserves for unearned income and losses | 8.4 | 9.0 | 9.4 | 10.5 | 12.7 | 14.1 | 14.3 | 15.6 | 16.5 | 17.7 |
| 5 Accounts receivable, net | 59.3 | 64.2 | 65.9 | 72.9 | 86.5 | 92.6 | 93.7 | 100.4 | 105.1 | 111.1 |
| 6 Cash and bank deposits | 2.6 | 3.0 | 2.9 | 2.6 | 2.6 | 2.9 | 2.7 | 3.5 | | |
| 7 Securities | .8 | .4 | 1.0 | 1.1 | .9 | 1.3 | 1.8 | 1.3 | 23.8[1] | 24.6 |
| 8 All other | 10.6 | 12.0 | 11.8 | 12.6 | 14.3 | 16.2 | 17.1 | 17.3 | | |
| 9 **Total assets** | **73.2** | **79.6** | **81.6** | **89.2** | **104.3** | **112.9** | **115.3** | **122.4** | **128.9** | **135.8** |
| **Liabilities** | | | | | | | | | | |
| 10 Bank loans | 7.2 | 9.7 | 8.0 | 6.3 | 5.9 | 5.4 | 5.4 | 6.5 | 6.5 | 7.3 |
| 11 Commercial paper | 19.7 | 20.7 | 22.2 | 23.7 | 29.6 | 31.3 | 29.3 | 34.5 | 38.1 | 41.0 |
| Debt | | | | | | | | | | |
| 12 Short-term, n.e.c. | 4.6 | 4.9 | 4.5 | 5.4 | 6.2 | 6.6 | 6.8 | 8.1 | 6.7 | 8.8 |
| 13 Long-term, n.e.c. | 24.6 | 26.5 | 27.6 | 32.3 | 36.0 | 40.1 | 41.3 | 43.6 | 44.5 | 46.0 |
| 14 Other | 5.6 | 5.5 | 6.8 | 8.1 | 11.5 | 13.6 | 15.2 | 12.6 | 15.1 | 14.4 |
| 15 Capital, surplus, and undivided profits | 11.5 | 12.4 | 12.5 | 13.4 | 15.1 | 16.0 | 17.3 | 17.2 | 18.0 | 18.2 |
| 16 **Total liabilities and capital** | **73.2** | **79.6** | **81.6** | **89.2** | **104.3** | **112.9** | **115.3** | **122.4** | **128.9** | **135.8** |

1. Beginning Q1 1979, asset items on lines 6, 7, and 8 are combined.

NOTE. Components may not add to totals due to rounding.

## 1.54 DOMESTIC FINANCE COMPANIES Business Credit

Millions of dollars, seasonally adjusted except as noted

| Type | Accounts receivable outstanding June 30, 1979[1] | Changes in accounts receivable 1979 Apr. | May | June | Extensions 1979 Apr. | May | June | Repayments 1979 Apr. | May | June |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 **Total** | **70,057** | **937** | **892** | **1,361** | **17,722** | **17,432** | **16,788** | **16,785** | **16,540** | **15,427** |
| 2 Retail automotive (commercial vehicles) | 15,478 | 60 | 17 | −32 | 1,210 | 1,167 | 1,116 | 1,150 | 1,150 | 1,148 |
| 3 Wholesale automotive | 16,766 | 705 | 757 | 655 | 6,731 | 6,790 | 5,919 | 6,026 | 6,033 | 5,264 |
| 4 Retail paper on business, industrial and farm equipment | 16,696 | −17 | −95 | 449 | 1,071 | 1,084 | 1,075 | 1,088 | 1,179 | 626 |
| 5 Loans on commercial accounts receivable[2]<br>6 Factored commercial accounts receivable[2] | 6,685 | 78 | 4 | −135 | 6,228 | 6,191 | 6,097 | 6,150 | 6,187 | 6,232 |
| 7 All other business credit | 14,432 | 111 | 209 | 424 | 2,482 | 2,200 | 2,581 | 2,371 | 1,991 | 2,157 |

1. Not seasonally adjusted.

2. Beginning January 1979 the categories "Loans on commercial accounts receivable" and "Factored commercial accounts receivable" are combined.

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## 1.55 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

| Item | 1976 | 1977 | 1978 | 1979 Feb. | 1979 Mar. | 1979 Apr. | 1979 May | 1979 June | 1979 July |
|---|---|---|---|---|---|---|---|---|---|
| | Terms and yields in primary and secondary markets | | | | | | | | |
| PRIMARY MARKETS | | | | | | | | | |
| Conventional mortgages on new homes | | | | | | | | | |
| *Terms*[1] | | | | | | | | | |
| 1 Purchase price (thous. dollars) | 48.4 | 54.3 | 62.6 | 68.3 | 68.1 | 75.4 | 72.3 | 73.7 | 74.3 |
| 2 Amount of loan (thous. dollars) | 35.9 | 40.5 | 45.9 | 49.5 | 49.9 | 54.9 | 51.4 | 52.5 | 52.7 |
| 3 Loan/price ratio (percent) | 74.2 | 76.3 | 75.3 | 74.5 | 75.4 | 75.1 | 73.2 | 73.5 | 73.0 |
| 4 Maturity (years) | 27.2 | 27.9 | 28.0 | 28.6 | 28.5 | 29.0 | 28.2 | 28.4 | 28.1 |
| 5 Fees and charges (percent of loan amount)[2] | 1.44 | 1.33 | 1.39 | 1.56 | 1.65 | 1.75 | 1.59 | 1.53 | 1.63 |
| 6 Contract rate (percent per annum) | 8.76 | 8.80 | 9.30 | 9.94 | 10.02 | 10.06 | 10.20 | 10.39 | 10.49 |
| *Yield (percent per annum)* | | | | | | | | | |
| 7 FHLBB series[3] | 8.99 | 9.01 | 9.54 | 10.20 | 10.30 | 10.36 | 10.47 | 10.66 | 10.78 |
| 8 HUD series[4] | 8.99 | 8.95 | 9.68 | 10.35 | 10.35 | 10.55 | 10.80 | 10.90 | 10.95 |
| SECONDARY MARKETS | | | | | | | | | |
| *Yield (percent per annum)* | | | | | | | | | |
| 9 FHA mortgages (HUD series)[5] | 8.82 | 8.68 | 9.70 | 10.17 | 10.19 | n.a. | 10.61 | 10.49 | 10.46 |
| 10 GNMA securities[6] | 8.17 | 8.04 | 8.98 | 9.67 | 9.70 | 9.79 | 9.89 | 9.78 | 9.77 |
| FNMA auctions[7] | | | | | | | | | |
| 11 Government-underwritten loans | 8.99 | 8.73 | 9.77 | 10.54 | 10.42 | 10.59 | 10.84 | 10.77 | 10.66 |
| 12 Conventional loans | 9.11 | 8.98 | 10.01 | 11.04 | 10.94 | 11.03 | 11.35 | 11.57 | 11.52 |
| | Activity in secondary markets | | | | | | | | |
| FEDERAL NATIONAL MORTGAGE ASSOCIATION | | | | | | | | | |
| *Mortgage holdings (end of period)* | | | | | | | | | |
| 13 Total | 32,904 | 34,370 | 43,311 | 45,155 | 46,410 | 47,028 | 47,757 | 48,206 | n.a. |
| 14 FHA-insured | 18,916 | 18,457 | 21,243 | 21,967 | 22,601 | 22,773 | 23,008 | 23,204 | n.a. |
| 15 VA-guaranteed | 9,212 | 9,315 | 10,544 | 10,606 | 10,616 | 10,591 | 10,543 | 10,502 | n.a. |
| 16 Conventional | 4,776 | 6,597 | 11,524 | 12,582 | 13,193 | 13,664 | 14,206 | 14,500 | n.a. |
| *Mortgage transactions (during period)* | | | | | | | | | |
| 17 Purchases | 3,606 | 4,780 | 12,303 | 1,173 | 1,291 | r883 | r1,023 | 739 | n.a. |
| 18 Sales | 86 | 67 | 5 | 0 | 0 | 0 | 0 | 0 | n.a. |
| *Mortgage commitments*[8] | | | | | | | | | |
| 19 Contracted (during period) | 6,247 | 9,729 | 18,960 | 388 | 565 | 1,075 | 1,400 | 634 | n.a. |
| 20 Outstanding (end of period) | 3,398 | 4,698 | 9,201 | 7,381 | 6,573 | 6,656 | 6,862 | 6,476 | n.a. |
| *Auction of 4-month commitments to buy* | | | | | | | | | |
| Government-underwritten loans | | | | | | | | | |
| 21 Offered[9] | 4,929.8 | 7,974.1 | 12,978 | 210.6 | 508.4 | 1,322.7 | 426.3 | 219.9 | 133.2 |
| 22 Accepted | 2,787.2 | 4,846.2 | 6,747.2 | 161.2 | 284.4 | 638.5 | 185.0 | 99.9 | 69.6 |
| Conventional loans | | | | | | | | | |
| 23 Offered[9] | 2,595.7 | 5,675.2 | 9,933.0 | 63.0 | 144.9 | 661.9 | 458.6 | 357.5 | 93.5 |
| 24 Accepted | 1,879.2 | 3,917.8 | 5,110.9 | 45.4 | 113.5 | 363.6 | 214.3 | 195.3 | 69.9 |
| FEDERAL HOME LOAN MORTGAGE CORPORATION | | | | | | | | | |
| *Mortgage holdings (end of period)*[10] | | | | | | | | | |
| 25 Total | 4,269 | 3,276 | 3,064 | 3,207 | 3,510 | 3,377 | 3,310 | 3,334 | 3,487 |
| 26 FHA/VA | 1,618 | 1,395 | 1,243 | 1,220 | 1,260 | 1,198 | 1,186 | 1,171 | 1,156 |
| 27 Conventional | 2,651 | 1,881 | 1,822 | 1,989 | 2,250 | 2,180 | 2,124 | 2,163 | 2,331 |
| *Mortgage transactions (during period)* | | | | | | | | | |
| 28 Purchases | 1,175 | 3,900 | 6,524 | 300 | 350 | 358 | 560 | 447 | 518 |
| 29 Sales | 1,396 | 4,131 | 6,211 | r494 | 116 | 364 | 572 | 382 | 321 |
| *Mortgage commitments*[11] | | | | | | | | | |
| 30 Contracted (during period) | 1,477 | 5,546 | 7,451 | 357 | 547 | 540 | 652 | 528 | 528 |
| 31 Outstanding (end of period) | 333 | 1,063 | 1,410 | 1,177 | 1,342 | 1,487 | 1,541 | 1,590 | 1,572 |

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 Department 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 participation as well as whole loans.
11. Includes conventional and government-underwritten loans.

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## 1.56 MORTGAGE DEBT OUTSTANDING

Millions of dollars, end of period

| Type of holder, and type of property | 1975 | 1976 | 1977 | 1978 | 1978 | | | 1979 |
|---|---|---|---|---|---|---|---|---|
| | | | | | Q2 | Q3 | Q4 | Q1 |
| 1 **All holders** | **801,537** | **889,327** | **1,023,505** | **1,172,502** | **1,092,451** | **1,133,699** | **1,172,502** | **1,204,762** |
| 2 1- to 4-family | 490,761 | 556,557 | 656,566 | 761,905 | 706,230 | 734,740 | 761,905 | 783,500 |
| 3 Multifamily | 100,601 | 104,516 | 111,841 | 122,004 | 116,419 | 119,442 | 122,004 | 124,125 |
| 4 Commercial | 159,298 | 171,223 | 189,274 | 212,597 | 198,926 | 205,744 | 212,597 | 218,042 |
| 5 Farm | 50,877 | 57,031 | 65,824 | 75,996 | 70,876 | 73,773 | 75,996 | 79,095 |
| 6 Major financial institutions | 581,193 | 647,650 | 745,011 | 847,910 | 794,009 | 822,184 | 847,910 | 865,808 |
| 7 Commercial banks[1] | 136,186 | 151,326 | 178,979 | 213,963 | 194,469 | 205,445 | 213,963 | 220,063 |
| 8 1- to 4-family | 77,018 | 86,234 | 105,115 | 126,966 | 115,389 | 121,911 | 126,966 | 130,585 |
| 9 Multifamily | 5,915 | 8,082 | 9,215 | 10,912 | 9,925 | 10,478 | 10,912 | 11,223 |
| 10 Commercial | 46,882 | 50,289 | 56,898 | 67,056 | 60,950 | 64,386 | 67,056 | 68,968 |
| 11 Farm | 6,371 | 6,721 | 7,751 | 9,029 | 8,205 | 8,670 | 9,029 | 9,287 |
| 12 Mutual savings banks | 77,249 | 81,639 | 88,104 | 95,157 | 91,535 | 93,403 | 95,157 | 96,136 |
| 13 1- to 4-family | 50,025 | 53,089 | 57,637 | 62,252 | 59,882 | 61,104 | 62,252 | 62,892 |
| 14 Multifamily | 13,792 | 14,177 | 15,304 | 16,529 | 15,900 | 16,224 | 16,529 | 16,699 |
| 15 Commercial | 13,373 | 14,313 | 15,110 | 16,319 | 15,698 | 16,019 | 16,319 | 16,488 |
| 16 Farm | 59 | 60 | 53 | 57 | 55 | 56 | 57 | 57 |
| 17 Savings and loan associations | 278,590 | 323,130 | 381,163 | 432,858 | 407,965 | 420,971 | 432,858 | 441,420 |
| 18 1- to 4-family | 223,903 | 260,895 | 310,686 | 356,156 | 334,164 | 345,617 | 356,156 | 363,200 |
| 19 Multifamily | 25,547 | 28,436 | 32,513 | 36,057 | 34,351 | 35,362 | 36,057 | 36,770 |
| 20 Commercial | 29,140 | 33,799 | 37,964 | 40,645 | 39,450 | 39,992 | 40,645 | 41,450 |
| 21 Life insurance companies | 89,168 | 91,555 | 96,765 | 105,932 | 100,040 | 102,365 | 105,932 | 108,189 |
| 22 1- to 4-family | 17,590 | 16,088 | 14,727 | 14,449 | 14,129 | 14,189 | 14,449 | 14,757 |
| 23 Multifamily | 19,629 | 19,178 | 18,807 | 19,026 | 18,745 | 18,803 | 19,026 | 19,431 |
| 24 Commercial | 45,196 | 48,864 | 54,388 | 62,086 | 57,463 | 59,268 | 62,086 | 63,409 |
| 25 Farm | 6,753 | 7,425 | 8,843 | 10,371 | 9,703 | 10,105 | 10,371 | 10,592 |
| 26 Federal and related agencies | 66,891 | 66,753 | 70,006 | 81,853 | 73,991 | 78,672 | 81,853 | 86,689 |
| 27 Government National Mortgage Assn. | 7,438 | 4,241 | 3,660 | 3,509 | 3,283 | 3,560 | 3,509 | 3,448 |
| 28 1- to 4-family | 4,728 | 1,970 | 1,548 | 877 | 922 | 897 | 877 | 821 |
| 29 Multifamily | 2,710 | 2,271 | 2,112 | 2,632 | 2,361 | 2,663 | 2,632 | 2,627 |
| 30 Farmers Home Administration | 1,109 | 1,064 | 1,353 | 926 | 618 | 1,384 | 926 | 956 |
| 31 1- to 4-family | 208 | 454 | 626 | 288 | 124 | 460 | 288 | 302 |
| 32 Multifamily | 215 | 218 | 275 | 320 | 102 | 240 | 320 | 180 |
| 33 Commercial | 190 | 72 | 149 | 101 | 104 | 251 | 101 | 283 |
| 34 Farm | 496 | 320 | 303 | 217 | 288 | 433 | 217 | 191 |
| 35 Federal Housing and Veterans Admin. | 4,970 | 5,150 | 5,212 | 5,419 | 5,225 | 5,295 | 5,419 | 5,522 |
| 36 1- to 4-family | 1,990 | 1,676 | 1,627 | 1,641 | 1,543 | 1,565 | 1,641 | 1,693 |
| 37 Multifamily | 2,980 | 3,474 | 3,585 | 3,778 | 3,682 | 3,730 | 3,778 | 3,829 |
| 38 Federal National Mortgage Association | 31,824 | 32,904 | 34,369 | 43,311 | 38,753 | 41,189 | 43,311 | 46,410 |
| 39 1- to 4-family | 25,813 | 26,934 | 28,504 | 37,579 | 32,974 | 35,437 | 37,579 | 40,702 |
| 40 Multifamily | 6,011 | 5,970 | 5,865 | 5,732 | 5,779 | 5,752 | 5,732 | 5,708 |
| 41 Federal Land Banks | 16,563 | 19,125 | 22,136 | 25,624 | 23,857 | 24,758 | 25,624 | 26,893 |
| 42 1- to 4-family | 549 | 601 | 670 | 927 | 727 | 819 | 927 | 1,042 |
| 43 Farm | 16,014 | 18,524 | 21,466 | 24,697 | 23,130 | 23,939 | 24,697 | 25,851 |
| 44 Federal Home Loan Mortgage Corp. | 4,987 | 4,269 | 3,276 | 3,064 | 2,255 | 2,486 | 3,064 | 3,460 |
| 45 1- to 4-family | 4,588 | 3,889 | 2,738 | 2,407 | 1,856 | 1,994 | 2,407 | 2,685 |
| 46 Multifamily | 399 | 380 | 538 | 657 | 399 | 492 | 657 | 775 |
| 47 Mortgage pools or trusts[2] | 34,138 | 49,801 | 70,289 | 88,633 | 78,602 | 82,730 | 88,633 | 94,551 |
| 48 Government National Mortgage Assn. | 18,257 | 30,572 | 44,896 | 24,347 | 48,032 | 50,844 | 54,347 | 57,955 |
| 49 1- to 4-family | 17,538 | 29,583 | 43,555 | 52,732 | 46,515 | 49,276 | 52,732 | 56,269 |
| 50 Multifamily | 719 | 989 | 1,341 | 1,615 | 1,517 | 1,568 | 1,615 | 1,686 |
| 51 Federal Home Loan Mortgage Corp. | 1,598 | 2,671 | 6,610 | 11,892 | 9,423 | 10,511 | 11,892 | 12,467 |
| 52 1- to 4-family | 1,349 | 2,282 | 5,621 | 9,657 | 7,797 | 8,616 | 9,657 | 10,088 |
| 53 Multifamily | 249 | 389 | 989 | 2,235 | 1,626 | 1,895 | 2,235 | 2,379 |
| 54 Farmers Home Administration | 14,283 | 16,558 | 18,783 | 22,394 | 21,147 | 21,375 | 22,394 | 24,129 |
| 55 1- to 4-family | 9,194 | 10,219 | 11,379 | 13,400 | 12,742 | 12,851 | 13,400 | 13,883 |
| 56 Multifamily | 295 | 532 | 759 | 1,116 | 1,128 | 1,116 | 1,116 | 1,465 |
| 57 Commercial | 1,948 | 2,440 | 2,945 | 3,560 | 3,301 | 3,369 | 3,560 | 3,660 |
| 58 Farm | 2,846 | 3,367 | 3,682 | 4,318 | 3,976 | 4,039 | 4,318 | 5,121 |
| 59 Individuals and others[3] | 119,315 | 125,123 | 138,199 | 154,106 | 145,849 | 150,113 | 154,106 | 157,714 |
| 60 1- to 4-family | 56,268 | 62,643 | 72,115 | 82,574 | 77,466 | 80,004 | 82,574 | 84,806 |
| 61 Multifamily | 22,140 | 20,420 | 20,538 | 21,395 | 20,904 | 21,119 | 21,395 | 21,645 |
| 62 Commercial | 22,569 | 21,446 | 21,820 | 212,830 | 21,960 | 22,459 | 22,830 | 23,267 |
| 63 Farm | 18,338 | 20,614 | 23,726 | 27,307 | 25,519 | 26,531 | 27,307 | 27,996 |

1. Includes loans held by nondeposit trust companies but not bank trust departments.
2. Outstanding principal balances of mortgages backing securities insured or guaranteed by the agency indicated.
3. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and U.S. agencies for which amounts are small or separate data are not readily available.

NOTE. Based on data from various institutional and government sources, with some quarters estimated in part by the Federal Reserve in conjunction with the Federal Home Loan Bank Board and the Department of Commerce. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations when required, are estimated mainly by the Federal Reserve. Multifamily debt refers to loans on structures of five or more units.

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## 1.57 CONSUMER INSTALLMENT CREDIT[1] Total Outstanding, and Net Change

Millions of dollars

| Holder, and type of credit | 1976 | 1977 | 1978r | 1979 Jan. | Feb.r | Mar.r | Apr.r | May r | June r | July |
|---|---|---|---|---|---|---|---|---|---|---|
| | Amounts outstanding (end of period) | | | | | | | | | |
| 1 **Total** | **193,977** | **230,829** | **275,629** | **275,337** | **276,019** | **278,453** | **282,575** | **287,315** | **291,856** | **295,052** |
| *By major holder* | | | | | | | | | | |
| 2 Commercial banks | 93,728 | 112,373 | 136,189 | 136,452 | 136,671 | 137,445 | 139,843 | 142,102 | 144,035 | 145,169 |
| 3 Finance companies | 38,919 | 44,868 | 54,298 | 54,995 | 55,929 | 56,991 | 58,334 | 59,635 | 60,996 | 62,463 |
| 4 Credit unions | 31,169 | 37,605 | 45,939 | 45,526 | 45,661 | 46,301 | 46,322 | 46,832 | 47,478 | 47,772 |
| 5 Retailers[2] | 19,260 | 23,490 | 24,876 | 23,962 | 23,246 | 22,929 | 23,097 | 23,421 | 23,672 | 23,713 |
| 6 Savings and loans | 6,246 | 7,354 | 8,394 | 8,427 | 8,488 | 8,671 | 8,833 | 9,066 | 9,290 | 9,425 |
| 7 Gasoline companies | 2,830 | 2,963 | 3,240 | 3,338 | 3,274 | 3,292 | 3,383 | 3,537 | 3,704 | 3,872 |
| 8 Mutual savings banks | 1,825 | 2,176 | 2,693 | 2,637 | 2,750 | 2,824 | 2,763 | 2,722 | 2,681 | 2,638 |
| *By major type of credit* | | | | | | | | | | |
| 9 Automobile | 67,707 | 82,911 | 102,468 | 102,890 | 103,780 | 105,426 | 107,186 | 109,211 | 110,930 | 111,952 |
| 10 Commercial banks | 39,621 | 49,577 | 60,564 | 60,682 | 61,053 | 61,742 | 62,866 | 63,891 | 64,480 | 64,826 |
| 11 Indirect paper | 22,072 | 27,379 | 33,850 | 33,928 | 34,261 | 34,592 | 35,322 | 35,917 | 36,251 | 36,475 |
| 12 Direct loans | 17,549 | 22,198 | 26,714 | 26,754 | 26,792 | 27,150 | 27,544 | 27,974 | 28,229 | 28,351 |
| 13 Credit unions | 15,238 | 18,099 | 21,967 | 21,769 | 21,834 | 22,140 | 22,150 | 22,394 | 22,703 | 22,844 |
| 14 Finance companies | 12,848 | 15,235 | 19,937 | 20,439 | 20,893 | 21,544 | 22,170 | 22,926 | 23,747 | 24,282 |
| 15 Revolving | 17,189 | 39,274 | 47,051 | 46,516 | 45,586 | 45,240 | 45,781 | 46,489 | 47,458 | 47,894 |
| 16 Commercial banks | 14,359 | 18,374 | 24,434 | 24,677 | 24,502 | 24,442 | 24,767 | 25,054 | 25,652 | 25,927 |
| 17 Retailers | ........ | 17,937 | 19,377 | 18,501 | 17,810 | 17,506 | 17,631 | 17,898 | 18,102 | 18,095 |
| 18 Gasoline companies | 2,830 | 2,963 | 3,240 | 3,338 | 3,274 | 3,292 | 3,383 | 3,537 | 3,704 | 3,872 |
| 19 Mobile home | 14,573 | 15,141 | 16,042 | 16,004 | 16,008 | 16,092 | 16,198 | 16,453 | 16,607 | 16,719 |
| 20 Commercial banks | 8,737 | 9,124 | 9,553 | 9,511 | 9,495 | 9,509 | 9,549 | 9,702 | 9,759 | 9,801 |
| 21 Finance companies | 3,263 | 3,077 | 3,152 | 3,149 | 3,147 | 3,148 | 3,159 | 3,177 | 3,191 | 3,212 |
| 22 Savings and loans | 2,241 | 2,538 | 2,848 | 2,859 | 2,880 | 2,942 | 2,997 | 3,076 | 3,152 | 3,198 |
| 23 Credit unions | 332 | 402 | 489 | 485 | 486 | 493 | 493 | 498 | 505 | 508 |
| 24 Other | 94,508 | 93,503 | 110,068 | 109,927 | 110,645 | 111,695 | 113,410 | 115,162 | 116,861 | 118,487 |
| 25 Commercial banks | 31,011 | 35,298 | 41,638 | 41,582 | 41,621 | 41,752 | 42,661 | 43,455 | 44,144 | 44,615 |
| 26 Finance companies | 22,808 | 26,556 | 31,209 | 31,416 | 31,889 | 32,299 | 33,005 | 33,532 | 34,058 | 34,969 |
| 27 Credit unions | 15,599 | 19,104 | 23,483 | 23,272 | 23,341 | 23,668 | 23,679 | 23,940 | 24,270 | 24,420 |
| 28 Retailers | 19,260 | 5,553 | 5,499 | 5,461 | 5,436 | 5,423 | 5,466 | 5,523 | 5,570 | 5,618 |
| 29 Savings and loans | 4,005 | 4,816 | 5,546 | 5,568 | 5,608 | 5,729 | 5,836 | 5,990 | 6,138 | 6,227 |
| 30 Mutual savings banks | 1,825 | 2,176 | 2,693 | 2,637 | 2,750 | 2,824 | 2,763 | 2,722 | 2,681 | 2,638 |
| | Net change (during period[3]) | | | | | | | | | |
| 31 **Total** | **21,647** | **35,278** | **44,810** | **3,067** | **3,563** | **3,625** | **4,105** | **3,306** | **2,558** | **2,443** |
| *By major holder* | | | | | | | | | | |
| 32 Commercial banks | 10,792 | 18,645 | 23,813 | 1,330 | 1,630 | 1,465 | 2,117 | 1,665 | 984 | 662 |
| 33 Finance companies | 2,946 | 5,948 | 9,430 | 1,347 | 1,460 | 1,228 | 1,378 | 893 | 913 | 1,185 |
| 34 Credit unions | 5,503 | 6,436 | 8,334 | 360 | 402 | 528 | 139 | 124 | 144 | 342 |
| 35 Retailers[1] | 1,059 | 2,654 | 1,386 | −90 | −221 | 143 | 306 | 283 | 288 | 180 |
| 36 Savings and loans | 1,085 | 1,111 | 1,041 | 67 | 86 | 173 | 158 | 280 | 240 | 120 |
| 37 Gasoline companies | 124 | 132 | 276 | 100 | 68 | 20 | 73 | 96 | 39 | 2 |
| 38 Mutual savings banks | 138 | 352 | 530 | −47 | 138 | 68 | −66 | −35 | −50 | −48 |
| *By major type of credit* | | | | | | | | | | |
| 39 Automobile | 10,465 | 15,204 | 19,557 | 1,680 | 1,565 | 1,486 | 1,387 | 1,225 | 690 | 616 |
| 40 Commercial banks | 6,334 | 9,956 | 10,987 | 633 | 739 | 617 | 740 | 633 | 123 | 72 |
| 41 Indirect paper | 2,742 | 5,307 | 6,471 | 387 | 530 | 290 | 482 | 389 | 87 | 51 |
| 42 Direct loans | 3,592 | 4,649 | 4,516 | 246 | 209 | 327 | 258 | 244 | 36 | 21 |
| 43 Credit unions | 2,497 | 2,861 | 3,868 | 187 | 190 | 245 | 64 | 60 | 45 | 183 |
| 44 Finance companies | 1,634 | 2,387 | 4,702 | 860 | 636 | 624 | 583 | 532 | 522 | 361 |
| 45 Revolving | 2,170 | 6,248 | 7,776 | 433 | 317 | 742 | 918 | 749 | 796 | 429 |
| 46 Commercial banks | 2,046 | 4,015 | 6,060 | 375 | 492 | 588 | 605 | 418 | 494 | 303 |
| 47 Retailers | ........ | 2,101 | 1,440 | −42 | −243 | 134 | 240 | 235 | 263 | 124 |
| 48 Gasoline companies | 124 | 132 | 276 | 100 | 68 | 20 | 73 | 96 | 39 | 2 |
| 49 Mobile home | 140 | 565 | 897 | 40 | 56 | 108 | 82 | 234 | 102 | 72 |
| 50 Commercial banks | −70 | 387 | 426 | 12 | 15 | 31 | 21 | 125 | 12 | 17 |
| 51 Finance companies | −182 | −189 | 74 | 7 | 9 | 11 | 6 | 13 | 14 | 11 |
| 52 Savings and loans | 192 | 297 | 310 | 19 | 28 | 59 | 56 | 94 | 74 | 41 |
| 53 Credit unions | 60 | 70 | 87 | 2 | 4 | 7 | −1 | 2 | 2 | 3 |
| 54 Other | 8,872 | 13,261 | 16,580 | 908 | 1,625 | 1,289 | 1,718 | 1,098 | 970 | 1,326 |
| 55 Commercial banks | 2,342 | 4,287 | 6,340 | 310 | 384 | 229 | 751 | 489 | 355 | 270 |
| 56 Finance companies | 1,494 | 3,750 | 4,654 | 474 | 815 | 593 | 789 | 348 | 377 | 813 |
| 57 Credit unions | 2,946 | 3,505 | 4,379 | 171 | 208 | 276 | 76 | 62 | 97 | 156 |
| 58 Retailers | 1,059 | 553 | −54 | −48 | 22 | 9 | 66 | 48 | 25 | 56 |
| 59 Savings and loans | 893 | 814 | 731 | 48 | 58 | 114 | 102 | 186 | 166 | 79 |
| 60 Mutual savings banks | 138 | 352 | 530 | −47 | 138 | 68 | −66 | −35 | −50 | −48 |

1. The Board's series cover most short- and intermediate-term credit extended to individuals through regular business channels, usually to finance the purchase of consumer goods and services or to refinance debts incurred for such purposes, and scheduled to be repaid (or with the option of repayment) in two or more installments.
2. Includes auto dealers and excludes 30-day charge credit held by travel and entertainment companies.
3. Net change equals extensions minus liquidations (repayments, charge-offs, and other credits); figures for all months are seasonally adjusted.

NOTE. Total consumer noninstallment credit outstanding—credit scheduled to be repaid in a lump sum, including single-payment loans, charge accounts, and service credit—amounted to $64.3 billion at the end of 1978, $58.6 billion at the end of 1977, $54.8 billion at the end of 1976, and $50.9 billion at the end of 1975. Comparable data for Dec. 31, 1979, will be published in the February 1980 BULLETIN.

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## 1.58 CONSUMER INSTALLMENT CREDIT Extensions and Liquidations

Millions of dollars

| Holder, and type of credit | 1976 | 1977 | 1978 r | 1979 Jan. | Feb. r | Mar. r | Apr. r | May r | June r | July |
|---|---|---|---|---|---|---|---|---|---|---|
| | Extensions[2] | | | | | | | | | |
| 1 **Total** | **211,028** | **254,071** | **298,351** | **25,544** | **26,452** | **26,533** | **27,009** | **27,901** | **26,139** | **26,848** |
| *By major holder* | | | | | | | | | | |
| 2 Commercial banks | 97,397 | 117,896 | 142,720 | 12,153 | 12,430 | 12,412 | 13,111 | 13,400 | 12,278 | 12,292 |
| 3 Finance companies | 36,129 | 41,989 | 50,505 | 4,547 | 5,072 | 4,958 | 5,239 | 5,186 | 4,641 | 5,353 |
| 4 Credit unions | 29,259 | 34,028 | 40,023 | 3,241 | 3,238 | 3,250 | 2,753 | 3,124 | 2,986 | 3,282 |
| 5 Retailers[1] | 29,447 | 39,133 | 41,619 | 3,565 | 3,460 | 3,611 | 3,742 | 3,721 | 3,853 | 3,687 |
| 6 Savings and loans | 3,898 | 4,485 | 5,050 | 481 | 468 | 583 | 559 | 723 | 682 | 592 |
| 7 Gasoline companies | 13,387 | 14,617 | 16,125 | 1,440 | 1,486 | 1,493 | 1,505 | 1,613 | 1,589 | 1,525 |
| 8 Mutual savings banks | 1,511 | 1,923 | 2,309 | 117 | 298 | 226 | 100 | 134 | 110 | 117 |
| *By major type of credit* | | | | | | | | | | |
| 9 Automobile | 63,743 | 75,641 | 88,987 | 7,545 | 7,756 | 7,794 | 7,999 | 8,260 | 7,178 | 7,447 |
| 10 Commercial banks | 37,886 | 46,363 | 53,028 | 4,286 | 4,430 | 4,424 | 4,707 | 4,680 | 3,952 | 3,936 |
| 11 Indirect paper | 20,576 | 25,149 | 29,336 | 2,318 | 2,472 | 2,449 | 2,635 | 2,684 | 2,146 | 2,151 |
| 12 Direct loans | 17,310 | 21,214 | 23,692 | 1,968 | 1,958 | 1,975 | 2,072 | 1,996 | 1,806 | 1,785 |
| 13 Credit unions | 14,688 | 16,616 | 19,486 | 1,635 | 1,624 | 1,587 | 1,415 | 1,566 | 1,485 | 1,611 |
| 14 Finance companies | 11,169 | 12,662 | 16,473 | 1,624 | 1,702 | 1,783 | 1,877 | 2,014 | 1,741 | 1,900 |
| 15 Revolving | 43,934 | 86,756 | 104,587 | 9,417 | 9,357 | 9,714 | 9,722 | 10,039 | 10,136 | 9,856 |
| 16 Commercial banks | 30,547 | 38,256 | 51,531 | 4,799 | 4,860 | 5,024 | 4,923 | 5,154 | 5,166 | 5,078 |
| 17 Retailers | ........ | 33,883 | 36,931 | 3,178 | 3,011 | 3,197 | 3,294 | 3,272 | 3,381 | 3,253 |
| 18 Gasoline companies | 13,387 | 14,617 | 16,125 | 1,440 | 1,486 | 1,493 | 1,505 | 1,613 | 1,589 | 1,525 |
| 19 Mobile home | 4,859 | 5,425 | 6,067 | 369 | 454 | 518 | 510 | 668 | 547 | 519 |
| 20 Commercial banks | 3,064 | 3,466 | 3,704 | 235 | 295 | 296 | 304 | 411 | 304 | 297 |
| 21 Finance companies | 702 | 643 | 886 | 33 | 60 | 63 | 59 | 58 | 59 | 71 |
| 22 Savings and loans | 929 | 1,120 | 1,239 | 88 | 81 | 139 | 134 | 182 | 167 | 133 |
| 23 Credit unions | 164 | 196 | 238 | 13 | 18 | 20 | 13 | 17 | 17 | 18 |
| 24 Other | 98,492 | 86,249 | 98,710 | 8,213 | 8,885 | 8,507 | 8,778 | 8,934 | 8,278 | 9,026 |
| 25 Commercial banks | 25,900 | 29,811 | 34,457 | 2,833 | 2,845 | 2,668 | 3,177 | 3,155 | 2,856 | 2,981 |
| 26 Finance companies | 24,258 | 28,684 | 33,146 | 2,890 | 3,310 | 3,112 | 3,303 | 3,114 | 2,841 | 3,382 |
| 27 Credit unions | 14,407 | 17,216 | 20,299 | 1,593 | 1,596 | 1,643 | 1,325 | 1,541 | 1,484 | 1,653 |
| 28 Retailers | 29,447 | 5,250 | 4,688 | 387 | 449 | 414 | 448 | 449 | 472 | 434 |
| 29 Savings and loans | 2,969 | 3,365 | 3,811 | 393 | 387 | 444 | 425 | 541 | 515 | 459 |
| 30 Mutual savings banks | 1,511 | 1,923 | 2,309 | 117 | 298 | 226 | 100 | 134 | 110 | 117 |
| | Liquidations[2] | | | | | | | | | |
| 31 **Total** | **189,381** | **218,793** | **253,541** | **22,483** | **22,889** | **22,908** | **22,904** | **24,595** | **23,581** | **24,405** |
| *By major holder* | | | | | | | | | | |
| 32 Commercial banks | 86,605 | 99,251 | 118,907 | 10,823 | 10,800 | 10,947 | 10,994 | 11,735 | 11,294 | 11,630 |
| 33 Finance companies | 33,183 | 36,041 | 41,075 | 3,206 | 3,612 | 3,730 | 3,861 | 4,293 | 3,728 | 4,168 |
| 34 Credit unions | 23,756 | 27,592 | 31,689 | 2,881 | 2,836 | 2,722 | 2,614 | 3,000 | 2,842 | 2,940 |
| 35 Retailers[1] | 28,388 | 36,479 | 40,233 | 3,655 | 3,681 | 3,468 | 3,436 | 3,438 | 3,565 | 3,507 |
| 36 Savings and loans | 2,813 | 3,374 | 4,009 | 414 | 382 | 410 | 401 | 443 | 442 | 472 |
| 37 Gasoline companies | 13,263 | 14,485 | 15,849 | 1,340 | 1,418 | 1,473 | 1,432 | 1,517 | 1,550 | 1,523 |
| 38 Mutual savings banks | 1,373 | 1,571 | 1,779 | 164 | 160 | 158 | 166 | 169 | 160 | 165 |
| *By major type of credit* | | | | | | | | | | |
| 39 Automobile | 53,278 | 60,437 | 69,430 | 5,865 | 6,191 | 6,308 | 6,612 | 7,035 | 6,488 | 6,831 |
| 40 Commercial banks | 31,552 | 36,407 | 42,041 | 3,653 | 3,691 | 3,807 | 3,967 | 4,047 | 3,829 | 3,864 |
| 41 Indirect paper | 17,834 | 19,842 | 22,865 | 1,931 | 1,942 | 2,159 | 2,153 | 2,295 | 2,059 | 2,100 |
| 42 Direct loans | 13,718 | 16,565 | 19,176 | 1,722 | 1,749 | 1,648 | 1,814 | 1,752 | 1,770 | 1,764 |
| 43 Credit unions | 12,191 | 13,755 | 15,618 | 1,448 | 1,434 | 1,342 | 1,351 | 1,506 | 1,440 | 1,428 |
| 44 Finance companies | 9,535 | 10,275 | 11,771 | 764 | 1,066 | 1,159 | 1,294 | 1,482 | 1,219 | 1,539 |
| 45 Revolving | 41,764 | 80,508 | 96,811 | 8,984 | 9,040 | 8,972 | 8,804 | 9,290 | 9,340 | 9,427 |
| 46 Commercial banks | 28,501 | 34,241 | 45,471 | 4,424 | 4,368 | 4,436 | 4,318 | 4,736 | 4,672 | 4,775 |
| 47 Retailers | ........ | 31,782 | 35,491 | 3,220 | 3,254 | 3,063 | 3,054 | 3,037 | 3,118 | 3,129 |
| 48 Gasoline companies | 13,263 | 14,485 | 15,849 | 1,340 | 1,418 | 1,473 | 1,432 | 1,517 | 1,550 | 1,523 |
| 49 Mobile home | 4,719 | 4,860 | 5,170 | 329 | 398 | 410 | 428 | 434 | 445 | 447 |
| 50 Commercial banks | 2,994 | 3,079 | 3,278 | 223 | 280 | 265 | 283 | 286 | 292 | 280 |
| 51 Finance companies | 884 | 832 | 812 | 26 | 51 | 52 | 53 | 45 | 45 | 60 |
| 52 Savings and loans | 737 | 823 | 929 | 69 | 53 | 80 | 78 | 88 | 93 | 92 |
| 53 Credit unions | 104 | 126 | 151 | 11 | 14 | 13 | 14 | 15 | 15 | 15 |
| 54 Other | 89,620 | 72,988 | 82,130 | 7,305 | 7,260 | 7,218 | 7,060 | 7,836 | 7,308 | 7,700 |
| 55 Commercial banks | 23,558 | 25,524 | 28,117 | 2,523 | 2,461 | 2,439 | 2,426 | 2,666 | 2,501 | 2,711 |
| 56 Finance companies | 22,764 | 24,934 | 28,492 | 2,416 | 2,495 | 2,519 | 2,514 | 2,766 | 2,464 | 2,569 |
| 57 Credit unions | 11,461 | 13,711 | 15,920 | 1,422 | 1,388 | 1,367 | 1,249 | 1,479 | 1,387 | 1,497 |
| 58 Retailers | 28,388 | 4,697 | 4,742 | 435 | 427 | 405 | 382 | 401 | 447 | 378 |
| 59 Savings and loans | 2,076 | 2,551 | 3,080 | 345 | 329 | 330 | 323 | 355 | 349 | 380 |
| 60 Mutual savings banks | 1,373 | 1,571 | 1,779 | 164 | 160 | 158 | 166 | 169 | 160 | 165 |

1 Includes auto dealers and excludes 30-day charge credit held by travel and entertainment companies.

2 Monthly figures are seasonally adjusted.

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## 1.59 FUNDS RAISED IN U.S. CREDIT MARKETS

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

| Transaction category, or sector | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1976 H1 | 1976 H2 | 1977 H1 | 1977 H2 | 1978 H1 | 1978 H2 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Nonfinancial sectors | | | | | | |
| 1 **Total funds raised** | **203.1** | **191.3** | **210.8** | **271.9** | **338.5** | **400.3** | **270.6** | **273.2** | **298.4** | **378.7** | **383.9** | **416.8** |
| 2 Excluding equities | 195.4 | 187.4 | 200.7 | 261.1 | 335.4 | 398.2 | 257.0 | 265.2 | 297.2 | 373.6 | 386.5 | 410.0 |
| *By sector and instrument* | | | | | | | | | | | | |
| 3 **U.S. government** | 8.3 | 11.8 | 85.4 | 69.0 | 56.8 | 53.7 | 79.4 | 58.7 | 46.3 | 67.2 | 61.4 | 46.0 |
| 4 Treasury securities | 7.9 | 12.0 | 85.8 | 69.1 | 57.6 | 55.1 | 79.3 | 59.0 | 46.9 | 68.4 | 62.4 | 47.9 |
| 5 Agency issues and mortgages | .4 | −.2 | −.4 | −.1 | −.9 | −1.4 | .1 | −.3 | −.6 | −1.2 | −.9 | −1.9 |
| 6 **All other nonfinancial sectors** | **194.9** | **179.5** | **125.4** | **202.9** | **281.8** | **346.6** | **191.2** | **214.6** | **252.0** | **311.5** | **322.5** | **370.8** |
| 7 Corporate equities | 7.7 | 3.8 | 10.1 | 10.8 | 3.1 | 2.1 | 13.6 | 8.1 | 1.2 | 5.1 | −2.6 | 6.8 |
| 8 Debt instruments | 187.2 | 175.6 | 115.3 | 192.0 | 278.6 | 344.5 | 177.6 | 206.5 | 250.9 | 306.4 | 325.1 | 364.0 |
| 9 **Private domestic nonfinancial sectors** | **188.8** | **164.1** | **112.1** | **182.0** | **267.9** | **314.4** | **170.6** | **193.5** | **241.3** | **294.4** | **301.7** | **327.0** |
| 10 Corporate equities | 7.9 | 4.1 | 9.9 | 10.5 | 2.7 | 2.6 | 13.3 | 7.7 | .5 | 4.9 | −1.8 | 7.0 |
| 11 Debt instruments | 180.9 | 160.0 | 102.1 | 171.5 | 265.1 | 311.8 | 157.2 | 185.8 | 240.8 | 289.5 | 303.5 | 320.0 |
| 12 Debt capital instruments | 105.1 | 98.0 | 98.4 | 123.5 | 175.6 | 196.6 | 119.9 | 127.2 | 159.3 | 192.0 | 187.8 | 205.3 |
| 13 State and local obligations | 14.7 | 16.5 | 16.1 | 15.7 | 23.7 | 28.3 | 20.1 | 11.3 | 22.0 | 25.3 | 27.8 | 28.7 |
| 14 Corporate bonds | 9.2 | 19.7 | 27.2 | 22.8 | 21.0 | 20.1 | 22.3 | 23.4 | 16.6 | 25.4 | 20.5 | 19.8 |
| *Mortgages* | | | | | | | | | | | | |
| 15 Home | 46.4 | 34.8 | 39.5 | 63.7 | 96.4 | 104.5 | 57.7 | 69.7 | 90.5 | 102.3 | 99.8 | 109.2 |
| 16 Multifamily residential | 10.4 | 6.9 | * | 1.8 | 7.4 | 10.2 | .6 | 3.1 | 6.4 | 8.4 | 9.3 | 11.2 |
| 17 Commercial | 18.9 | 15.1 | 11.0 | 13.4 | 18.4 | 23.3 | 14.3 | 12.5 | 14.8 | 21.9 | 21.2 | 25.4 |
| 18 Farm | 5.5 | 5.0 | 4.6 | 6.1 | 8.8 | 10.2 | 5.0 | 7.3 | 9.0 | 8.7 | 9.3 | 11.1 |
| 19 Other debt instruments | 75.8 | 62.0 | 3.8 | 48.0 | 89.5 | 115.2 | 37.3 | 58.6 | 81.5 | 97.5 | 115.7 | 114.7 |
| 20 Consumer credit | 26.0 | 9.9 | 9.7 | 25.6 | 40.6 | 50.6 | 23.6 | 27.6 | 36.6 | 44.5 | 50.1 | 51.0 |
| 21 Bank loans n.e.c. | 37.1 | 31.7 | −12.3 | 4.0 | 27.0 | 37.3 | −3.7 | 11.6 | 26.2 | 27.8 | 42.5 | 32.0 |
| 22 Open market paper | 2.5 | 6.6 | −2.6 | 4.0 | 2.9 | 5.2 | 5.7 | 2.3 | 3.4 | 2.4 | 5.3 | 5.1 |
| 23 Other | 10.3 | 13.7 | 9.0 | 14.4 | 19.0 | 22.2 | 11.7 | 17.1 | 15.3 | 22.8 | 17.8 | 26.6 |
| 24 By borrowing sector | 188.8 | 164.1 | 112.1 | 182.0 | 267.9 | 314.4 | 170.6 | 193.5 | 241.3 | 294.4 | 301.7 | 327.0 |
| 25 State and local governments | 13.2 | 15.5 | 13.7 | 15.2 | 20.4 | 23.6 | 18.4 | 12.1 | 15.4 | 25.3 | 21.0 | 26.1 |
| 26 Households | 80.1 | 51.2 | 49.5 | 90.7 | 139.9 | 162.6 | 82.9 | 98.5 | 130.0 | 149.9 | 156.2 | 169.0 |
| 27 Farm | 9.6 | 8.0 | 8.8 | 10.9 | 14.7 | 18.1 | 10.1 | 11.7 | 16.3 | 13.2 | 15.2 | 20.9 |
| 28 Nonfarm noncorporate | 13.0 | 7.7 | 2.0 | 5.4 | 12.5 | 15.7 | 3.4 | 7.5 | 12.6 | 12.5 | 16.8 | 14.5 |
| 29 Corporate | 73.0 | 81.7 | 38.1 | 59.8 | 80.3 | 94.5 | 55.8 | 63.7 | 67.0 | 93.5 | 92.4 | 96.6 |
| 30 **Foreign** | **6.1** | **15.4** | **13.3** | **20.8** | **13.9** | **32.3** | **20.7** | **21.0** | **10.7** | **17.1** | **20.8** | **43.8** |
| 31 Corporate equities | −.2 | −.2 | .2 | .3 | .4 | −.5 | .3 | .3 | .6 | .2 | −.8 | −.2 |
| 32 Debt instruments | 6.3 | 15.7 | 13.2 | 20.5 | 13.5 | 32.8 | 20.4 | 20.7 | 10.1 | 16.9 | 21.6 | 44.0 |
| 33 Bonds | 1.0 | 2.1 | 6.2 | 8.6 | 5.1 | 4.0 | 7.4 | 9.7 | 4.4 | 5.7 | 5.0 | 3.0 |
| 34 Bank loans n.e.c. | 2.7 | 4.7 | 3.9 | 6.8 | 3.1 | 18.3 | 8.5 | 5.0 | −.1 | 6.3 | 9.4 | 27.1 |
| 35 Open market paper | .9 | 7.3 | .3 | 1.9 | 2.4 | 6.6 | 1.5 | 2.4 | 2.7 | 2.2 | 3.6 | 9.6 |
| 36 U.S. government loans | 1.7 | 1.6 | 2.8 | 3.3 | 3.0 | 3.9 | 2.9 | 3.6 | 3.1 | 2.9 | 3.6 | 4.2 |
| | | | | | | Financial sectors | | | | | | |
| 37 **Total funds raised** | **44.8** | **39.2** | **12.7** | **24.1** | **54.0** | **81.4** | **18.2** | **29.9** | **45.9** | **62.1** | **80.7** | **82.1** |
| *By instrument* | | | | | | | | | | | | |
| 38 U.S. government related | 19.9 | 23.1 | 13.5 | 18.6 | 26.3 | 41.4 | 16.5 | 20.7 | 22.6 | 29.9 | 38.5 | 44.3 |
| 39 Sponsored credit agency securities | 16.3 | 16.6 | 2.3 | 3.3 | 7.0 | 23.1 | 2.4 | 4.3 | 7.1 | 6.8 | 21.9 | 24.3 |
| 40 Mortgage pool securities | 3.6 | 5.8 | 10.3 | 15.7 | 20.5 | 18.3 | 14.2 | 17.2 | 17.9 | 23.1 | 16.6 | 20.1 |
| 41 Loans from U.S. government | 0 | .7 | .9 | −.4 | −1.2 | 0 | * | −.7 | −2.3 | 0 | 0 | 0 |
| 42 Private financial sectors | 24.9 | 16.2 | −.8 | 5.5 | 27.7 | 40.0 | 1.7 | 9.3 | 23.2 | 32.2 | 42.2 | 37.8 |
| 43 Corporate equities | 1.5 | .3 | .6 | 1.0 | .9 | 1.7 | −.2 | 2.3 | .9 | .8 | 2.2 | 1.1 |
| 44 Debt instruments | 23.4 | 15.9 | −1.4 | 4.4 | 26.9 | 38.3 | 1.9 | 7.0 | 22.3 | 31.4 | 40.0 | 36.7 |
| 45 Corporate bonds | 3.5 | 2.1 | 2.9 | 5.8 | 10.1 | 7.5 | 6.0 | 5.7 | 9.5 | 10.7 | 8.5 | 6.4 |
| 46 Mortgages | −1.2 | −1.3 | 2.3 | 2.1 | 3.1 | .9 | 1.4 | 2.8 | 3.1 | 3.0 | 2.1 | −.3 |
| 47 Bank loans n.e.c. | 9.0 | 4.6 | −3.7 | −3.7 | −.3 | 2.8 | −2.5 | −4.9 | −2.3 | 1.8 | 2.6 | 3.1 |
| 48 Open market paper and RPs | 4.9 | 3.8 | 1.1 | 2.2 | 9.6 | 14.6 | −1.0 | 5.4 | 9.2 | 10.1 | 13.5 | 15.7 |
| 49 Loans from FHLBs | 7.2 | 6.7 | −4.0 | −2.0 | 4.3 | 12.5 | −1.9 | −2.0 | 2.9 | 5.8 | 13.2 | 11.8 |
| *By sector* | | | | | | | | | | | | |
| 50 Sponsored credit agencies | 16.3 | 17.3 | 3.2 | 2.9 | 5.8 | 23.1 | 2.3 | 3.5 | 4.7 | 6.8 | 21.9 | 24.3 |
| 51 Mortgage pools | 3.6 | 5.8 | 10.3 | 15.7 | 20.5 | 18.3 | 14.2 | 17.2 | 17.9 | 23.1 | 16.6 | 20.1 |
| 52 Private financial sectors | 24.9 | 16.2 | −.8 | 5.5 | 27.7 | 40.0 | 1.7 | 9.3 | 23.2 | 32.2 | 42.2 | 37.8 |
| 53 Commercial banks | 1.2 | 1.2 | 1.2 | 2.3 | 1.1 | 1.3 | 2.4 | 2.1 | .8 | 1.5 | 1.5 | 1.1 |
| 54 Bank affiliates | 2.2 | 3.5 | .3 | −.8 | 1.3 | 6.7 | −1.3 | −.3 | 1.3 | 1.2 | 5.8 | 7.6 |
| 55 Savings and loan associations | 6.0 | 4.8 | −2.3 | .1 | 9.9 | 14.3 | −.3 | .4 | 8.2 | 11.7 | 16.4 | 12.2 |
| 56 Other insurance companies | .5 | .9 | 1.0 | .9 | .9 | 1.1 | .9 | .9 | .9 | 1.0 | 1.0 | 1.1 |
| 57 Finance companies | 9.5 | 6.0 | .5 | 6.4 | 17.6 | 18.6 | 4.4 | 8.5 | 15.0 | 20.2 | 18.9 | 18.2 |
| 58 REITs | 6.5 | .6 | −1.4 | −2.4 | −2.2 | −1.0 | −2.1 | −2.7 | −2.4 | −2.0 | −1.0 | −1.0 |
| 59 Open-end investment companies | −1.2 | −.7 | −.1 | −1.0 | −.9 | −1.0 | −2.4 | .4 | −.6 | −1.3 | −.5 | −1.5 |
| | | | | | | All sectors | | | | | | |
| 60 **Total funds raised, by instrument** | **248.0** | **230.5** | **223.5** | **296.0** | **392.5** | **481.7** | **288.8** | **303.2** | **344.3** | **440.8** | **464.6** | **498.9** |
| 61 Investment company shares | −1.2 | −.7 | −.1 | −1.0 | −.9 | −1.0 | −2.4 | .4 | −.6 | −1.3 | −.5 | −1.5 |
| 62 Other corporate equities | 10.4 | 4.8 | 10.8 | 12.9 | 4.9 | 4.7 | 15.8 | 9.9 | 2.6 | 7.2 | .1 | 9.4 |
| 63 Debt instruments | 238.8 | 226.4 | 212.8 | 284.1 | 388.5 | 478.0 | 275.4 | 292.8 | 342.2 | 434.9 | 465.0 | 491.0 |
| 64 U.S. government securities | 28.3 | 34.3 | 98.2 | 88.1 | 84.3 | 95.2 | 96.0 | 80.2 | 71.4 | 97.2 | 100.0 | 90.4 |
| 65 State and local obligations | 14.7 | 16.5 | 16.1 | 15.7 | 23.7 | 28.3 | 20.1 | 11.3 | 22.0 | 25.3 | 27.8 | 28.7 |
| 66 Corporate and foreign bonds | 13.6 | 23.9 | 36.4 | 37.2 | 36.1 | 31.6 | 35.7 | 38.7 | 30.6 | 41.7 | 34.0 | 29.2 |
| 67 Mortgages | 79.9 | 60.5 | 57.2 | 87.1 | 134.0 | 149.0 | 78.8 | 95.3 | 123.7 | 144.2 | 141.6 | 156.4 |
| 68 Consumer credit | 26.0 | 9.9 | 9.7 | 25.6 | 40.6 | 50.6 | 23.6 | 27.6 | 36.6 | 44.5 | 50.1 | 51.0 |
| 69 Bank loans n.e.c. | 48.8 | 41.0 | −12.2 | 7.0 | 29.8 | 58.4 | 2.3 | 11.7 | 23.7 | 35.8 | 54.5 | 62.2 |
| 70 Open market paper and RPs | 8.3 | 17.7 | −1.2 | 8.1 | 15.0 | 26.4 | 6.2 | 10.1 | 15.3 | 14.6 | 22.4 | 30.4 |
| 71 Other loans | 19.1 | 22.7 | 8.7 | 15.3 | 25.2 | 38.6 | 12.6 | 18.0 | 18.9 | 31.4 | 34.6 | 42.6 |

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## 1.60 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

Billions of dollars, except as noted; quarterly data are at seasonally adjusted annual rates.

| Transaction category, or sector | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1976 H1 | 1976 H2 | 1977 H1 | 1977 H2 | 1978 H1 | 1978 H2 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 **Total funds advanced in credit markets to nonfinancial sectors** | **195.4** | **187.4** | **200.7** | **261.1** | **335.4** | **398.2** | **257.0** | **265.2** | **297.2** | **373.6** | **386.5** | **410.0** |
| *By public agencies and foreign* | | | | | | | | | | | | |
| 2 Total net advances | 31.8 | 53.7 | 44.6 | 54.3 | 85.1 | 109.7 | 46.0 | 62.5 | 61.8 | 108.4 | 102.4 | 116.9 |
| 3 U.S. government securities | 9.5 | 11.9 | 22.5 | 26.8 | 40.2 | 43.9 | 21.4 | 32.2 | 23.9 | 56.5 | 43.6 | 44.1 |
| 4 Residential mortgages | 8.2 | 14.7 | 16.2 | 12.8 | 20.4 | 26.5 | 10.7 | 14.9 | 18.4 | 22.5 | 22.2 | 30.7 |
| 5 FHLB advances to S&Ls | 7.2 | 6.7 | −4.0 | −2.0 | 4.3 | 12.5 | −1.9 | −2.0 | 2.9 | 5.8 | 13.2 | 11.8 |
| 6 Other loans and securities | 6.9 | 20.5 | 9.8 | 16.6 | 20.2 | 26.9 | 15.8 | 17.5 | 16.7 | 23.7 | 23.4 | 30.3 |
| *Totals advanced, by sector* | | | | | | | | | | | | |
| 7 U.S. government | 2.8 | 9.8 | 15.1 | 8.9 | 11.8 | 20.4 | 5.8 | 12.0 | 5.4 | 18.3 | 19.4 | 21.5 |
| 8 Sponsored credit agencies | 19.1 | 26.5 | 14.8 | 20.3 | 26.8 | 44.6 | 18.5 | 22.2 | 21.6 | 32.0 | 39.4 | 49.8 |
| 9 Monetary authorities | 9.2 | 6.2 | 8.5 | 9.8 | 7.1 | 7.0 | 12.0 | 7.7 | 8.2 | 6.1 | 13.3 | .6 |
| 10 Foreign | .6 | 11.2 | 6.1 | 15.2 | 39.4 | 37.7 | 9.8 | 20.6 | 26.6 | 52.1 | 30.4 | 45.1 |
| 11 Agency borrowing not included in line 1 | 19.9 | 23.1 | 13.5 | 18.6 | 26.3 | 41.4 | 16.5 | 20.7 | 22.6 | 29.9 | 38.5 | 44.3 |
| *Private domestic funds advanced* | | | | | | | | | | | | |
| 12 Total net advances | 183.6 | 156.8 | 169.7 | 225.4 | 276.5 | 330.0 | 227.5 | 223.3 | 258.0 | 295.1 | 322.5 | 337.4 |
| 13 U.S. government securities | 18.8 | 22.4 | 75.7 | 61.3 | 44.1 | 51.3 | 74.6 | 48.0 | 47.6 | 40.7 | 56.4 | 46.3 |
| 14 State and local obligations | 14.7 | 16.5 | 16.1 | 15.7 | 23.7 | 28.3 | 20.1 | 11.3 | 22.0 | 25.3 | 27.8 | 28.7 |
| 15 Corporate and foreign bonds | 10.0 | 20.9 | 32.8 | 30.5 | 22.5 | 22.5 | 28.8 | 32.3 | 18.0 | 27.0 | 23.9 | 21.1 |
| 16 Residential mortgages | 48.4 | 26.9 | 23.2 | 52.7 | 83.3 | 88.2 | 47.5 | 57.8 | 78.4 | 88.1 | 86.8 | 89.6 |
| 17 Other mortgages and loans | 98.8 | 76.8 | 17.9 | 63.3 | 107.3 | 152.2 | 54.6 | 72.0 | 94.9 | 119.7 | 140.8 | 163.5 |
| 18 LESS: FHLB advances | 7.2 | 6.7 | −4.0 | −2.0 | 4.3 | 12.5 | −1.9 | −2.0 | 2.9 | 5.8 | 13.2 | 11.8 |
| *Private financial intermediation* | | | | | | | | | | | | |
| 19 Credit market funds advanced by private financial institutions | 161.3 | 125.5 | 122.5 | 190.3 | 255.9 | 296.9 | 176.9 | 203.8 | 242.4 | 269.3 | 301.0 | 292.8 |
| 20 Commercial banking | 84.6 | 66.6 | 29.4 | 59.6 | 87.6 | 128.7 | 47.8 | 71.5 | 79.1 | 96.1 | 131.8 | 125.7 |
| 21 Savings institutions | 35.1 | 24.2 | 53.5 | 70.8 | 82.0 | 75.9 | 72.8 | 68.8 | 82.5 | 81.5 | 75.8 | 75.9 |
| 22 Insurance and pension funds | 23.7 | 29.8 | 40.6 | 49.9 | 67.9 | 73.5 | 51.8 | 47.9 | 65.2 | 70.6 | 76.9 | 70.2 |
| 23 Other finance | 17.9 | 4.8 | −1.0 | 10.0 | 18.4 | 18.7 | 4.6 | 15.5 | 15.7 | 21.1 | 16.6 | 20.9 |
| 24 Sources of funds | 161.3 | 125.5 | 122.5 | 190.3 | 255.9 | 296.9 | 176.9 | 203.8 | 242.4 | 269.3 | 301.0 | 292.8 |
| 25 Private domestic deposits | 97.3 | 67.5 | 92.0 | 124.6 | 141.2 | 142.5 | 118.2 | 131.0 | 141.4 | 141.1 | 138.6 | 146.4 |
| 26 Credit market borrowing | 23.4 | 15.9 | −1.4 | 4.4 | 26.9 | 38.3 | 1.9 | 7.0 | 22.3 | 31.4 | 40.0 | 36.7 |
| 27 Other sources | 40.6 | 42.1 | 32.0 | 61.3 | 87.8 | 116.0 | 56.8 | 65.8 | 78.7 | 96.9 | 122.5 | 109.6 |
| 28 Foreign funds | 3.0 | 10.3 | −8.7 | −4.6 | 1.2 | 6.3 | −6.3 | −2.8 | 1.6 | .8 | 5.7 | 6.9 |
| 29 Treasury balances | −1.0 | −5.1 | −1.7 | −.1 | 4.3 | 6.8 | 4.1 | −4.3 | 1.2 | 7.4 | 2.0 | 11.6 |
| 30 Insurance and pension reserves | 18.4 | 26.2 | 29.7 | 34.5 | 49.4 | 62.7 | 35.8 | 33.2 | 45.3 | 53.4 | 66.2 | 59.2 |
| 31 Other, net | 20.2 | 10.6 | 12.7 | 31.4 | 32.9 | 40.3 | 23.2 | 39.7 | 30.7 | 35.2 | 48.6 | 32.0 |
| *Private domestic nonfinancial investors* | | | | | | | | | | | | |
| 32 Direct lending in credit markets | 45.7 | 47.2 | 45.8 | 39.5 | 47.5 | 71.4 | 52.5 | 26.6 | 37.9 | 57.1 | 61.5 | 81.3 |
| 33 U.S. government securities | 18.8 | 18.9 | 24.1 | 16.1 | 23.0 | 33.2 | 26.7 | 5.6 | 18.3 | 27.8 | 32.4 | 34.1 |
| 34 State and local obligations | 5.4 | 9.3 | 8.4 | 3.8 | 2.6 | 4.5 | 8.7 | −1.0 | −.9 | 6.0 | 7.1 | 2.0 |
| 35 Corporate and foreign bonds | 2.0 | 5.1 | 8.4 | 5.8 | −3.3 | −1.4 | 4.5 | 7.1 | −.7 | −5.9 | −3.9 | 1.2 |
| 36 Commercial paper | 9.8 | 5.8 | −1.3 | 1.9 | 9.5 | 16.3 | 1.9 | 1.9 | 8.0 | 11.0 | 8.5 | 24.1 |
| 37 Other | 9.7 | 8.0 | 6.2 | 11.8 | 15.7 | 18.7 | 10.7 | 13.0 | 13.2 | 18.2 | 17.5 | 20.0 |
| 38 Deposits and currency | 101.2 | 73.8 | 98.1 | 131.9 | 149.5 | 151.8 | 124.3 | 139.5 | 147.2 | 151.8 | 149.0 | 154.6 |
| 39 Security RPs | 11.0 | −2.2 | .2 | 2.3 | 2.2 | 7.5 | 1.5 | 3.2 | 4.3 | .2 | 9.8 | 5.1 |
| 40 Money market fund shares | ...... | 2.4 | 1.3 | * | .2 | 6.9 | −.5 | .5 | −.5 | .9 | 6.1 | 7.7 |
| 41 Time and savings accounts | 75.7 | 65.4 | 84.0 | 113.5 | 121.0 | 115.2 | 105.3 | 121.6 | 117.6 | 124.4 | 110.8 | 119.6 |
| 42 Large negotiable CDs | 17.8 | 18.4 | −14.3 | −13.6 | 9.0 | 10.8 | −19.3 | −7.8 | −4.5 | 22.6 | 10.1 | 11.4 |
| 43 Other at commercial banks | 29.5 | 25.3 | 38.8 | 57.9 | 43.0 | 43.3 | 57.3 | 58.6 | 51.4 | 34.6 | 42.3 | 44.4 |
| 44 At savings institutions | 28.5 | 21.8 | 59.4 | 69.1 | 69.0 | 61.1 | 67.4 | 70.8 | 70.8 | 67.2 | 58.5 | 63.8 |
| 45 Money | 14.5 | 8.2 | 12.6 | 16.1 | 26.1 | 22.2 | 18.0 | 14.2 | 25.8 | 26.4 | 22.2 | 22.1 |
| 46 Demand deposits | 10.6 | 1.9 | 6.4 | 8.8 | 17.8 | 12.9 | 12.0 | 5.7 | 20.0 | 15.7 | 11.8 | 14.0 |
| 47 Currency | 3.9 | 6.3 | 6.2 | 7.3 | 8.3 | 9.3 | 6.1 | 8.6 | 5.8 | 10.7 | 10.5 | 8.1 |
| 48 **Total of credit market instruments, deposits and currency** | **146.9** | **121.0** | **143.9** | **171.4** | **197.0** | **223.2** | **176.8** | **166.1** | **185.2** | **208.9** | **210.5** | **235.9** |
| 49 Public support rate (in percent) | 16.3 | 28.7 | 22.2 | 20.8 | 25.4 | 27.5 | 17.9 | 23.6 | 20.8 | 29.0 | 26.5 | 28.5 |
| 50 Private financial intermediation (in percent) | 87.9 | 80.0 | 72.2 | 84.4 | 92.5 | 90.0 | 77.8 | 91.2 | 94.0 | 91.3 | 93.3 | 86.8 |
| 51 Total foreign funds | 3.6 | 21.5 | −2.6 | 10.6 | 40.5 | 44.0 | 3.5 | 17.8 | 28.2 | 52.9 | 36.1 | 52.0 |
| MEMO: Corporate equities not included above | | | | | | | | | | | | |
| 52 Total net issues | 9.2 | 4.1 | 10.7 | 11.9 | 4.0 | 3.7 | 13.4 | 10.3 | 2.1 | 5.9 | −.4 | 7.9 |
| 53 Mutual fund shares | −1.2 | −.7 | −.1 | −1.0 | −.9 | −1.0 | −2.4 | .4 | −.6 | −1.3 | −.5 | −1.5 |
| 54 Other equities | 10.4 | 4.8 | 10.8 | 12.9 | 4.9 | 4.7 | 15.8 | 9.9 | 2.6 | 7.2 | .1 | 9.4 |
| 55 Acquisitions by financial institutions | 13.1 | 5.8 | 9.6 | 12.3 | 7.4 | 7.6 | 12.7 | 11.8 | 6.8 | 8.1 | .4 | 14.7 |
| 56 Other net purchases | −3.9 | −1.7 | 1.1 | −.4 | −3.4 | −3.8 | .7 | −1.5 | −4.7 | −2.2 | −.8 | −6.8 |

NOTES BY LINE NUMBER.
1. Line 2 of p. A-44.
2. Sum of lines 3–6 or 7–10.
6. Includes farm and commercial mortgages.
11. Credit market funds raised by federally sponsored credit agencies, and net issues of federally related mortgage pool securities. Included below in lines 3, 13, and 33.
12. Line 1 less line 2 plus line 11. Also line 19 less line 26 plus line 32. Also sum of lines 27, 32, 39, and 44.
17. Includes farm and commercial mortgages.
25. Sum of lines 39 and 44.
26. Excludes equity issues and investment company shares. Includes line 18.
28. Foreign deposits at commercial banks, bank borrowings from foreign branches, and liabilities of foreign banking agencies to foreign affiliates.
29. Demand deposits at commercial banks.
30. Excludes net investment of these reserves in corporate equities.
31. Mainly retained earnings and net miscellaneous liabilities.
32. Line 12 less line 19 plus line 26.
33–37. Lines 13–17 less amounts acquired by private finance. Line 37 includes mortgages.
45. Mainly an offset to line 9.
46. Lines 32 plus 38, or line 12 less line 27 plus line 45.
47. Line 2/line 1.
48. Line 19/line 12.
49. Sum of lines 10 and 28.
50, 52. Includes issues by financial institutions.

NOTE. Full statements for sectors and transaction types quarterly, and annually for flows and for amounts outstanding, may be obtained from Flow of Funds Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

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## 2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

1967 = 100; monthly and quarterly data are seasonally adjusted. Exceptions noted.

| Measure | 1976 | 1977 | 1978 | 1979 Jan. | Feb. | Mar. | Apr. | May[r] | June[r] | July[r] | Aug. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 **Industrial production**[1] | **130.5** | **138.2** | **146.1** | **151.5** | **152.0** | **153.0** | **150.8** | **152.4** | **152.4** | **152.6** | **150.9** |
| *Market groupings* | | | | | | | | | | | |
| 2 Products, total | 129.7 | 137.9 | 144.8 | 149.2 | 149.9 | 150.8 | 148.4 | 150.3 | 150.1 | 149.8 | 148.0 |
| 3 Final, total | 127.6 | 135.9 | 142.2 | 146.1 | 146.8 | 148.2 | 145.4 | 147.8 | 147.6 | 147.2 | 145.1 |
| 4 Consumer goods | 137.1 | 145.3 | 149.1 | 150.6 | 151.5 | 152.9 | 149.1 | 152.0 | 151.7 | 150.9 | 147.7 |
| 5 Equipment | 114.6 | 123.0 | 132.8 | 139.9 | 140.4 | 141.7 | 140.4 | 141.9 | 142.0 | 142.1 | 141.4 |
| 6 Intermediate | 137.2 | 145.1 | 154.1 | 160.8 | 161.4 | 160.4 | 159.7 | 159.5 | 159.2 | 159.4 | 159.1 |
| 7 Materials | 131.7 | 138.6 | 148.3 | 155.0 | 155.2 | 156.3 | 154.5 | 155.7 | 156.0 | 156.9 | 155.3 |
| *Industry groupings* | | | | | | | | | | | |
| 8 Manufacturing | 130.3 | 138.4 | 146.8 | 152.5 | 153.3 | 154.5 | 151.6 | 153.8 | 153.8 | 153.8 | 151.9 |
| *Capacity utilization (percent)*[1,2] | | | | | | | | | | | |
| 9 Manufacturing | 79.5 | 81.9 | 84.4 | 86.4 | 86.7 | 87.1 | 85.3 | 86.3 | 86.1 | 85.9 | 84.6 |
| 10 Industrial materials industries | 81.1 | 82.7 | 85.6 | 87.9 | 87.8 | 88.3 | 86.9 | 87.4 | 87.2 | 87.5 | 86.4 |
| 11 Construction contracts[3] | 190.2 | 160.5 | 174.3 | 181.0 | 231.0 | 186.0 | 202.0 | 178.0 | 177.0 | 165.0 | n.a. |
| 12 **Nonagricultural employment, total**[4] | **120.7** | **125.0** | **130.3** | **133.0** | **133.5** | **134.1** | **134.1** | **134.6** | **134.9** | **135.0** | **135.0** |
| 13 Goods-producing, total | 100.2 | 104.2 | 108.9 | 112.0 | 112.4 | 113.3 | 113.1 | 113.4 | 113.4 | 113.4 | 112.8 |
| 14 Manufacturing, total | 97.7 | 101.0 | 104.5 | 107.1 | 107.4 | 107.8 | 107.6 | 107.5 | 107.4 | 107.3 | 106.6 |
| 15 Manufacturing, production-worker | 95.3 | 98.6 | 102.1 | 104.8 | 105.2 | 105.4 | 105.1 | 104.9 | 104.6 | 104.3 | 103.3 |
| 16 Service-producing | 131.9 | 136.4 | 142.1 | 144.5 | 145.0 | 145.5 | 145.7 | 146.2 | 146.7 | 146.8 | 147.1 |
| 17 **Personal income, total**[5] | **220.5** | **244.4** | **274.1** | **292.7** | **295.5** | **298.8** | **300.1** | **302.0** | **304.1** | **308.4** | n.a. |
| 18 Wages and salary disbursements | 208.2 | 230.2 | 258.1 | 275.3 | 278.0 | 281.2 | 282.1 | 283.2 | 285.3 | 287.4 | n.a. |
| 19 Manufacturing | 177.0 | 198.3 | 222.4 | 239.7 | 242.3 | 244.7 | 244.1 | 244.8 | 245.9 | 247.1 | n.a. |
| 20 Disposable personal income | 176.8 | 194.8 | 217.7 | ....... | 234.7 | ....... | ....... | r239.2 | ....... | ....... | n.a. |
| 21 Retail sales[6] | 203.5 | 224.4 | 248.0 | 270.7 | 271.8 | 275.3 | 272.7 | 274.8 | 274.4 | 276.2 | 278.1 |
| *Prices*[7] | | | | | | | | | | | |
| 22 Consumer | 170.5 | 181.5 | 195.4 | 204.7 | 207.1 | 209.1 | 211.5 | 214.1 | 216.6 | 218.9 | n.a. |
| 23 Producer finished goods | 170.3 | 180.6 | 194.6 | r205.4 | r207.7 | r209.1 | r211.4 | 212.4 | 213.4 | 215.8 | 217.3 |

1. The industrial production and capacity utilization series have been revised. For a description of the changes see the August 1979 BULLETIN, pp. 603–07.
2. Ratios of indexes of production to indexes of capacity. Based on data from Federal Reserve, McGraw-Hill Economics Department, and Department of Commerce.
3. Index of dollar value of total construction contracts, including residential, nonresidential, and heavy engineering, from McGraw-Hill Informations Systems Company, F. W. Dodge Division.
4. Based on data in *Employment and Earnings* (U.S. Department of Labor). Series covers employees only, excluding personnel in the Armed Forces.
5. Based on data in *Survey of Current Business* (U.S. Department of Commerce). Series for disposable income is quarterly.
6. Based on Bureau of Census data published in *Survey of Current Business* (U.S. Department of Commerce).
7. Data without seasonal adjustment, as published in *Monthly Labor Review* (U.S. Department of Labor). Seasonally adjusted data for changes in the price indexes may be obtained from the Bureau of Labor Statistics, U.S. Department of Labor.

NOTE. Basic data (not index numbers) for series mentioned in notes 4, 5, and 6, and indexes for series mentioned in notes 3 and 7 may also be found in the *Survey of Current Business* (U.S. Department of Commerce).

Figures for industrial production for the last two months are preliminary and estimated, respectively.

## 2.11 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION▲

Seasonally adjusted

| Series | Output (1967 = 100) 1978 Q3 | 1978 Q4 | 1979 Q1 | 1979 Q2[r] | Capacity (percent of 1967 output) 1978 Q3 | 1978 Q4 | 1979 Q1 | 1979 Q2 | Utilization rate (percent) 1978 Q3 | 1978 Q4 | 1979 Q1 | 1979 Q2[r] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 **Manufacturing** | **148.6** | **151.7** | **153.4** | **153.1** | **174.5** | **175.6** | **176.9** | **178.2** | **85.2** | **86.4** | **86.7** | **85.9** |
| 2 **Primary processing** | 158.2 | 162.2 | 162.1 | 161.8 | 179.9 | 181.2 | 182.7 | 184.2 | 87.9 | 89.5 | 88.7 | r87.8 |
| 3 **Advanced processing** | 143.6 | 146.1 | 148.7 | 148.4 | 171.6 | 172.7 | 173.8 | 175.0 | 83.7 | 84.6 | 85.6 | 84.8 |
| 4 **Materials** | **150.2** | **154.6** | **155.5** | **155.4** | **173.9** | **175.4** | **176.8** | **178.1** | **86.4** | **88.2** | **88.0** | **87.2** |
| 5 **Durable goods** | 151.9 | 157.3 | 158.4 | 157.7 | 178.5 | 180.1 | 181.5 | 183.0 | 85.1 | 87.4 | 87.3 | r86.2 |
| 6 **Metal materials** | 126.6 | 132.2 | 124.7 | 124.3 | 139.3 | 139.6 | 139.8 | 140.3 | 90.9 | 94.7 | r89.1 | 88.5 |
| 7 **Nondurable goods** | 165.9 | 170.3 | 172.2 | 173.1 | 188.5 | 190.2 | 191.9 | 193.7 | 88.0 | 89.6 | 89.7 | 89.4 |
| 8 **Textile, paper, and chemical** | 172.2 | 177.1 | 179.1 | 180.9 | 196.2 | 197.9 | 199.6 | 201.5 | 87.8 | 89.5 | 89.7 | r89.7 |
| 9 **Textile** | 116.0 | 119.5 | 118.2 | 118.3 | 136.3 | 136.6 | 136.9 | 137.3 | 85.1 | 87.5 | 86.3 | r86.2 |
| 10 **Paper** | 134.1 | 138.1 | 136.9 | 140.7 | 146.9 | 147.8 | 148.7 | 149.9 | 91.3 | 93.4 | 92.0 | r93.9 |
| 11 **Chemical** | 212.3 | 218.0 | 222.7 | 224.5 | 242.2 | 244.6 | 247.4 | 250.6 | 87.6 | 89.1 | 90.0 | r89.6 |
| 12 **Energy** | 126.9 | 128.9 | 127.9 | 127.7 | 144.7 | 145.7 | 146.7 | 147.5 | 87.7 | 88.5 | 87.2 | 86.6 |

▲ The capacity utilization series has been revised. For a description of the changes, see the August 1979 BULLETIN, pp. 606–07.

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## 2.12 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data are seasonally adjusted. Exceptions noted.

| Category | 1976 | 1977 | 1978 | 1979 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Feb. | Mar. | Apr. | May | June | July | Aug. |
| HOUSEHOLD SURVEY DATA | | | | | | | | | | |
| **1 Noninstitutional population[1]** | **156,048** | **158,559** | **161,058** | **162,633** | **162,909** | **163,008** | **163,260** | **163,469** | **163,685** | **163,891** |
| 2 Labor force (including Armed Forces)[1] | 96,917 | 99,534 | 102,537 | 104,621 | 104,804 | 104,193 | 104,325 | 104,604 | 105,141 | 105,139 |
| 3 Civilian labor force | 94,773 | 97,401 | 100,420 | 102,527 | 102,714 | 102,111 | 102,247 | 102,528 | 103,059 | 103,049 |
| Employment | | | | | | | | | | |
| 4 Nonagricultural industries[2] | 84,188 | 87,302 | 91,031 | 93,335 | 93,499 | 92,987 | 93,134 | 93,494 | 93,949 | 93,578 |
| 5 Agriculture | 3,297 | 3,244 | 3,342 | 3,311 | 3,343 | 3,186 | 3,184 | 3,260 | 3,262 | 3,322 |
| Unemployment | | | | | | | | | | |
| 6 Number | 7,288 | 6,855 | 6,047 | 5,881 | 5,871 | 5,937 | 5,929 | 5,774 | 5,848 | 6,149 |
| 7 Rate (percent of civilian labor force) | 7.7 | 7.0 | 6.0 | 5.7 | 5.7 | 5.8 | 5.8 | 5.6 | 5.7 | 6.0 |
| 8 Not in labor force | 59,130 | 59,025 | 58,521 | 48,012 | 58,105 | 58,815 | 58,935 | 59,865 | 58,545 | 58,752 |
| ESTABLISHMENT SURVEY DATA | | | | | | | | | | |
| **9 Nonagricultural payroll employment[3]** | **79,382** | **82,256** | **85,760** | **87,818** | **88,263** | **88,248** | **88,539** | **r88,764** | **r88,813** | **88,815** |
| 10 Manufacturing | 18,997 | 19,647 | 20,331 | 20,895 | 20,964 | 20,922 | 20,906 | r20,893 | r20,863 | 20,740 |
| 11 Mining | 779 | 809 | 837 | 919 | 922 | 922 | 923 | r930 | r933 | 952 |
| 12 Contract construction | 3,576 | 3,833 | 4,213 | 4,385 | 4,526 | 4,507 | 4,594 | r4,610 | r4,645 | 4,594 |
| 13 Transportation and public utilities | 4,582 | 4,696 | 4,858 | 5,001 | 5,025 | 4,935 | 5,031 | r5,085 | r5,075 | 5,066 |
| 14 Trade | 17,755 | 18,492 | 19,392 | 19,883 | 19,945 | 19,959 | 19,985 | r19,980 | r19,959 | 19,996 |
| 15 Finance | 4,271 | 4,452 | 4,676 | 4,829 | 4,839 | 4,853 | 4,867 | r4,892 | r4,907 | 4,939 |
| 16 Service | 14,551 | 15,249 | 15,976 | 16,438 | 16,535 | 16,575 | 16,622 | r16,706 | r16,730 | 16,804 |
| 17 Government | 14,871 | 15,079 | 15,478 | 15,468 | 15,507 | 15,575 | 15,611 | r15,668 | r15,701 | 15,724 |

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).

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## 2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value▲

Monthly data are seasonally adjusted.

| Grouping | 1967 proportion | 1978 average | 1978 June | 1978 July | 1978 Aug. | 1978 Dec. | 1979 Jan. | 1979 Feb. | 1979 Mar. | 1979 Apr. | 1979 May | 1979 June | 1979 July^p | 1979 Aug.^e |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Index (1967 = 100) | | | | | | | | | | | | | |
| MAJOR MARKET | | | | | | | | | | | | | | |
| 1 **Total index** | **100.00** | **146.1** | **146.1** | **147.1** | **148.0** | **151.8** | **151.5** | **152.0** | **153.0** | **150.8** | **152.4** | **152.4** | **152.6** | **150.9** |
| 2 Products | 60.71 | 144.8 | 144.6 | 145.6 | 146.6 | 149.0 | 149.2 | 149.9 | 150.8 | 148.4 | 150.3 | 150.1 | 149.8 | 148.0 |
| 3 Final products | 47.82 | 142.2 | 142.1 | 143.2 | 144.2 | 146.1 | 146.1 | 146.8 | 148.2 | 145.4 | 147.8 | 147.6 | 147.2 | 145.1 |
| 4 Consumer goods | 27.68 | 149.1 | 149.3 | 149.8 | 150.6 | 151.5 | 150.6 | 151.5 | 152.9 | 149.1 | 152.0 | 151.7 | 150.9 | 147.7 |
| 5 Equipment | 20.14 | 132.8 | 132.3 | 134.0 | 135.3 | 138.6 | 139.9 | 140.4 | 141.7 | 140.4 | 141.9 | 142.0 | 142.1 | 141.4 |
| 6 Intermediate products | 12.89 | 154.1 | 154.0 | 154.7 | 155.6 | 159.9 | 160.8 | 161.4 | 160.4 | 159.7 | 159.5 | 159.2 | 159.4 | 159.1 |
| 7 Materials | 39.29 | 148.3 | 148.3 | 149.3 | 150.2 | 156.2 | 155.0 | 155.2 | 156.3 | 154.5 | 155.7 | 156.0 | 156.9 | 155.3 |
| *Consumer goods* | | | | | | | | | | | | | | |
| 8 Durable consumer goods | 7.89 | 159.2 | 161.1 | 162.1 | 161.5 | 161.8 | 160.4 | 161.1 | 163.6 | 151.6 | 160.5 | 158.5 | 155.8 | 147.4 |
| 9 Automotive products | 2.83 | 179.9 | 181.6 | 183.8 | 183.5 | 186.9 | 181.4 | 179.3 | 186.8 | 163.0 | 182.7 | 175.9 | 169.1 | 147.5 |
| 10 Autos and utility vehicles | 2.03 | 172.5 | 174.5 | 176.7 | 174.9 | 179.2 | 173.2 | 170.3 | 178.8 | 147 4 | 176.3 | 167.4 | 155.2 | 125.6 |
| 11 Autos | 1.90 | 148.6 | 150.1 | 152.7 | 150.2 | 151.9 | 145.8 | 144.9 | 153.8 | 128.6 | 153.1 | 148.0 | 141.8 | 118.5 |
| 12 Auto parts and allied goods | 80 | 198.5 | 199.4 | 201.9 | 205.5 | 206.5 | 202.2 | 202.2 | 207.2 | 202.7 | 199.0 | 197.5 | 204.4 | 203.0 |
| 13 Home goods | 5.06 | 147.7 | 149.6 | 150.0 | 149.2 | 147.7 | 148.6 | 150.9 | 150.6 | 145.2 | 148.1 | 148.8 | 148.4 | 147.3 |
| 14 Appliances, A/C, and TV | 1.40 | 133.3 | 140.1 | 138.8 | 132.4 | 129.8 | 124.0 | 129.8 | 128.4 | 115.6 | 128.4 | 129.3 | 129.6 | 127.2 |
| 15 Appliances and TV | 1.33 | 135.4 | 142.4 | 141.3 | 133.1 | 130.6 | 124.8 | 131.4 | 130.3 | 116.5 | 130.2 | 131.2 | 131.5 | ...... |
| 16 Carpeting and furniture | 1.07 | 164.2 | 166.8 | 168.2 | 167.1 | 164.3 | 170.7 | 171.8 | 173.5 | 170.7 | 170.2 | 170.6 | 170.0 | ...... |
| 17 Miscellaneous home goods | 2.59 | 148.6 | 147.7 | 148.6 | 150.9 | 150.6 | 152.8 | 153.7 | 153.2 | 150.8 | 149.6 | 150.4 | 149.7 | 150.0 |
| 18 Nondurable consumer goods | 19.79 | 145.1 | 144.5 | 144.9 | 146.3 | 147.3 | 146.7 | 147.7 | 148.6 | 148.0 | 148.7 | 149.0 | 148.9 | 147.9 |
| 19 Clothing | 4.29 | 131.1 | 131.1 | 130.4 | 133.3 | 132.2 | 130.1 | 130.7 | 130.9 | 127.7 | 128.6 | 128.9 | ...... | ...... |
| 20 Consumer staples | 15.50 | 148.9 | 148.3 | 148.9 | 149.9 | 151.5 | 151.3 | 152.4 | 153.6 | 153.7 | 154.2 | 154.6 | 154.8 | 154.0 |
| 21 Consumer foods and tobacco | 8.33 | 140.6 | 140.0 | 141.1 | 141.9 | 143.2 | 141.8 | 142.4 | 145.1 | 145.2 | 145.7 | 146.2 | 146.7 | ...... |
| 22 Nonfood staples | 7.17 | 158.5 | 157.9 | 158.0 | 159.2 | 161.2 | 162.4 | 164.0 | 163.4 | 163.5 | 164.1 | 164.3 | 164.1 | 163.8 |
| 23 Consumer chemical products | 2,63 | 192.7 | 191.9 | 193.3 | 194.1 | 196.5 | 200.3 | 203.1 | 202.8 | 201.6 | 205.2 | 206.0 | 206.3 | ...... |
| 24 Consumer paper products | 1.92 | 118.4 | 118.0 | 117.8 | 118.4 | 118.0 | 119.2 | 122.7 | 121.4 | 120.9 | 121.3 | 121.1 | 119.4 | ...... |
| 25 Consumer energy products | 2.62 | 153.6 | 153.0 | 152.3 | 154.0 | 157.6 | 156.0 | 155.2 | 154.7 | 156.4 | 154.3 | 154.2 | 154.6 | ...... |
| 26 Residential utilities | 1.45 | 162.1 | 162.1 | 161.7 | 161.7 | 162.5 | 166.2 | 167.7 | 167.9 | 169.1 | 167.8 | ...... | ...... | ...... |
| *Equipment* | | | | | | | | | | | | | | |
| 27 Business | 12.63 | 160.3 | 160.1 | 161.7 | 163.4 | 166.8 | 168.1 | 169.0 | 170.8 | 168.7 | 171.4 | 171.6 | 171.6 | 170.3 |
| 28 Industrial | 6.77 | 145.8 | 146.1 | 147.0 | 148.0 | 148.4 | 151.4 | 152.5 | 152.8 | 150.4 | 151.8 | 152.0 | 152.1 | 151.2 |
| 29 Building and mining | 1.44 | 207.3 | 210.5 | 210.3 | 209.0 | 206.3 | 208.8 | 207.9 | 205.2 | 204.2 | 203.7 | 205.4 | 208.6 | 210.0 |
| 30 Manufacturing | 3.85 | 121.2 | 121.6 | 121.4 | 123.2 | 124.5 | 127.4 | 129.1 | 130.3 | 128.0 | 130.1 | 130.1 | 130.1 | 129.0 |
| 31 Power | 1.47 | 149.4 | 147.0 | 151.7 | 153.3 | 154.2 | 157.8 | 159.1 | 160.2 | 156.0 | 157.7 | 156.9 | 154.1 | 151.4 |
| 32 Commercial transit, farm | 5.86 | 177.2 | 176.2 | 178.8 | 181.2 | 188.0 | 187.4 | 188.1 | 191.6 | 189.9 | 193.9 | 194.2 | 194.2 | 192.3 |
| 33 Commercial | 3.26 | 212.0 | 211.6 | 214.4 | 215.3 | 218.7 | 220.8 | 221.2 | 224.4 | 223.0 | 224.9 | 226.4 | 227.3 | 227.5 |
| 34 Transit | 1.93 | 133.8 | 131.9 | 134.7 | 139.2 | 151.0 | 146.8 | 146.6 | 150.5 | 148.8 | 156.7 | 155.6 | 153.0 | 147.5 |
| 35 Farm | 67 | 132.8 | 131.7 | 132.4 | 136.0 | 144.6 | 142.0 | 146.9 | 150.0 | 147.7 | 150.8 | 148.6 | 152.0 | ...... |
| 36 Defense and space | 7.51 | 86.5 | 85.6 | 87.5 | 87.9 | 91.4 | 92.4 | 92.4 | 92.9 | 92.9 | 92.5 | 92.3 | 92.4 | 92.9 |
| *Intermediate products* | | | | | | | | | | | | | | |
| 37 Construction supplies | 6.42 | 151.7 | 151.5 | 152.4 | 153.8 | 158.3 | 159.1 | 159.3 | 157.1 | 156.0 | 156.4 | 156.2 | 156.8 | 156.9 |
| 38 Business supplies | 6.47 | 156.5 | 165.5 | 156.9 | 157.4 | 161.5 | 162.5 | 163.6 | 163.8 | 163.2 | 162.5 | 162.3 | 162.0 | ...... |
| 39 Commercial energy products | 1.14 | 168.2 | 167.3 | 167.8 | 169.5 | 175.0 | 173.6 | 173.7 | 173.5 | 174.6 | 172.6 | 168.3 | 168.8 | ...... |
| *Materials* | | | | | | | | | | | | | | |
| 40 Durable goods materials | 20.35 | 149.0 | 147.7 | 150.5 | 151.9 | 159.5 | 158.1 | 158.0 | 159.2 | 155.7 | 157.9 | 159.6 | 160.0 | 157.1 |
| 41 Durable consumer parts | 4.58 | 140.8 | 140.3 | 142.3 | 142.1 | 148.6 | 148.5 | 146.0 | 145.8 | 136.9 | 142.5 | 142.0 | 136.1 | 130.5 |
| 42 Equipment parts | 5.44 | 166.5 | 165.7 | 169.4 | 168.8 | 179.2 | 182.2 | 184.4 | 186.8 | 187.0 | 188.0 | 191.0 | 193.5 | 191.1 |
| 43 Durable materials n.e.c. | 10.34 | 143.3 | 141.5 | 144.2 | 147.3 | 154.0 | 149.7 | 149.4 | 150.6 | 147.7 | 149.0 | 150.9 | 152.9 | 150.9 |
| 44 Basic metal materials | 5.57 | 121.2 | 118.8 | 122.1 | 126.5 | 132.0 | 124.4 | 124.1 | 126.7 | 123.2 | 122.9 | 126.1 | 128.6 | ...... |
| 45 Nondurable goods materials | 10.47 | 165.6 | 166.3 | 164.5 | 165.3 | 171.9 | 171.0 | 172.4 | 173.1 | 173.0 | 173.8 | 172.4 | 174.9 | 174.1 |
| 46 Textile, paper, and chemical materials | 7.62 | 171.8 | 172.3 | 171.3 | 170.7 | 178.9 | 177.5 | 179.6 | 180.1 | 180.7 | 181.5 | 180.4 | 183.0 | 182.4 |
| 47 Textile materials | 1.85 | 116.9 | 116.5 | 115.5 | 115.6 | 120.1 | 118.3 | 117.4 | 119.0 | 117.0 | 118.8 | 119.1 | 121.0 | ...... |
| 48 Paper materials | 1.62 | 137.0 | 139.4 | 134.6 | 130.0 | 139.1 | 133.3 | 137.4 | 139.9 | 140.8 | 140.1 | 141.1 | 144.7 | ...... |
| 49 Chemical materials | 4.15 | 210.0 | 210.1 | 210.7 | 211.2 | 220.8 | 221.2 | 223.9 | 223.0 | 224.7 | 225.7 | 223.1 | 225.6 | ...... |
| 50 Containers, nondurable | 1.70 | 159.8 | 160.8 | 154.2 | 162.6 | 164.8 | 167.8 | 165.8 | 167.3 | 162.0 | 163.3 | 159.2 | 163.5 | ...... |
| 51 Nondurable materials n.e.c. | 1.14 | 132.7 | 134.3 | 134.2 | 133.7 | 135.7 | 132.5 | 134.1 | 135.6 | 138.2 | 138.4 | 139.0 | 138.0 | ...... |
| 52 Energy materials | 8.48 | 125.3 | 127.6 | 127.7 | 127.5 | 128.8 | 127.8 | 127.1 | 128.7 | 128.4 | 127.7 | 126.9 | 127.0 | 127.9 |
| 53 Primary energy | 4.65 | 112.6 | 116.2 | 116.5 | 115.6 | 116.1 | 111.9 | 110.6 | 114.6 | 113.0 | 111.7 | 111.3 | 112.0 | ...... |
| 54 Converted fuel materials | 3.82 | 140.8 | 141.6 | 141.5 | 141.9 | 144.4 | 147.0 | 147.2 | 145.9 | 147.1 | 147.2 | 145.9 | 145.3 | ...... |
| *Supplementary groups* | | | | | | | | | | | | | | |
| 55 Home goods and clothing | 9.35 | 140.0 | 141.1 | 141.0 | 141.9 | 140.6 | 140.1 | 141.6 | 141.6 | 137.2 | 139.1 | 139.7 | 138.9 | 137.5 |
| 56 Energy, total | 12.23 | 135.4 | 136.8 | 136.7 | 137.1 | 139.1 | 138.1 | 137.5 | 138.4 | 138.7 | 137.6 | 136.6 | 136.8 | 137.4 |
| 57 Products | 3.76 | 158.0 | 157.3 | 157.0 | 158.7 | 162.2 | 161.4 | 160.8 | 160.3 | 161.9 | 159.9 | 158.5 | 158.9 | ...... |
| 58 Materials | 8.48 | 125.3 | 127.6 | 127.7 | 127.5 | 128.8 | 127.8 | 127.1 | 128.7 | 128.4 | 127.7 | 126.9 | 127.0 | 127.9 |

For notes see opposite page.

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## 2.13 Continued

| Grouping | SIC code | 1967 proportion | 1978 average^p | 1978 June | 1978 July | 1978 Aug. | 1978 Dec. | 1979 Jan. | 1979 Feb. | 1979 Mar. | 1979 Apr. | 1979 May | 1979 June | 1979 July^p | 1979 Aug.^e |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Index (1967 = 100) | | | | | | | | | | | | |
| **MAJOR INDUSTRY** | | | | | | | | | | | | | | | |
| 1 Mining and utilities | ...... | 12.05 | 141.7 | 143.1 | 143.6 | 143.2 | 145.0 | 143.9 | 143.0 | 143.5 | 143.8 | 143.4 | 142.9 | 143.3 | 144.3 |
| 2 Mining | ...... | 6.36 | 124.0 | 127.4 | 127.1 | 126.2 | 127.4 | 123.8 | 120.9 | 122.3 | 122.7 | 122.8 | 123.5 | 124.0 | 125.8 |
| 3 Utilities | ...... | 5.69 | 161.4 | 160.6 | 162.0 | 162.2 | 164.7 | 166.2 | 167.7 | 167.1 | 167.4 | 166.5 | 164.4 | 164.8 | 165.0 |
| 4 Electric | ...... | 3.88 | 182.2 | 181.1 | 183.2 | 183.3 | 186.7 | 188.4 | 189.9 | 188.8 | 189.0 | 186.4 | ...... | ...... | ...... |
| 5 Manufacturing | ...... | 87.95 | 146.8 | 146.4 | 147.7 | 148.6 | 152.9 | 152.5 | 153.3 | 154.5 | 151.6 | 153.8 | 153.8 | 153.8 | 151.9 |
| 6 Nondurable | ...... | 35.97 | 156.9 | 157.0 | 157.2 | 158.4 | 161.7 | 160.7 | 162.0 | 163.0 | 161.7 | 162.8 | 162.7 | 163.3 | 162.7 |
| 7 Durable | ...... | 51.98 | 139.7 | 139.0 | 141.1 | 141.8 | 146.8 | 146.8 | 147.2 | 148.6 | 144.6 | 147.6 | 147.6 | 147.3 | 144.4 |
| *Mining* | | | | | | | | | | | | | | | |
| 8 Metal | 10 | .51 | 121.0 | 121.0 | 117.0 | 118.0 | 123.8 | 124.2 | 125.3 | 126.9 | 128.9 | 123.1 | 123.4 | 120.5 | ...... |
| 9 Coal | 11,12 | .69 | 114.7 | 136.0 | 133.1 | 125.9 | 144.7 | 115.9 | 104.5 | 124.0 | 130.1 | 133.4 | 137.5 | 136.6 | 145.8 |
| 10 Oil and gas extraction | 13 | 4.40 | 124.6 | 126.2 | 126.6 | 126.2 | 123.8 | 123.0 | 120.4 | 119.3 | 118.6 | 118.6 | 119.0 | 120.1 | 121.0 |
| 11 Stone and earth minerals | 14 | .75 | 131.2 | 130.8 | 131.4 | 132.1 | 134.8 | 135.9 | 135.7 | 135.6 | 135.3 | 137.8 | 137.3 | 138.4 | ...... |
| *Nondurable manufacturers* | | | | | | | | | | | | | | | |
| 12 Foods | 20 | 8.75 | 142.7 | 142.8 | 143.1 | 143.9 | 144.7 | 143.9 | 145.5 | 147.6 | 147.0 | 149.2 | 150.0 | 149.3 | ...... |
| 13 Tobacco products | 21 | .67 | 118.3 | 118.5 | 118.2 | 118.5 | 119.1 | 120.6 | 116.2 | 123.3 | 120.0 | 120.2 | 118.3 | ...... | ...... |
| 14 Textile mill products | 22 | 2.68 | 137.5 | 136.6 | 137.0 | 137.1 | 141.7 | 141.6 | 139.9 | 142.3 | 141.2 | 141.5 | 142.2 | 142.8 | ...... |
| 15 Apparel products | 23 | 3.31 | 134.2 | 133.7 | 132.7 | 137.7 | 136.5 | 130.3 | 133.5 | 136.5 | 130.8 | 128.2 | 130.2 | ...... | ...... |
| 16 Paper and products | 26 | 3.21 | 144.8 | 148.0 | 142.1 | 142.2 | 148.5 | 144.6 | 144.6 | 149.0 | 148.7 | 147.9 | 148.0 | 152.0 | 151.1 |
| 17 Printing and publishing | 27 | 4.72 | 131.5 | 131.1 | 131.4 | 131.9 | 134.4 | 135.6 | 138.2 | 137.3 | 135.7 | 136.8 | 136.9 | 135.1 | 135.3 |
| 18 Chemicals and products | 28 | 7.74 | 197.4 | 196.4 | 198.6 | 199.3 | 207.2 | 206.5 | 208.6 | 107.4 | 207.7 | 209.7 | 207.8 | 209.3 | ...... |
| 19 Petroleum products | 29 | 1.79 | 145.2 | 143.3 | 144.1 | 146.0 | 151.3 | 147.0 | 146.0 | 143.8 | 145.4 | 142.4 | 142.8 | 144.8 | 143.9 |
| 20 Rubber and plastic products | 30 | 2.24 | 253.6 | 257.3 | 260.3 | 263.4 | 263.3 | 267.4 | 267.5 | 270.4 | 265.5 | 270.0 | 269.1 | 271.1 | ...... |
| 21 Leather and products | 31 | .86 | 73.8 | 74.2 | 73.2 | 73.3 | 73.8 | 74.8 | 73.4 | 72.9 | 69.6 | 72.3 | 70.1 | 71.1 | ...... |
| *Durable manufactures* | | | | | | | | | | | | | | | |
| 22 Ordnance, private and government | 19,91 | 3.64 | 73.7 | 74.1 | 74.1 | 74.0 | 74.6 | 74.9 | 75.8 | 75.1 | 75.1 | 75.3 | 75.1 | 75.3 | 75.6 |
| 23 Lumber and products | 24 | 1.64 | 136.3 | 136.3 | 136.2 | 136.0 | 144.0 | 137.3 | 137.2 | 137.7 | 137.2 | 136.1 | 136.7 | 137.2 | ...... |
| 24 Furniture and fixtures | 25 | 1.37 | 155.8 | 156.9 | 159.3 | 159.5 | 157.6 | 161.7 | 163.1 | 163.6 | 159.4 | 159.6 | 159.6 | 159.2 | ...... |
| 25 Clay, glass, stone products | 32 | 2.74 | 157.2 | 156.7 | 157.0 | 157.6 | 164.0 | 167.4 | 166.9 | 164.9 | 161.2 | 163.8 | 162.8 | 163.0 | ...... |
| 26 Primary metals | 33 | 6.57 | 119.9 | 118.3 | 122.5 | 124.9 | 132.1 | 123.4 | 120.4 | 123.7 | 121.7 | 121.0 | 124.3 | 126.5 | 124.1 |
| 27 Iron and steel | 331,2 | 4.21 | 113.2 | 113.1 | 116.5 | 118.3 | 125.3 | 113.3 | 110.8 | 116.2 | 115.8 | 114.3 | 118.1 | 118.9 | ...... |
| 28 Fabricated metal products | 34 | 5.93 | 141.6 | 141.1 | 142.8 | 143.7 | 147.1 | 149.1 | 150.8 | 150.2 | 148.8 | 150.3 | 149.4 | 149.7 | 148.0 |
| 29 Nonelectrical machinery | 35 | 9.15 | 153.6 | 152.9 | 154.7 | 155.5 | 158.1 | 161.2 | 162.9 | 164.0 | 161.8 | 164.3 | 164.5 | 165.7 | 164.9 |
| 30 Electrical machinery | 36 | 8.05 | 159.4 | 158.8 | 162.5 | 161.5 | 167.7 | 170.9 | 173.2 | 174.2 | 170.6 | 174.7 | 175.2 | 174.5 | 173.4 |
| 31 Transportation equipment | 37 | 9.27 | 132.5 | 131.4 | 133.4 | 134.2 | 142.9 | 141.2 | 139.9 | 143.7 | 131.6 | 141.9 | 139.4 | 135.0 | 123.4 |
| 32 Motor vehicles and parts | 371 | 4.50 | 169.9 | 168.9 | 171.5 | 171.6 | 182.1 | 177.9 | 173.1 | 179.7 | 156.0 | 176.3 | 169.6 | 159.5 | 136.0 |
| 33 Aerospace and miscellaneous transportation equipment | 372–9 | 4.77 | 97.2 | 96.1 | 97.5 | 98.9 | 106.0 | 106.6 | 108.6 | 109.7 | 108.6 | 109.6 | 111.0 | 111.9 | 111.5 |
| 34 Instruments | 38 | 2.11 | 167.1 | 166.2 | 167.7 | 170.3 | 173.1 | 175.2 | 176.0 | 177.3 | 176.3 | 174.7 | 175.8 | 175.4 | 175.9 |
| 35 Miscellaneous manufactures | 39 | 1.51 | 151.0 | 150.3 | 150.6 | 151.8 | 151.7 | 152.0 | 154.0 | 154.5 | 152.3 | 150.7 | 151.9 | 152.2 | 152.0 |
| | | | Gross value (billions of 1972 dollars, annual rates) | | | | | | | | | | | | |
| **MAJOR MARKET** | | | | | | | | | | | | | | | |
| **36 Products, total** | ...... | [1]507.4 | 610.2 | 609.7 | 610.8 | 613.9 | 631.1 | 626.8 | 627.3 | 636.1 | 620.8 | 632.3 | 628.5 | 624.0 | 609.5 |
| 37 Final | ...... | [1]390.9 | 471.0 | 470.8 | 471.2 | 474.0 | 486.6 | 481.7 | 482.0 | 491.0 | 476.4 | 488.2 | 485.2 | 480.3 | 466.8 |
| 38 Consumer goods | ...... | [1]277.5 | 326.6 | 326.6 | 326.0 | 327.5 | 334.1 | 328.9 | 329.4 | 334.7 | 323.9 | 331.5 | 329.8 | 326.5 | 317.2 |
| 39 Equipment | ...... | [1]113.4 | 144.4 | 144.2 | 145.1 | 146.5 | 152.4 | 152.9 | 152.6 | 156.3 | 152.5 | 156.7 | 155.4 | 153.8 | 149.6 |
| 40 Intermediate | ...... | [1]116.6 | 139.2 | 138.9 | 139.7 | 139.9 | 144.5 | 145.1 | 145.3 | 145.1 | 144.4 | 144.2 | 143.3 | 143.7 | 142.7 |

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.), December 1977.

▲ The industrial production series has been revised. For a description of the changes, see "Revision of Industrial Production Index" in the August 1979 BULLETIN, pp. 603–05.

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## 2.14 HOUSING AND CONSTRUCTION

Monthly figures are at seasonally adjusted annual rates except as noted.

| Item | 1976 | 1977 | 1978 | 1979 Jan. | Feb. | Mar. | Apr. | May r | June | July |
|---|---|---|---|---|---|---|---|---|---|---|
| | Private residential real estate activity (thousands of units) | | | | | | | | | |
| NEW UNITS | | | | | | | | | | |
| 1 Permits authorized | 1,296 | 1,677 | 1,801 | 1,442 | 1,425 | 1,621 | 1,517 | 1,618 | 1,639 | 1,521 |
| 2 1-family | 894 | 1,126 | 1,182 | 920 | 881 | 1,056 | 1,036 | 1,047 | 1,012 | 987 |
| 3 2-or-more-family | 402 | 551 | 619 | 522 | 544 | 565 | 481 | 571 | 627 | 534 |
| 4 Started | 1,538 | 1,986 | 2,019 | 1,679 | 1,381 | 1,786 | 1,745 | 1,835 | 1,935 | 1,799 |
| 5 1-family | 1,163 | 1,451 | 1,433 | 1,139 | 953 | 1,266 | 1,278 | 1,226 | 1,298 | 1,223 |
| 6 2-or-more-family | 377 | 535 | 586 | 540 | 428 | 520 | 467 | 609 | 637 | 576 |
| 7 Under construction, end of period[1] | 1,147 | 1,442 | 1,355 | 1,360 | 1,344 | 1,304 | r1,256 | 1,244 | 1,251 | n.a. |
| 8 1-family | 655 | 829 | 1,378 | 812 | 793 | 770 | r793 | 729 | 723 | n.a. |
| 9 2-or-more-family | 492 | 613 | 553 | 549 | 551 | 534 | 519 | 515 | 527 | n.a. |
| 10 Completed | 1,362 | 1,652 | 1,866 | 1,815 | 1,894 | 1,957 | 2,015 | 2,029 | 1,871 | n.a. |
| 11 1-family | 1,026 | 1,254 | 1,368 | 1,331 | 1,376 | 1,412 | 1,438 | 1,347 | 1,337 | n.a. |
| 12 2-or-more-family | 336 | 398 | 498 | 484 | 518 | 545 | 577 | 682 | 534 | n.a. |
| 13 Mobile homes shipped | 246 | 277 | 276 | 311 | 272 | 270 | 273 | 271 | 279 | 263 |
| *Merchant builder activity in 1-family units* | | | | | | | | | | |
| 14 Number sold | 639 | 819 | 817 | 774 | 697 | 784 | r709 | 709 | 695 | 819 |
| 15 Number for sale, end of period[1] | 433 | 407 | 423 | 412 | 410 | 424 | 425 | 430 | 418 | 416 |
| *Price (thousands of dollars)*[2] | | | | | | | | | | |
| Median | | | | | | | | | | |
| 16 Units sold | 44.2 | 48.9 | 55.9 | 60.3 | 61.2 | 60.4 | r62.6 | 63.0 | 64.2 | 64.0 |
| 17 Units for sale | 41.6 | 48.2 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Average | | | | | | | | | | |
| 18 Units sold | 48.1 | 54.4 | 62.7 | 67.7 | 68.7 | 68.5 | 71.1 | 71.8 | 74.1 | 72.3 |
| EXISTING UNITS (1-family) | | | | | | | | | | |
| 19 Number sold | 3,002 | 3,572 | 3,905 | 3,710 | 3,620 | 3,650 | 3,760 | 3,860 | 3,560 | 3,770 |
| *Price of units sold (thous. of dollars)*[2] | | | | | | | | | | |
| 20 Median | 38.1 | 42.9 | 48.7 | 52.0 | 51.9 | 53.8 | 54.7 | 55.9 | 56.8 | 57.9 |
| 21 Average | 42.2 | 47.9 | 55.1 | 59.8 | 59.5 | 61.8 | 62.5 | 64.2 | 66.1 | 66.7 |
| | Value of new construction[4] (millions of dollars) | | | | | | | | | |
| CONSTRUCTION | | | | | | | | | | |
| **22 Total put in place** | **148,778** | **172,552** | **202,219** | **212,195** | **210,849** | **216,824** | **216,785** | **223,239** | **224,502** | **229,993** |
| 23 Private | 110,416 | 134,723 | 157,455 | 165,768 | 169,262 | 172,820 | 171,962 | 174,847 | 178,705 | 180,027 |
| 24 Residential | 60,519 | 80,957 | 93,088 | 93,660 | 97,724 | 96,591 | 95,992 | 95,498 | 97,958 | 98,899 |
| 25 Nonresidential, total | 49,897 | 53,766 | 64,367 | 72,108 | 71,538 | 76,229 | 75,970 | 79,349 | 80,747 | 81,128 |
| Buildings | | | | | | | | | | |
| 26 Industrial | 7,182 | 7,713 | 10,762 | 12,711 | 13,401 | 15,201 | 14,034 | 14,504 | 14,697 | 15,197 |
| 27 Commercial | 12,757 | 14,789 | 18,280 | 19,775 | 18,985 | 20,990 | 21,463 | 23,601 | 23,679 | 24,491 |
| 28 Other | 6,155 | 6,200 | 6,659 | 6,764 | 6,511 | 7,071 | 7,150 | 7,141 | 7,306 | 7,441 |
| 29 Public utilities and other | 23,803 | 25,064 | 28,666 | 32,859 | 32,640 | 32,967 | 33,325 | 34,101 | 33,958 | 34,135 |
| 30 Public | 38,312 | 37,828 | 44,762 | 46,427 | 41,587 | 44,004 | 44,823 | 48,391 | 45,798 | 49,966 |
| 31 Military | 1,521 | 1,517 | 1,462 | 1,645 | 1,059 | 1,983 | 1,550 | 1,517 | 1,638 | 1,467 |
| 32 Highway | 9,439 | 9,280 | 8,627 | 10,015 | 9,037 | 9,332 | n.a. | n.a. | n.a. | n.a. |
| 33 Conservation and development | 3,751 | 3,882 | 3,697 | 4,865 | 4,476 | 4,862 | n.a. | n.a. | n.a. | n.a. |
| 34 Other[3] | 23,601 | 23,149 | 23,503 | 29,902 | 27,015 | 27,827 | n.a. | n.a. | n.a. | n.a. |

1. Not at annual rates.
2. Not seasonally adjusted.
3. Beginning January 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 those reported to the Census Bureau from 14,000 jurisdictions through 1977, and 16,000 jurisdictions beginning with 1978.

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## 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 July 1979 (1967 = 100)[3] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1978 June | 1979 July | 1978 Sept. | 1978 Dec. | 1979 Mar. | 1979 June | 1979 Mar. | 1979 Apr. | 1979 May | 1979 June | 1979 July | |
| CONSUMER PRICES[1] | | | | | | | | | | | | |
| 1 **All items** | **7.7** | **11.3** | **8.5** | **8.5** | **13.0** | **13.4** | **1.0** | **1.1** | **1.1** | **1.0** | **1.0** | **218.9** |
| 2 Commodities | 7.3 | 11.6 | 7.3 | 9.6 | 14.5 | 13.3 | 1.1 | 1.2 | .9 | 1.0 | .9 | 210.5 |
| 3 Food | 10.5 | 10.2 | 4.8 | 10.2 | 17.7 | 7.5 | 1.1 | 1.0 | .7 | .2 | .1 | 236.9 |
| 4 Commodities less food | 5.9 | 12.3 | 8.3 | 9.6 | 12.9 | 15.8 | 1.1 | 1.3 | 1.1 | 1.3 | 1..2 | 197.0 |
| 5 Durable | 6.7 | 9.9 | 9.1 | 11.3 | 10.0 | 9.1 | .5 | .9 | .5 | .8 | .7 | 192.6 |
| 6 Nondurable | 4.5 | 15.5 | 6.9 | 6.7 | 16.5 | 25.8 | 1.9 | 1.9 | 1.8 | 2.1 | 2.1 | 201.1 |
| 7 Services | 8.4 | 10.9 | 10.3 | 7.2 | 10.6 | 13.8 | .9 | .9 | 1.3 | 1.0 | 1.1 | 234.7 |
| 8 Rent | 6.9 | 7.1 | 7.3 | 7.7 | 3.6 | 8.7 | .2 | .5 | 1.0 | .5 | .8 | 175.9 |
| 9 Services less rent | 8.7 | 11.4 | 10.8 | 7.1 | 11.7 | 14.5 | 1.0 | 1.0 | 1.3 | 1.1 | 1.2 | 245.6 |
| *Other groupings* | | | | | | | | | | | | |
| 10 All items less food | 7.2 | 11.6 | 9.3 | 8.5 | 12.0 | 14.9 | 1.0 | 1.2 | 1.2 | 1.1 | 1.2 | 214.2 |
| 11 All items less food and energy | 7.3 | 9.5 | 9.7 | 7.7 | 9.3 | 11.2 | .8 | .9 | .9 | .8 | .7 | 207.3 |
| 12 Homeownership | 10.7 | 15.2 | 14.6 | 10.9 | 16.7 | 18.0 | 1.3 | 1.4 | 1.3 | 1.4 | 1.4 | 263.0 |
| PRODUCER PRICES | | | | | | | | | | | | |
| 13 Finished goods | 8.1 | 10.1 | 7.4 | 10.5 | r14.3 | r6.8 | r1.0 | r.8 | .4 | .5 | 1.1 | 215.8 |
| 14 Consumer | 8.0 | 10.6 | 7.5 | 11.1 | r16.0 | r6.1 | r1.1 | r.7 | .3 | .5 | 1.2 | 215.2 |
| 15 Foods | 9.5 | 6.7 | 4.9 | 15.3 | r21.0 | r−11.1 | r1.2 | r−.4 | −1.3 | −1.2 | 0.0 | 224.6 |
| 16 Excluding foods | 7.1 | 12.8 | 8.8 | 8.8 | r13.4 | r16.8 | r1.1 | r1.3 | 1.3 | 1.4 | 1.9 | 208.4 |
| 17 Capital equipment | 8.4 | 8.9 | 7.0 | 8.8 | r10.3 | r9.2 | r.6 | r1.0 | .7 | .5 | .8 | 216.9 |
| 18 Materials | 8.4 | 13.9 | 7.5 | 13.0 | r17.9 | r11.3 | r1.1 | r.9 | r.9 | .9 | 1.7 | 252.6 |
| 19 Intermediate[2] | 6.4 | 13.0 | 6.9 | 11.2 | r14.0 | r14.3 | r1.1 | r1.4 | 1.0 | 1.0 | 1.6 | 245.0 |
| Crude | | | | | | | | | | | | |
| 20 Nonfood | 13.9 | 21.0 | 16.9 | 19.8 | r29.2 | r22.0 | 2.2 | −.5 | 2.3 | 3.3 | 1.4 | 350.0 |
| 21 Food | 16.1 | 14.5 | 2.8 | 21.2 | r31.0 | r−7.1 | r.3 | r−.4 | −.3 | −1.2 | 2.1 | 254.1 |

1. Figures for consumer prices are those for all urban consumers.
2. Excludes intermediate materials for food manufacturing and manufactured animal feeds.
3. Not seasonally adjusted.

SOURCE. Bureau of Labor Statistics.

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## 2.16 GROSS NATIONAL PRODUCT AND INCOME

**Billions of current dollars except as noted; quarterly data are at seasonally adjusted annual rates.**

| Account | 1976 | 1977 | 1978 | 1978 | | | | 1979 | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2r |
| GROSS NATIONAL PRODUCT | | | | | | | | | |
| 1 **Total** | **1,702.2** | **1,899.5** | **2,127.6** | **2,011.3** | **2,104.2** | **2,159.6** | **2,235.2** | **2,292.1** | **2,329.4** |
| *By source* | | | | | | | | | |
| 2 Personal consumption expenditures | 1,089.9 | 1,210.0 | 1,350.8 | 1,287.2 | 1,331.2 | 1,369.3 | 1,415.4 | 1,454.2 | 1,475.2 |
| 3 Durable goods | 157.4 | 178.8 | 200.3 | 185.3 | 200.3 | 203.5 | 212.1 | 213.8 | 208.1 |
| 4 Nondurable goods | 443.9 | 481.3 | 530.6 | 505.9 | 521.8 | 536.7 | 558.1 | 571.1 | 580.8 |
| 5 Services | 488.5 | 549.8 | 619.8 | 596.0 | 609.1 | 629.1 | 645.1 | 669.3 | 686.2 |
| 6 Gross private domestic investment | 243.0 | 303.3 | 351.5 | 327.0 | 352.3 | 356.2 | 370.5 | 373.8 | 395.7 |
| 7 Fixed investment | 233.0 | 281.3 | 329.1 | 304.1 | 326.5 | 336.1 | 349.8 | 354.6 | 361.1 |
| 8 Nonresidential | 164.9 | 189.4 | 221.1 | 203.7 | 218.8 | 225.9 | 236.1 | 243.4 | 247.6 |
| 9 Structures | 57.3 | 62.6 | 76.5 | 66.9 | 75.2 | 79.7 | 84.4 | 84.9 | 89.9 |
| 10 Producers' durable equipment | 107.6 | 126.8 | 144.6 | 136.8 | 143.6 | 146.3 | 151.8 | 158.5 | 157.7 |
| 11 Residential structures | 68.1 | 91.9 | 108.0 | 100.5 | 107.7 | 110.2 | 113.7 | 111.2 | 113.5 |
| 12 Nonfarm | 65.7 | 88.8 | 104.4 | 96.8 | 104.3 | 106.4 | 110.0 | 107.8 | 109.7 |
| 13 Change in business inventories | 10.0 | 21.9 | 22.3 | 22.8 | 25.8 | 20.0 | 20.6 | 19.1 | 34.6 |
| 14 Nonfarm | 12.1 | 20.7 | 21.3 | 22.0 | 25.3 | 18.5 | 19.3 | 18.8 | 33.8 |
| 15 Net exports of goods and services | 8.0 | −9.9 | −10.3 | −22.2 | −7.6 | −6.8 | −4.5 | 4.0 | −7.6 |
| 16 Exports | 163.3 | 175.9 | 207.2 | 184.4 | 205.7 | 213.8 | 224.9 | 238.5 | 244.0 |
| 17 Imports | 155.4 | 185.8 | 217.5 | 206.6 | 213.3 | 220.6 | 229.4 | 234.4 | 251.6 |
| 18 Government purchases of goods and services | 361.3 | 396.2 | 435.6 | 419.4 | 428.3 | 440.9 | 453.8 | 460.1 | 466.1 |
| 19 Federal | 129.7 | 144.4 | 152.6 | 150.9 | 148.2 | 152.3 | 159.0 | 163.6 | 161.5 |
| 20 State and local | 231.6 | 251.8 | 283.0 | 268.5 | 280.1 | 288.6 | 294.8 | 296.5 | 304.6 |
| *By major type of product* | | | | | | | | | |
| 21 Final sales, total | 1,692.1 | 1,877.6 | 2,105.2 | 1,988.5 | 2,078.4 | 2,139.5 | 2,214.5 | 2,272.9 | 2,294.7 |
| 22 Goods | 762.7 | 842.2 | 930.0 | 873.0 | 922.5 | 940.9 | 983.8 | 1,011.8 | 1,017.4 |
| 23 Durable | 305.9 | 345.9 | 380.4 | 358.7 | 378.0 | 382.6 | 402.3 | 425.5 | 421.3 |
| 24 Nondurable | 456.8 | 496.3 | 549.6 | 514.3 | 544.5 | 558.3 | 581.6 | 586.2 | 596.1 |
| 25 Services | 776.7 | 866.4 | 969.3 | 934.1 | 956.2 | 981.7 | 1,005.3 | 1,041.4 | 1,064.5 |
| 26 Structures | 162.7 | 190.9 | 228.2 | 204.2 | 225.6 | 237.0 | 246.0 | 238.9 | 247.4 |
| 27 Change in business inventories | 10.0 | 21.9 | 22.3 | 22.8 | 25.8 | 20.0 | 20.6 | 19.1 | 34.6 |
| 28 Durable goods | 5.3 | 11.9 | 13.9 | 18.6 | 13.1 | 10.3 | 13.4 | 18.4 | 25.3 |
| 29 Nondurable goods | 4.7 | 10.0 | 8.4 | 4.2 | 12.7 | 9.7 | 7.2 | .7 | 9.3 |
| 30 **MEMO: Total GNP in 1972 dollars** | **1,273.0** | **1,340.5** | **1,399.2** | **1,367.8** | **1,395.2** | **1,407.3** | **1,426.6** | **1,430.6** | **1,422.1** |
| NATIONAL INCOME | | | | | | | | | |
| 31 **Total** | **1,359.8** | **1,525.8** | **1,724.3** | **1,621.0** | **1,703.9** | **1,752.5** | **1,820.0** | **1,869.0** | **1,897.0** |
| 32 Compensation of employees | 1,037.8 | 1,156.9 | 1,304.5 | 1,244.0 | 1,288.2 | 1,321.1 | 1,364.8 | 1,411.2 | 1,439.4 |
| 33 Wages and salaries | 890.0 | 984.0 | 1,103.5 | 1,052.0 | 1,090.0 | 1,117.4 | 1,154.7 | 1,189.4 | 1,211.3 |
| 34 Government and government enterprises | 188.0 | 201.3 | 218.0 | 212.3 | 215.3 | 219.2 | 225.1 | 228.1 | 231.2 |
| 35 Other | 702.0 | 782.7 | 885.5 | 839.7 | 874.6 | 898.1 | 929.6 | 961.3 | 980.1 |
| 36 Supplement to wages and salaries | 147.8 | 172.9 | 201.0 | 192.0 | 198.3 | 203.7 | 210.1 | 221.8 | 228.2 |
| 37 Employer contributions for social insurance | 70.4 | 81.2 | 94.6 | 91.0 | 93.6 | 95.5 | 98.2 | 105.8 | 107.8 |
| 38 Other labor income | 77.4 | 91.8 | 106.5 | 101.1 | 104.7 | 108.2 | 111.9 | 116.0 | 120.3 |
| 39 Proprietors' income[1] | 89.3 | 100.2 | 116.8 | 109.1 | 115.0 | 117.4 | 125.7 | 129.0 | 129.2 |
| 40 Business and professional[1] | 71.0 | 80.5 | 89.1 | 83.4 | 87.3 | 91.3 | 94.4 | 94.8 | 95.5 |
| 41 Farm[1] | 18.3 | 19.6 | 27.7 | 25.7 | 27.7 | 26.1 | 31.3 | 34.2 | 33.7 |
| 42 Rental income of persons[2] | 22.1 | 24.7 | 25.9 | 25.2 | 24.4 | 26.8 | 27.1 | 27.3 | 26.8 |
| 43 Corporate profits[1] | 126.8 | 150.0 | 167.7 | 141.2 | 169.4 | 175.2 | 184.8 | 178.9 | 175.5 |
| 44 Profits before tax[3] | 156.0 | 177.1 | 206.0 | 177.5 | 207.2 | 212.0 | 227.4 | 233.3 | 226.9 |
| 45 Inventory valuation adjustment | −14.6 | −15.2 | −25.2 | −23.9 | −25.1 | −23.0 | −28.8 | −39.9 | −36.6 |
| 46 Capital consumption adjustment | −14.5 | −12.0 | −13.1 | −12.4 | −12.6 | −13.8 | −13.8 | −14.5 | −14.7 |
| 47 Net interest | 83.8 | 94.0 | 109.5 | 101.5 | 106.8 | 111.9 | 117.6 | 122.6 | 126.0 |

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustments.
3. For after-tax profits, dividends, and the like, see table 1.50.

SOURCE. *Survey of Current Business* (U.S. Dept. of Commerce).

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## 2.17 PERSONAL INCOME AND SAVING

Billions of current dollars; quarterly data are at seasonally adjusted annual rates. Exceptions noted.

| Account | 1976 | 1977 | 1978 | 1978 | | | | 1979 | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2[r] |
| PERSONAL INCOME AND SAVING | | | | | | | | | |
| 1 **Total personal income** | **1,381.6** | **1,531.6** | **1,717.4** | **1,634.8** | **1,689.3** | **1,742.5** | **1,803.1** | **1,852.6** | **1,892.8** |
| 2 Wage and salary disbursements | 890.0 | 984.0 | 1,103.3 | 1,052.0 | 1,090.0 | 1,116.8 | 1,154.3 | 1,189.3 | 1,212.1 |
| 3 Commodity-producing industries | 307.2 | 343.1 | 387.4 | 363.9 | 383.4 | 393.7 | 408.6 | 423.0 | 431.8 |
| 4 Manufacturing | 237.4 | 266.0 | 298.3 | 285.6 | 294.1 | 300.8 | 312.7 | 324.8 | 328.5 |
| 5 Distributive industries | 216.3 | 239.1 | 269.4 | 257.6 | 265.9 | 272.5 | 281.6 | 291.1 | 295.6 |
| 6 Service industries | 178.5 | 200.5 | 228.7 | 218.2 | 225.4 | 231.9 | 239.4 | 247.2 | 252.7 |
| 7 Government and government enterprises | 188.0 | 201.3 | 217.8 | 212.3 | 215.3 | 218.7 | 224.7 | 228.0 | 232.1 |
| 8 Other labor income | 77.4 | 91.8 | 106.5 | 101.1 | 104.7 | 108.2 | 111.9 | 116.0 | 120.3 |
| 9 Proprietors' income[1] | 89.3 | 100.2 | 116.8 | 109.1 | 115.0 | 117.4 | 125.7 | 129.0 | 129.2 |
| 10 Business and professional[1] | 71.0 | 80.5 | 89.1 | 83.4 | 87.3 | 91.3 | 94.4 | 94.8 | 95.5 |
| 11 Farm[1] | 18.3 | 19.6 | 27.7 | 25.7 | 27.7 | 26.1 | 31.3 | 34.2 | 33.7 |
| 12 Rental income of persons[2] | 22.1 | 24.7 | 25.9 | 25.2 | 24.4 | 26.8 | 27.1 | 27.3 | 26.8 |
| 13 Dividends | 37.5 | 42.1 | 47.2 | 45.1 | 46.0 | 47.8 | 49.7 | 51.5 | 52.3 |
| 14 Personal interest income | 127.0 | 141.7 | 163.3 | 152.2 | 159.4 | 167.2 | 174.3 | 181.0 | 188.1 |
| 15 Transfer payments | 193.8 | 208.4 | 224.1 | 217.4 | 218.8 | 228.3 | 231.8 | 237.3 | 243.7 |
| 16 Old-age survivors, disability, and health insurance benefits | 92.9 | 105.0 | 116.3 | 111.4 | 112.4 | 119.8 | 121.5 | 123.8 | 127.1 |
| 17 LESS: Personal contributions for social insurance | 55.6 | 61.3 | 69.6 | 67.3 | 69.0 | 70.2 | 71.8 | 78.7 | 79.8 |
| 18 EQUALS: Personal income | 1,381.6 | 1,531.6 | 1,717.4 | 1,634.8 | 1,689.3 | 1,742.5 | 1,803.1 | 1,852.6 | 1,892.8 |
| 19 LESS: Personal tax and nontax payments | 197.1 | 226.4 | 259.0 | 239.8 | 252.1 | 266.0 | 278.2 | 280.4 | 290.7 |
| 20 EQUALS: Disposable personal income | 1,184.5 | 1,305.1 | 1,458.4 | 1,395.0 | 1,437.3 | 1,476.5 | 1,524.8 | 1,572.2 | 1,602.1 |
| 21 LESS: Personal outlays | 1,115.9 | 1,240.2 | 1,386.4 | 1,320.4 | 1,366.1 | 1,405.6 | 1,453.4 | 1,493.0 | 1,515.3 |
| 22 EQUALS: Personal saving | 68.9 | 65.0 | 72.0 | 74.6 | 71.2 | 70.9 | 71.5 | 79.2 | 86.8 |
| MEMO: | | | | | | | | | |
| Per capita (1972 dollars) | | | | | | | | | |
| 23 Gross national product | 5,916 | 6,181 | 6,402 | 6,277 | 6,392 | 6,433 | 6,506 | 6,514 | 6,459 |
| 24 Personal consumption expenditures | 3,813 | 3,974 | 4,121 | 4,051 | 4,099 | 4,138 | 4,197 | 4,197 | 4,155 |
| 25 Disposable personal income | 4,144 | 4,285 | 4,449 | 4,390 | 4,426 | 4,462 | 4,522 | 4,536 | 4,513 |
| 26 Saving rate (percent) | 5.8 | 5.0 | 4.9 | 5.3 | 5.0 | 4.8 | 4.7 | 5.0 | 5.4 |
| GROSS SAVING | | | | | | | | | |
| 27 **Gross private saving** | 271.9 | 295.6 | 324.9 | 308.9 | 324.2 | 330.4 | 336.1 | 345.2 | 360.8 |
| 28 Personal saving | 68.6 | 65.0 | 72.0 | 74.6 | 71.2 | 70.9 | 71.5 | 79.2 | 86.8 |
| 29 Undistributed corporate profits[1] | 25.5 | 35.2 | 36.0 | 25.3 | 38.7 | 40.0 | 40.1 | 36.1 | 35.0 |
| 30 Corporate inventory valuation adjustment | −14.6 | −15.2 | −25.2 | −23.9 | −25.1 | −23.0 | −28.8 | −39.9 | −36.6 |
| *Capital consumption allowances* | | | | | | | | | |
| 31 Corporate | 111.6 | 121.3 | 132.9 | 128.9 | 131.7 | 134.3 | 136.8 | 139.9 | 145.1 |
| 32 Noncorporate | 66.1 | 74.1 | 84.0 | 80.2 | 82.7 | 85.2 | 87.7 | 89.9 | 93.9 |
| 33 Wage accruals less disbursements | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 34 Government surplus, or deficit (−), national income and product accounts | −35.7 | −19.5 | −.3 | −19.2 | 5.0 | 2.3 | 10.8 | 15.8 | 12.4 |
| 35 Federal | −53.6 | −46.3 | −27.7 | −49.4 | −24.6 | −20.4 | −16.3 | −11.7 | −7.5 |
| 36 State and local | 17.9 | 26.8 | 27.4 | 30.2 | 29.6 | 22.7 | 27.1 | 27.6 | 19.9 |
| 37 Capital grants received by the United States, net | ........ | ........ | ........ | ........ | ........ | ........ | ........ | 1.1 | 1.1 |
| 38 Investment | 242.3 | 283.6 | 327.9 | 292.7 | 331.5 | 336.5 | 351.0 | 362.8 | 373.9 |
| 39 Gross private domestic | 243.0 | 303.3 | 351.5 | 327.0 | 352.3 | 356.2 | 370.5 | 373.8 | 395.7 |
| 40 Net foreign | −.1 | −19.6 | −23.5 | −34.2 | −20.8 | −19.6 | −19.4 | −11.0 | −21.9 |
| 41 Statistical discrepancy | 6.1 | 7.5 | 3.3 | 3.0 | 2.3 | 3.9 | 4.1 | .6 | −.5 |

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.

SOURCE. *Survey of Current Business* (U.S. Dept. of Commerce).

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## 3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data are seasonally adjusted except as noted.[1]

| | Item credits or debits | 1976 | 1977 | 1978 | 1978 Q1 | 1978 Q2 | 1978 Q3 | 1978 Q4 | 1979 Q1 |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Balance on current account | 4,605 | −14,092 | −13,895 | −6,935 | −3,426 | −3,227 | −313 | 157 |
| 2 | Not seasonally adjusted | ........ | ........ | ........ | −5,805 | −2,858 | −5,955 | 722 | 1,475 |
| 3 | Merchandise trade balance[2] | −9,306 | −30,873 | −34,187 | −11,899 | −7,907 | −8,012 | −6,369 | −6,098 |
| 4 | Merchandise exports | 114,745 | 120,816 | 141,884 | 30,811 | 35,267 | 36,491 | 39,315 | 41,350 |
| 5 | Merchandise imports | −124,051 | −151,689 | −176,071 | −42,710 | −43,174 | −44,503 | −45,684 | −47,448 |
| 6 | Military transactions, net | 674 | 1,679 | 492 | 244 | 237 | 247 | −239 | −125 |
| 7 | Investment income, net[3] | 15,975 | 17,989 | 21,645 | 5,239 | 4,854 | 4,952 | 6,599 | 6,776 |
| 8 | Other service transactions, net | 2,260 | 1,783 | 3,241 | 708 | 703 | 819 | 1,010 | 933 |
| 9 | MEMO: Balance on goods and services[3,4] | 9,603 | −9,423 | −8,809 | −5,707 | −2,113 | −1,994 | 1,001 | 1,486 |
| 10 | Remittances, pensions, and other transfers | −1,851 | −1,895 | −1,934 | −463 | −486 | −463 | −524 | −525 |
| 11 | U.S. government grants (excluding military) | −3,146 | −2,775 | −3,152 | −765 | −827 | −770 | −790 | −804 |
| 12 | Change in U.S. government assets, other than official reserve assets, net (increase, −) | −4,214 | −3,693 | −4,656 | −1,009 | −1,263 | −1,390 | −994 | −1,096 |
| 13 | Change in U.S. official reserve assets (increase, −) | −2,558 | −375 | 732 | 187 | 248 | 115 | 182 | −3,589 |
| 14 | Gold | 0 | −118 | −65 | 0 | 0 | 0 | −65 | 0 |
| 15 | Special drawing rights (SDRs) | −78 | −121 | 1,249 | −16 | −104 | −43 | 1,412 | −1,142 |
| 16 | Reserve position in International Monetary Fund | −2,212 | −294 | 4,231 | 324 | 437 | 195 | 3,275 | −86 |
| 17 | Foreign currencies | −268 | 158 | −4,683 | −121 | −85 | −37 | −4,440 | −2,361 |
| 18 | Change in U.S. private assets abroad (increase, −)[3] | −44,498 | −31,725 | −57,033 | −14,366 | −4,451 | −8,774 | −29,442 | −1,473 |
| 19 | Bank-reported claims | −21,368 | −11,427 | −33,023 | −6,270 | 715 | −5,488 | −21,980 | 5,836 |
| 20 | Nonbank-reported claims | −2,296 | −1,940 | −3,853 | −2,241 | 315 | −29 | −1,898 | n.a. |
| 21 | Long-term | −42 | −99 | −53 | −63 | 78 | 61 | −129 | n.a. |
| 22 | Short-term | −2,254 | −1,841 | −3,800 | −2,178 | 237 | −90 | −1,769 | n.a. |
| 23 | U.S. purchase of foreign securities, net | −8,885 | −5,460 | −3,487 | −999 | −1,095 | −475 | −918 | −1,056 |
| 24 | U.S. direct investments abroad, net[3] | −11,949 | −12,898 | −16,670 | −4,856 | −4,386 | −2,782 | −4,646 | −6,253 |
| 25 | Change in foreign official assets in the United States (increase, +) | 17,573 | 36,656 | 33,758 | 15,618 | −5,265 | 4,641 | 18,764 | −8,490 |
| 26 | U.S. Treasury securities | 9,319 | 30,230 | 23,542 | 12,904 | −5,813 | 3,029 | 13,422 | −8,871 |
| 27 | Other U.S. government obligations | 573 | 2,308 | 656 | 117 | 211 | 443 | −115 | −5 |
| 28 | Other U.S. government liabilities[5] | 4,507 | 1,240 | 2,754 | 723 | −136 | 122 | 2,045 | 19 |
| 29 | Other U.S. liabilities reported by U.S. banks | 969 | 773 | 5,411 | 1,456 | −164 | 963 | 3,156 | 153 |
| 30 | Other foreign official assets[6] | 2,205 | 2,105 | 1,395 | 418 | 637 | 84 | 256 | 215 |
| 31 | Change in foreign private assets in the United States (increase, +)[3] | 18,826 | 14,167 | 29,956 | 2,557 | 6,207 | 10,717 | 10,475 | 12,832 |
| 32 | U.S. bank-reported liabilities | 10,990 | 6,719 | 16,975 | −404 | 1,865 | 7,958 | 7,556 | 8,124 |
| 33 | U.S. nonbank-reported liabilities | −578 | 473 | 1,640 | 498 | 315 | 1,004 | −177 | n.a. |
| 34 | Long-term | −1,000 | −520 | −194 | 28 | −63 | 86 | −245 | n.a. |
| 35 | Short-term | 422 | 993 | 1,834 | 470 | 378 | 918 | 68 | n.a. |
| 36 | Foreign private purchases of U.S. Treasury securities, net | 2,783 | 534 | 2,180 | 881 | 803 | −1,053 | 1,549 | 2,586 |
| 37 | Foreign purchases of other U.S. securities, net | 1,284 | 2,713 | 2,867 | 453 | 1,347 | 528 | 540 | 790 |
| 38 | Foreign direct investments in the United States, net[3] | 4,347 | 3,728 | 6,294 | 1,130 | 1,877 | 2,280 | 1,008 | 1,332 |
| 39 | Allocation of SDRs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,139 |
| 40 | Discrepancy | 10,265 | −937 | 11,139 | 3,947 | 7,950 | −2,082 | 1,328 | 519 |
| 41 | Owing to seasonal adjustments | ........ | ........ | ........ | 901 | 517 | −2,716 | 1,301 | 999 |
| 42 | Statistical discrepancy in recorded data before seasonal adjustment | 10,265 | −937 | 11,139 | 3,046 | 7,433 | 634 | 27 | −480 |
| | MEMO: Changes in official assets | | | | | | | | |
| 43 | U.S. official reserve assets (increase, −) | −2,558 | −375 | 732 | 187 | 248 | 115 | 182 | −3,589 |
| 44 | Foreign official assets in the United States (increase, +) | 13,066 | 35,416 | 31,004 | 14,895 | −5,129 | 4,519 | 16,719 | −8,508 |
| 45 | Changes in Organization of Petroleum Exporting Countries official assets in the United States (part of line 25 above) | 9,581 | 6,351 | −727 | 1,969 | −2,705 | −1,794 | 1,803 | −1,059 |
| 46 | Transfers under military grant programs (excluded from lines 4, 6, and 11 above) | 373 | 204 | 259 | 76 | 50 | 69 | 63 | 33 |

1. Seasonal factors are no longer calculated for lines 13 through 46.
2. Data are on an international accounts (IA) basis. Differs from the census basis primarily because the IA basis includes imports into the U.S. Virgin Islands, and it excludes military exports, which are part of line 6.
3. Includes reinvested earnings of incorporated affiliates.
4. Differs from the definition of "net exports of goods and services" in the national income and product (GNP) account. The GNP definition makes various adjustments to merchandise trade and service transactions.
5. Primarily associated with military sales contracts and other transactions arranged with or through foreign official agencies.
6. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

NOTE. Data are from Bureau of Economic Analysis, *Survey of Current Business* (U.S. Department of Commerce).

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## 3.11 U.S. FOREIGN TRADE

Millions of dollars; monthly data are seasonally adjusted.

| Item | 1976 | 1977 | 1978 | 1979 Jan. | Feb. | Mar. | Apr. | May | June | July |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments | 115,156 | 121,150 | 143,574 | 13,132 | 13,507 | 14,452 | 13,883 | 13,862 | 15,037 | 15,669 |
| 2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses | 121,009 | 147,685 | 172,026 | 16,231 | 14,806 | r15,274 | 16,036 | 16,342 | 16,937 | 16,777 |
| 3 Trade balance | −5,853 | −26,535 | −28,452 | −3,099 | −1,299 | −822 | −2,153 | −2,480 | −1,900 | −1,108 |

NOTE. Bureau of Census data reported on a free-alongside-ship (f.a.s.) value basis. Effective January 1978, major changes were made in coverage, reporting, and compiling procedures. The international-accounts-basis data adjust the Census basis data for reasons of coverage and timing. On the *export side*, the largest adjustments are: (a) the addition of exports to Canada not covered in Census statistics, and (b) the exclusion of military exports (which are combined with other military transactions and are reported separately in the "service account"). On the *import side*, the largest single adjustment is the addition of imports into the Virgin Islands (largely oil for a refinery on St. Croix), which are not included in Census statistics.

SOURCE. FT 900 "Summary of U.S. Export and Import Merchandise Trade" (U.S. Department of Commerce, Bureau of the Census).

## 3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

| Type | 1976 | 1977 | 1978 | 1979 Feb. | Mar. | Apr. | May | June | July | Aug.p |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 Total[1] | **18,747** | **19,312** | **18,650** | **20,292** | **21,658** | **21,403** | **22,230** | **21,246** | **20,023** | **20,023** |
| 2 Gold stock, including Exchange Stabilization Fund[2] | 11,598 | 11,719 | 11,671 | 11,544 | 11,479 | 11,418 | 11,354 | 11,323 | 11,290 | 11,259 |
| 3 Special drawing rights[1, 3] | 2,395 | 2,629 | 1,558 | 2,672 | 2,667 | 2,602 | 2,624 | 2,670 | 2,690 | 2,689 |
| 4 Reserve position in International Monetary Fund[1] | 4,434 | 4,946 | 1,047 | 1,120 | 1,121 | 1,097 | 1,193 | 1,204 | 1,200 | 1,277 |
| 5 Foreign currencies[4] | 320 | 18 | 4,374 | 4,956 | 6,391 | 6,286 | 7,059 | 6,049 | 4,843 | 4,798 |

1. 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.
2. Gold held under earmark at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.24.
3. Includes allocations by the International Monetary Fund of SDRs as follows: $867 million on Jan. 1, 1970; $717 million on Jan. 1, 1971; $710 million on Jan. 1, 1972; and $1,139 million on Jan. 1, 1979; plus net transactions in SDRs.
4. Beginning November 1978, valued at current market exchange rates.

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## 3.13 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data

Millions of dollars, end of period

| Asset account | 1975 | 1976 | 1977 | 1978[2] | 1979 Jan. | Feb. | Mar. | Apr. | May | June[p] |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | **All foreign countries** | | | | | |
| 1 **Total, all currencies** | **176,493** | **219,420** | **258,897** | **r306,795** | **r296,453** | **r296,812** | **r307,517** | **r303,631** | **310,126** | **326,486** |
| 2 Claims on United States | 6,743 | 7,889 | 11,623 | r17,340 | r16,208 | r16,072 | r22,888 | r19,957 | 23,801 | 29,204 |
| 3 Parent bank | 3,665 | 4,323 | 7,806 | r12,811 | r11,657 | r11,195 | r17,294 | r14,231 | 17,192 | 22,572 |
| 4 Other | 3,078 | 3,566 | 3,817 | 4,529 | 4,551 | 4,877 | 5,594 | r5,726 | 6,609 | 6,632 |
| 5 Claims on foreigners | 163,391 | 204,486 | 238,848 | 278,135 | r268,569 | r268,501 | r271,665 | r270,786 | 274,019 | 284,165 |
| 6 Other branches of parent bank | 34,508 | 45,955 | 55,772 | r70,338 | r66,934 | r64,518 | r65,256 | r64,076 | 65,900 | 69,779 |
| 7 Banks | 69,206 | 83,765 | 91,883 | r103,111 | r98,126 | r99,587 | r101,691 | r101,622 | 103,074 | 106,884 |
| 8 Public borrowers[1] | 5,792 | 10,613 | 14,634 | r23,737 | r23,768 | r24,586 | 24,895 | r24,828 | 24,689 | 24,891 |
| 9 Nonbank foreigners | 53,886 | 64,153 | 76,560 | 80,949 | r79,741 | r79,810 | r79,823 | r80,260 | 80,356 | 82,611 |
| 10 Other assets | 6,359 | 7,045 | 8,425 | 11,320 | r11,676 | r12,239 | r12,964 | r12,888 | 12,306 | 13,117 |
| 11 **Total payable in U.S. dollars** | **132,901** | **167,695** | **193,764** | **r224,940** | **r215,543** | **r214,486** | **r224,346** | **r221,799** | **227,462** | **237,668** |
| 12 Claims on United States | 6,408 | 7,595 | 11,049 | r16,382 | r15,374 | r15,137 | r22,023 | r18,987 | 22,853 | 28,134 |
| 13 Parent bank | 3,628 | 4,264 | 7,692 | r12,625 | r11,464 | r10,965 | r17,102 | r13,992 | 17,010 | 22,318 |
| 14 Other | 2,780 | 3,332 | 3,357 | 3,757 | 3,910 | r4,172 | r4,921 | r4,995 | 5,843 | 5,816 |
| 15 Claims on foreigners | 123,496 | 156,896 | 178,896 | 203,498 | r194,767 | r193,635 | r196,396 | r196,306 | 198,433 | 203,193 |
| 16 Other branches of parent bank | 28,478 | 37,909 | 44,256 | r55,408 | r52,020 | r49,864 | r50,077 | 49,615 | 50,738 | 53,314 |
| 17 Banks | 55,319 | 66,331 | 70,786 | r78,686 | r73,864 | r74,785 | r77,144 | r77,436 | 78,897 | 80,702 |
| 18 Public borrowers[1] | 4,864 | 9,022 | 12,632 | 19,567 | 19,818 | 20,338 | 21,091 | r20,851 | 20,814 | 20,549 |
| 19 Nonbank foreigners | 34,835 | 43,634 | 51,222 | 49,837 | r49,065 | 48,648 | 48,084 | r48,404 | 47,984 | 48,628 |
| 20 Other assets | 2,997 | 3,204 | 3,820 | 5,060 | r5,402 | r5,714 | r5,927 | r6,506 | 6,176 | 6,341 |
| | | | | | **United Kingdom** | | | | | |
| 21 **Total, all currencies** | **74,883** | **81,466** | **90,933** | **106,593** | **100,786** | **101,179** | **102,144** | **102,876** | **104,915** | **112,881** |
| 22 Claims on United States | 2,392 | 3,354 | 4,341 | 5,370 | 3,960 | 3,912 | 5,019 | 5,268 | 6,303 | 7,517 |
| 23 Parent bank | 1,449 | 2,376 | 3,518 | 4,448 | 2,930 | 2,689 | 3,544 | 3,679 | 4,410 | 5,495 |
| 24 Other | 943 | 978 | 823 | 922 | 1,030 | 1,223 | 1,475 | 1,589 | 1,893 | 2,022 |
| 25 Claims on foreigners | 70,331 | 75,859 | 84,016 | 98,137 | 93,690 | 94,032 | 93,840 | 94,120 | 95,266 | 101,668 |
| 26 Other branches of parent bank | 17,557 | 19,753 | 22,017 | 27,830 | 25,911 | 24,474 | 24,911 | 24,435 | 25,248 | 29,158 |
| 27 Banks | 35,904 | 38,089 | 39,899 | 45,013 | 42,531 | 44,032 | 42,964 | 43,308 | 43,657 | 44,800 |
| 28 Public borrowers[1] | 881 | 1,274 | 2,206 | 4,522 | 4,549 | 4,548 | 4,608 | 4,547 | 4,579 | 4,872 |
| 29 Nonbank foreigners | 15,990 | 16,743 | 19,895 | 20,772 | 20,699 | 20,978 | 21,357 | 21,830 | 21,782 | 22,838 |
| 30 Other assets | 2,159 | 2,253 | 2,576 | 3,086 | 3,136 | 3,235 | 3,285 | 3,488 | 3,346 | 3,696 |
| 31 **Total payable in U.S. dollars** | **57,361** | **61,587** | **66,635** | **75,860** | **70,502** | **70,525** | **71,499** | **72,015** | **73,480** | **78,155** |
| 32 Claims on United States | 2,273 | 3,275 | 4,100 | 5,113 | 3,738 | 3,618 | 4,710 | 4,946 | 5,981 | 7,058 |
| 33 Parent bank | 1,445 | 2,374 | 3,431 | 4,386 | 2,878 | 2,610 | 3,488 | 3,612 | 4,374 | 5,386 |
| 34 Other | 828 | 902 | 669 | 727 | 860 | 1,008 | 1,222 | 1,334 | 1,607 | 1,672 |
| 35 Claims on foreigners | 54,121 | 57,488 | 61,408 | 69,416 | 65,364 | 65,416 | 65,214 | 65,356 | 65,968 | 69,426 |
| 36 Other branches of parent bank | 15,645 | 17,249 | 18,947 | 22,838 | 21,171 | 19,884 | 20,370 | 19,866 | 20,505 | 23,999 |
| 37 Banks | 28,224 | 28,983 | 28,530 | 31,482 | 29,113 | 30,185 | 29,393 | 29,924 | 30,211 | 29,803 |
| 38 Public borrowers[1] | 648 | 846 | 1,669 | 3,317 | 3,342 | 3,414 | 3,523 | 3,429 | 3,331 | 3,396 |
| 39 Nonbank foreigners | 9,604 | 10,410 | 12,263 | 11,779 | 11,738 | 11,933 | 11,928 | 12,137 | 11,921 | 12,228 |
| 40 Other assets | 967 | 824 | 1,126 | 1,331 | 1,400 | 1,491 | 1,575 | 1,713 | 1,531 | 1,671 |
| | | | | | **Bahamas and Caymans** | | | | | |
| 41 **Total, all currencies** | **45,203** | **66,774** | **79,052** | **r91,735** | **r88,767** | **r88,999** | **r97,509** | **r93,832** | **97,317** | **103,322** |
| 42 Claims on United States | 3,229 | 3,508 | 5,782 | r9,635 | r10,621 | r10,000 | r15,774 | r12,859 | 15,635 | 19,913 |
| 43 Parent bank | 1,477 | 1,141 | 3,051 | r6,429 | r7,514 | r6,786 | r12,158 | r9,332 | 11,519 | 15,896 |
| 44 Other | 1,752 | 2,367 | 2,731 | 3,206 | 3,107 | 3,214 | 3,616 | r3,527 | 4,116 | 4,017 |
| 45 Claims on foreigners | 41,040 | 62,048 | 71,671 | 79,774 | 75,792 | 76,507 | 79,057 | r77,992 | 78,859 | 80,597 |
| 46 Other branches of parent bank | 5,411 | 8,144 | 11,120 | r12,904 | r11,475 | 11,841 | 12,086 | 11,756 | 11,886 | 11,725 |
| 47 Banks | 16,298 | 25,354 | 27,939 | r33,677 | r31,640 | 31,534 | 33,821 | 33,524 | 34,056 | 36,025 |
| 48 Public borrowers[1] | 3,576 | 7,105 | 9,109 | 11,514 | 11,392 | 12,125 | 12,573 | 12,360 | 12,702 | 12,502 |
| 49 Nonbank foreigners | 15,756 | 21,445 | 23,503 | 21,679 | 21,285 | 21,007 | 20,577 | r20,352 | 20,215 | 20,345 |
| 50 Other assets | 933 | 1,217 | 1,599 | 2,326 | 2,354 | 2,492 | 2,678 | 2,981 | 2,823 | 2,812 |
| 51 **Total payable in U.S. dollars** | **41,887** | **62,705** | **73,987** | **r85,417** | **r82,423** | **r82,616** | **r91,184** | **r87,875** | **91,089** | **96,963** |

For notes see opposite page.

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3.13 Continued

| Liability account | 1975 | 1976 | 1977 | 1978[2] | 1979 Jan. | Feb. | Mar. | Apr. | May | June[p] |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | **All foreign countries** | | | | | |
| 52 **Total, all currencies** | **176,493** | **219,420** | **258,897** | **r306,795** | **r296,453** | **r296,812** | **r307,517** | **r303,631** | **310,126** | **326,486** |
| 53 To United States | 20,221 | 32,719 | 44,154 | r57,948 | r53,349 | r54,731 | r56,447 | r56,039 | 56,975 | 61,030 |
| 54 Parent bank | 12,165 | 19,773 | 24,542 | r28,564 | r25,445 | r24,529 | r21,484 | r23,992 | 22,771 | 19,536 |
| 55 Other banks in United States | 8,057 | 12,946 | 19,613 | 12,338 | 8,200 | 9,196 | 12,544 | r9,884 | 9,900 | 14,919 |
| 56 Nonbanks | | | | 17,046 | r19,704 | 21,006 | r22,419 | r22,163 | 24,304 | 26,575 |
| 57 Foreigners | 149,815 | 179,954 | 206,579 | 238,912 | r233,108 | r232,121 | r240,804 | r237,217 | 241,976 | 253,581 |
| 58 Other branches of parent bank | 34,111 | 44,370 | 53,244 | 67,496 | r64,993 | r62,400 | r62,422 | r61,973 | 63,698 | 66,622 |
| 59 Banks | 72,259 | 83,880 | 94,140 | 97,711 | r93,006 | r94,305 | r102,338 | r100,140 | 101,698 | 108,832 |
| 60 Official institutions | 22,773 | 25,829 | 28,110 | 31,936 | 31,137 | 32,028 | r34,275 | r33,006 | 34,107 | 34,567 |
| 61 Nonbank foreigners | 20,672 | 25,877 | 31,085 | 41,769 | r43,972 | r43,388 | r41,769 | r42,098 | 42,473 | 43,560 |
| 62 Other liabilities | 6,456 | 6,747 | 8,163 | 9,935 | r9,996 | r9,960 | r10,266 | r10,375 | 11,175 | 11,875 |
| 63 **Total payable in U.S. dollars** | **135,907** | **173,071** | **198,572** | **r230,810** | **r221,270** | **r220,948** | **r229,600** | **r226,362** | **231,387** | **242,795** |
| 64 To United States | 19,503 | 31,932 | 42,881 | r55,811 | r51,313 | r52,577 | r54,357 | r54,070 | 54,843 | 58,490 |
| 65 Parent bank | 11,939 | 19,559 | 24,213 | r27,493 | r24,462 | r23,523 | r20,452 | r23,048 | 21,834 | 18,514 |
| 66 Other banks in United States | 7,564 | 12,373 | 18,669 | 12,084 | 7,939 | 8,855 | 12,299 | 9,681 | 9,667 | 14,621 |
| 67 Nonbanks | | | | 16,234 | r18,912 | 20,199 | 21,606 | r21,341 | 23,342 | 25,355 |
| 68 To foreigners | 112,879 | 137,612 | 151,363 | 169,927 | r164,573 | r162,928 | r169,561 | r166,825 | 170,383 | 177,960 |
| 69 Other branches of parent bank | 28,217 | 37,098 | 43,268 | 53,396 | r50,969 | r48,411 | r48,134 | r48,371 | 49,420 | 50,968 |
| 70 Banks | 51,583 | 60,619 | 64,872 | 63,000 | r58,529 | r59,226 | r65,597 | r63,977 | 65,181 | 70,523 |
| 71 Official institutions | 19,982 | 22,878 | 23,972 | 26,404 | 25,567 | 26,413 | r28,524 | 27,108 | 28,310 | 28,307 |
| 72 Nonbank foreigners | 13,097 | 17,017 | 19,251 | 27,127 | r29,508 | r28,878 | r27,306 | r27,369 | 27,472 | 28,162 |
| 73 Other liabilities | 3,526 | 3,527 | 4,328 | 5,072 | r5,384 | r5,443 | r5,682 | r5,467 | 6,161 | 6,345 |
| | | | | | **United Kingdom** | | | | | |
| 74 **Total, all currencies** | **74,883** | **81,466** | **90,933** | **106,593** | **100,786** | **101,179** | **102,144** | **102,876** | **104,915** | **112,881** |
| 75 To United States | 5,646 | 5,997 | 7,753 | 9,730 | 8,118 | 9,214 | 10,086 | 10,781 | 11,697 | 12,779 |
| 76 Parent bank | 2,122 | 1,198 | 1,451 | 1,887 | 1,585 | 1,731 | 1,461 | 1,814 | 2,113 | 1,505 |
| 77 Other banks in United States | 3,523 | 4,798 | 6,302 | 4,232 | 2,693 | 3,216 | 3,677 | 3,541 | 3,380 | 4,280 |
| 78 Nonbanks | | | | 3,611 | 3,840 | 4,267 | 4,948 | 5,426 | 6,204 | 6,994 |
| 79 To foreigners | 67,240 | 73,228 | 80,736 | 93,202 | 88,942 | 88,122 | 88,068 | 88,174 | 88,796 | 95,385 |
| 80 Other branches of parent bank | 6,494 | 7,092 | 9,376 | 12,786 | 12,712 | 11,303 | 10,910 | 11,023 | 10,931 | 11,353 |
| 81 Banks | 32,964 | 36,259 | 37,893 | 39,917 | 36,142 | 36,655 | 38,318 | 39,391 | 38,417 | 42,297 |
| 82 Official institutions | 16,553 | 17,273 | 18,318 | 20,963 | 19,700 | 20,637 | 21,845 | 20,115 | 21,312 | 23,140 |
| 83 Nonbank foreigners | 11,229 | 12,605 | 15,149 | 19,536 | 20,388 | 19,527 | 16,995 | 17,645 | 18,136 | 18,595 |
| 84 Other liabilities | 1,997 | 2,241 | 2,445 | 3,661 | 3,726 | 3,843 | 3,990 | 3,921 | 4,422 | 4,717 |
| 85 **Total payable in U.S. dollars** | **57,820** | **63,174** | **67,573** | **77,030** | **72,048** | **72,293** | **72,639** | **72,653** | **74,127** | **79,256** |
| 86 To United States | 5,415 | 5,849 | 7,480 | 9,328 | 7,736 | 8,855 | 9,756 | 10,439 | 11,200 | 12,199 |
| 87 Parent bank | 2,083 | 1,182 | 1,416 | 1,836 | 1,539 | 1,694 | 1,418 | 1,780 | 2,047 | 1,460 |
| 88 Other banks in United States | 3,332 | 4,667 | 6,064 | 4,144 | 2,601 | 3,122 | 3,626 | 3,492 | 3,321 | 4,209 |
| 89 Nonbanks | | | | 3,348 | 3,596 | 4,039 | 4,712 | 5,167 | 5,832 | 6,530 |
| 90 To foreigners | 51,447 | 56,372 | 58,977 | 66,216 | 62,629 | 61,729 | 61,215 | 60,689 | 60,948 | 65,081 |
| 91 Other branches of parent bank | 5,442 | 5,874 | 7,505 | 9,635 | 9,890 | 8,393 | 7,985 | 7,706 | 7,777 | 7,711 |
| 92 Banks | 23,330 | 25,527 | 25,608 | 25,287 | 21,642 | 21,911 | 23,017 | 24,002 | 22,684 | 25,436 |
| 93 Official institutions | 14,498 | 15,423 | 15,482 | 17,091 | 15,834 | 16,868 | 18,030 | 16,197 | 17,486 | 19,093 |
| 94 Nonbank foreigners | 8,176 | 9,547 | 10,382 | 14,203 | 15,263 | 14,557 | 12,183 | 12,784 | 13,001 | 12,841 |
| 95 Other liabilities | 959 | 953 | 1,116 | 1,486 | 1,683 | 1,709 | 1,668 | 1,525 | 1,979 | 1,976 |
| | | | | | **Bahamas and Caymans** | | | | | |
| 96 **Total, all currencies** | **45,203** | **66,774** | **79,052** | **r91,735** | **r88,767** | **r88,999** | **r97,509** | **r93,832** | **97,317** | **103,322** |
| 97 To United States | 11,147 | 22,721 | 32,176 | r39,431 | r37,795 | r37,552 | r38,672 | r37,698 | 38,071 | 40,038 |
| 98 Parent bank | 7,628 | 16,161 | 20,956 | r20,456 | r18,336 | r16,732 | r14,877 | r16,627 | 15,388 | 12,460 |
| 99 Other banks in United States | 3,520 | 6,560 | 11,220 | 6,199 | 4,275 | 4,863 | 7,041 | 5,220 | 5,400 | 8,885 |
| 100 Nonbanks | | | | r12,776 | r15,184 | 15,957 | r16,754 | 15,851 | 17,283 | 18,693 |
| 101 To foreigners | 32,949 | 42,899 | 45,292 | 50,447 | 49,153 | 49,534 | r56,742 | 54,124 | 57,097 | 61,147 |
| 102 Other branches of parent bank | 10,569 | 13,801 | 12,816 | 16,094 | 14,266 | 13,697 | r13,923 | 14,716 | 15,997 | 17,104 |
| 103 Banks | 16,825 | 21,760 | 24,717 | 23,104 | 22,290 | 23,299 | r28,749 | 25,964 | 28,543 | 31,420 |
| 104 Official institutions | 3,308 | 3,573 | 3,000 | 4,208 | 4,602 | 4,429 | r5,181 | 5,328 | 4,970 | 4,264 |
| 105 Nonbank foreigners | 2,248 | 3,765 | 4,759 | 7,041 | 7,995 | 8,109 | r8,889 | 8,116 | 7,587 | 8,359 |
| 106 Other liabilities | 1,106 | 1,154 | 1,584 | 1,857 | 1,819 | 1,913 | 2,095 | 2,010 | 2,149 | 2,137 |
| 107 **Total payable in U.S. dollars** | **42,197** | **63,417** | **74,463** | **r87,014** | **r84,020** | **r84,337** | **r92,673** | **r88,942** | **92,057** | **97,936** |

1. In May 1978 a broader category of claims on foreign public borrowers, including corporations that are majority owned by foreign governments, replaced the previous, more narrowly defined claims on foreign official institutions.

2. In May 1978 the exemption level for branches required to report was increased, which reduced the number of reporting branches.

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## 3.14 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

| Item | 1976 | 1977 | 1978 | 1979 Jan. | Feb. | Mar. | Apr. | May | June^p | July^p |
|---|---|---|---|---|---|---|---|---|---|---|
| | By type | | | | | | | | | |
| 1 Total[1] | **95,634** | **131,097** | **162,345** | **162,606** | **159,869** | **153,650** | **147,494** | **140,725** | **143,987** | **147,706** |
| 2 Liabilities reported by banks in the United States[2] | 17,231 | 18,003 | 23,097 | 22,519 | 23,034 | 22,534 | 24,252 | 25,384 | 25,363 | 25,480 |
| 3 U.S. Treasury bills and certificates[3] | 37,725 | 47,820 | 67,651 | 68,415 | 65,714 | 59,652 | 51,460 | 43,747 | 46,304 | 49,455 |
| U.S. Treasury bonds and notes | | | | | | | | | | |
| 4 Marketable | 11,788 | 32,164 | 35,907 | 36,056 | 35,538 | 36,063 | 36,305 | 36,156 | 36,454 | 37,487 |
| 5 Nonmarketable[4] | 20,648 | 20,443 | 20,970 | 20,952 | 20,912 | 20,471 | 20,467 | 20,467 | 20,697 | 19,847 |
| 6 U.S. securities other than U.S. Treasury securities[5] | 8,242 | 12,667 | 14,720 | 14,664 | 14,671 | 14,930 | 15,010 | 14,971 | 15,169 | 15,437 |
| | By area | | | | | | | | | |
| 7 Total | **95,634** | **131,097** | **162,345** | **162,606** | **159,869** | **153,650** | **147,494** | **140,725** | **143,987** | **147,706** |
| 8 Western Europe[1] | 45,882 | 70,748 | 92,984 | 94,456 | 92,867 | 90,191 | 85,040 | 80,995 | 83,478 | 86,513 |
| 9 Canada | 3,406 | 2,334 | 2,486 | 2,150 | 1,908 | 3,088 | 3,044 | 1,993 | 2,014 | 2,166 |
| 10 Latin America and Caribbean | 4,926 | 4,649 | 5,026 | 4,331 | 4,402 | 4,201 | 4,773 | 4,802 | 4,592 | 5,317 |
| 11 Asia | 37,767 | 50,693 | 58,662 | 58,845 | 57,532 | 53,363 | 51,275 | 49,518 | 50,573 | 50,404 |
| 12 Africa | 1,893 | 1,742 | 2,443 | 2,299 | 2,371 | 2,135 | 2,529 | 2,604 | 2,614 | 2,618 |
| 13 Other countries[6] | 1,760 | 931 | 744 | 525 | 789 | 672 | 833 | 813 | 716 | 688 |

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes bonds and notes payable in foreign currencies.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.
6. Includes countries in Oceania and Eastern Europe.

NOTE. Based on Treasury Department data and on data reported to the Treasury Department by banks (including Federal Reserve Banks) and securities dealers in the United States.

## 3.15 LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in Foreign Currencies

Millions of dollars, end of period

| Item | 1976 | 1977 | 1978 | 1978 Sept. | 1978 Dec. | 1979 Mar.^r | 1979 June^p |
|---|---|---|---|---|---|---|---|
| 1 Banks' own liabilities | 781 | 925 | 2,235 | 1,772 | 2,235 | 1,933 | 1,986 |
| 2 Banks' own claims[1] | 1,834 | 2,356 | 3,547 | 2,957 | 3,547 | 2,620 | 2,530 |
| 3 Deposits | 1,103 | 941 | 1,672 | 1,375 | 1,672 | 1,139 | 1,345 |
| 4 Other claims | 731 | 1,415 | 1,875 | 1,582 | 1,875 | 1,481 | 1,185 |
| 5 Claims of banks' domestic customers[2] | ......... | ......... | 367 | 446 | 367 | 476 | 521 |

1. Includes claims of banks' domestic customers through March 1978.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of their domestic customers.

NOTE. Data on claims exclude foreign currencies held by U.S. monetary authorities.

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## 3.16 LIABILITIES TO FOREIGNERS Reported by Banks in the United States
### Payable in U.S. dollars
Millions of dollars, end of period

| Holder and type of liability | 1976 | 1977 | 1978 | 1979 | | | | | | 
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Jan. | Feb. | Mar. | Apr. | May | June[p] | July[p] |
| 1 **All foreigners** | **110,657** | **126,168** | **167,005** | **164,575** | **163,738** | **166,307** | **159,252** | **158,320** | **167,220** | **168,432** |
| 2 Banks' own liabilities | ... | ... | 78,959 | 75,307 | 77,178 | 85,242 | 85,727 | 92,910 | 99,219 | 96,791 |
| 3 Demand deposits | 16,803 | 18,996 | 19,201 | 17,765 | 17,201 | 16,696 | 18,367 | 18,091 | 19,366 | 19,014 |
| 4 Time deposits[1] | 11,347 | 11,521 | 12,473 | 12,336 | 12,145 | 12,389 | 12,520 | 12,738 | 12,705 | 12,492 |
| 5 Other[2] | ... | ... | 9,615 | 8,927 | 9,247 | 8,321 | 10,000 | 13,290 | 12,469 | 12,784 |
| 6 Own foreign offices[3] | ... | ... | 37,669 | 36,278 | 38,585 | 47,836 | 44,840 | 48,791 | 54,752 | 52,501 |
| 7 Banks' custody liabilities[4] | ... | ... | 88,046 | 89,268 | 86,560 | 81,065 | 73,525 | 65,410 | 67,928 | 71,641 |
| 8 U.S. Treasury bills and certificates[5] | 40,744 | 48,906 | 68,182 | 69,000 | 66,508 | 60,587 | 53,280 | 45,123 | 47,425 | 51,498 |
| 9 Other negotiable and readily transferable instruments[6] | ... | ... | 17,371 | 17,849 | 17,889 | 18,309 | 18,096 | 18,083 | 18,130 | 17,896 |
| 10 Other | ... | ... | 2,493 | 2,418 | 2,162 | 2,169 | 2,150 | 2,203 | 2,373 | 2,247 |
| 11 **Nonmonetary international and regional organizations[7]** | **5,714** | **3,274** | **2,617** | **2,317** | **2,095** | **2,364** | **2,300** | **2,757** | **2,851** | **3,438** |
| 12 Banks' own liabilities | ... | ... | 916 | 762 | 506 | 769 | 791 | 1,306 | 1,500 | 845 |
| 13 Demand deposits | 290 | 231 | 330 | 333 | 272 | 276 | 270 | 298 | 264 | 216 |
| 14 Time deposits[1] | 205 | 139 | 94 | 88 | 102 | 99 | 100 | 85 | 87 | 79 |
| 15 Other[2] | ... | ... | 492 | 340 | 131 | 394 | 422 | 923 | 1,150 | 549 |
| 16 Banks' custody liabilities[4] | ... | ... | 1,701 | 1,555 | 1,589 | 1,595 | 1,509 | 1,451 | 1,350 | 2,593 |
| 17 U.S. Treasury bills and certificates | 2,701 | 706 | 201 | 183 | 193 | 211 | 212 | 175 | 199 | 1,345 |
| 18 Other negotiable and readily transferable instruments[6] | ... | ... | 1,499 | 1,367 | 1,395 | 1,382 | 1,294 | 1,274 | 1,151 | 1,247 |
| 19 Other | ... | ... | 1 | 5 | 1 | 2 | 2 | 1 | 1 | 1 |
| 20 **Official institutions[8]** | **54,956** | **65,822** | **90,492** | **90,749** | **88,591** | **82,186** | **75,713** | **69,131** | **71,667** | **74,396** |
| 21 Banks' own liabilities | ... | ... | 11,960 | 10,725 | 11,275 | 10,425 | 12,411 | 13,647 | 13,320 | 14,090 |
| 22 Demand deposits | 3,394 | 3,528 | 3,390 | 2,699 | 2,759 | 2,864 | 3,583 | 3,170 | 3,198 | 2,850 |
| 23 Time deposits[1] | 2,321 | 1,797 | 2,546 | 2,504 | 2,365 | 2,524 | 2,491 | 2,572 | 2,486 | 2,475 |
| 24 Other[2] | ... | ... | 6,024 | 5,522 | 6,151 | 5,036 | 6,337 | 7,905 | 7,636 | 8,765 |
| 25 Banks' custody liabilities[4] | ... | ... | 78,532 | 80,024 | 77,317 | 71,762 | 63,301 | 55,484 | 58,347 | 60,846 |
| 26 U.S. Treasury bills and certificates[5] | 37,725 | 47,820 | 67,395 | 68,230 | 65,558 | 59,652 | 51,460 | 43,747 | 46,304 | 49,455 |
| 27 Other negotiable and readily transferable instruments[6] | ... | ... | 10,967 | 11,603 | 11,703 | 12,067 | 11,802 | 11,667 | 12,003 | 11,340 |
| 28 Other | ... | ... | 170 | 191 | 55 | 43 | 40 | 70 | 40 | 50 |
| 29 **Banks[9]** | **37,174** | **42,335** | **57,873** | **55,542** | **56,637** | **65,915** | **64,192** | **69,679** | **75,738** | **73,035** |
| 30 Banks' own liabilities | ... | ... | 53,088 | 50,808 | 51,929 | 61,005 | 59,225 | 64,511 | 70,709 | 68,049 |
| 31 Unaffiliated foreign banks | ... | ... | 15,419 | 14,530 | 13,344 | 13,169 | 14,385 | 15,720 | 15,957 | 15,548 |
| 32 Demand deposits | 9,104 | 10,933 | 11,239 | 10,405 | 9,426 | 9,349 | 10,202 | 10,265 | 11,176 | 11,287 |
| 33 Time deposits[1] | 2,297 | 2,040 | 1,479 | 1,479 | 1,322 | 1,262 | 1,306 | 1,315 | 1,397 | 1,241 |
| 34 Other[2] | ... | ... | 2,700 | 2,646 | 2,596 | 2,558 | 2,877 | 4,140 | 3,384 | 3,020 |
| 35 Own foreign offices[3] | ... | ... | 37,669 | 36,278 | 38,585 | 47,836 | 44,840 | 48,791 | 54,752 | 52,501 |
| 36 Banks' custody liabilities[4] | ... | ... | 4,785 | 4,733 | 4,708 | 4,910 | 4,967 | 5,168 | 5,029 | 4,986 |
| 37 U.S. Treasury bills and certificates | 119 | 141 | 300 | 302 | 399 | 425 | 456 | 508 | 407 | 347 |
| 38 Other negotiable and readily transferable instruments[6] | ... | ... | 2,425 | 2,404 | 2,336 | 2,421 | 2,489 | 2,593 | 2,480 | 2,559 |
| 39 Other | ... | ... | 2,060 | 2,027 | 1,973 | 2,064 | 2,022 | 2,066 | 2,143 | 2,081 |
| 40 **Other foreigners** | **12,814** | **14,736** | **16,023** | **15,967** | **16,415** | **15,842** | **17,047** | **16,753** | **16,964** | **17,023** |
| 41 Banks' own liabilities | ... | ... | 12,995 | 13,012 | 13,469 | 13,044 | 13,299 | 13,446 | 13,762 | 13,808 |
| 42 Demand deposits | 4,015 | 4,304 | 4,242 | 4,328 | 4,744 | 4,207 | 4,312 | 4,358 | 4,728 | 4,661 |
| 43 Time deposits[1] | 6,524 | 7,546 | 8,353 | 8,264 | 8,357 | 8,504 | 8,623 | 8,766 | 8,735 | 8,697 |
| 44 Other[2] | ... | ... | 399 | 420 | 368 | 333 | 364 | 322 | 299 | 449 |
| 45 Banks' custody liabilities[4] | ... | ... | 3,028 | 2,956 | 2,946 | 2,798 | 3,748 | 3,307 | 3,202 | 3,215 |
| 46 U.S. Treasury bills and certificates | 198 | 240 | 285 | 285 | 358 | 299 | 1,152 | 693 | 516 | 350 |
| 47 Other negotiable and readily transferable instruments[6] | ... | ... | 2,481 | 2,476 | 2,455 | 2,439 | 2,511 | 2,549 | 2,497 | 2,750 |
| 48 Other | ... | ... | 262 | 195 | 133 | 60 | 85 | 66 | 190 | 115 |
| 49 MEMO: Negotiable time certificates of deposit held in custody for foreigners | ... | ... | 11,007 | 11,132 | 10,992 | 11,254 | 11,118 | 10,809 | 10,634 | 10,584 |

1. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
2. Includes borrowing under repurchase agreements.
3. U.S. banks: includes amounts due to own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. Agencies, branches, and majority-owned subsidiaries of foreign banks: principally amounts due to head office or parent foreign bank, and foreign branches, agencies or wholly owned subsidiaries of head office or parent foreign bank.
4. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
5. Includes nonmarketable certificates of indebtedness (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.
6. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
7. Principally the International Bank for Reconstruction and Development, and the Inter-American and Asian Development Banks.
8. Foreign central banks and foreign central governments and the Bank for International Settlements.
9. Excludes central banks, which are included in "Official institutions."

NOTE. Data for time deposits prior to April 1978 represent short-term only.

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## 3.16 LIABILITIES TO FOREIGNERS Continued

| Area and country | 1976 | 1977 | 1978 | 1979 Jan. | Feb. | Mar. | Apr. | May | June[p] | July[p] |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 **Total** | **110,657** | **126,168** | **167,005** | **164,575** | **163,738** | **166,307** | **159,252** | **158,320** | **167,220** | **168,432** |
| 2 **Foreign countries** | **104,943** | **122,893** | **164,388** | **162,258** | **161,644** | **163,943** | **156,952** | **155,563** | **164,369** | **164,994** |
| 3 Europe | 47,076 | 60,295 | 85,502 | 84,672 | 82,050 | 81,899 | 77,241 | 75,187 | 79,432 | 81,210 |
| 4 Austria | 346 | 318 | 513 | 562 | 505 | 524 | 484 | 475 | 449 | 473 |
| 5 Belgium-Luxembourg | 2,187 | 2,531 | 2,552 | 2,746 | 2,192 | 2,443 | 2,359 | 2,282 | 2,413 | 2,475 |
| 6 Denmark | 356 | 770 | 1,946 | 2,036 | 2,074 | 2,131 | 1,596 | 1,526 | 1,165 | 1,563 |
| 7 Finland | 416 | 323 | 346 | 379 | 357 | 361 | 367 | 399 | 456 | 466 |
| 8 France | 4,876 | 5,269 | 9,208 | 8,609 | 8,207 | 8,891 | 9,291 | 9,755 | 9,594 | 9,614 |
| 9 Germany | 6,241 | 7,239 | 17,286 | 15,770 | 13,868 | 12,997 | 9,364 | 7,619 | 8,492 | 10,715 |
| 10 Greece | 403 | 603 | 826 | 683 | 761 | 671 | 656 | 673 | 684 | 760 |
| 11 Italy | 3,182 | 6,857 | 7,674 | 8,723 | 8,056 | 8,142 | 8,939 | 9,751 | 9,656 | 8,432 |
| 12 Netherlands | 3,003 | 2,869 | 2,402 | 2,536 | 2,786 | 2,766 | 2,816 | 2,889 | 2,629 | 2,355 |
| 13 Norway | 782 | 944 | 1,271 | 1,411 | 1,445 | 1,572 | 1,477 | 1,456 | 1,349 | 1,264 |
| 14 Portugal | 239 | 273 | 330 | 254 | 246 | 279 | 231 | 244 | 353 | 303 |
| 15 Spain | 559 | 619 | 870 | 759 | 868 | 763 | 950 | 897 | 1,210 | 1,107 |
| 16 Sweden | 1,692 | 2,712 | 3,121 | 2,955 | 2,656 | 2,520 | 2,596 | 2,524 | 2,437 | 2,227 |
| 17 Switzerland | 9,460 | 12,343 | 18,612 | 20,014 | 19,810 | 18,563 | 15,587 | 13,730 | 15,934 | 16,767 |
| 18 Turkey | 166 | 130 | 157 | 141 | 141 | 132 | 110 | 127 | 156 | 193 |
| 19 United Kingdom | 10,018 | 14,125 | 14,379 | 13,292 | 13,861 | 15,370 | 16,005 | 16,679 | 18,006 | 18,522 |
| 20 Yugoslavia | 189 | 232 | 254 | 174 | 184 | 176 | 207 | 184 | 151 | 160 |
| 21 Other Western Europe[1] | 2,673 | 1,804 | 3,346 | 3,328 | 3,800 | 3,284 | 3,863 | 3,664 | 3,959 | 3,509 |
| 22 U.S.S.R. | 51 | 98 | 82 | 150 | 62 | 59 | 84 | 58 | 62 | 61 |
| 23 Other Eastern Europe[2] | 236 | 236 | 325 | 150 | 171 | 258 | 258 | 254 | 277 | 245 |
| 24 Canada | 4,659 | 4,607 | 6,966 | 6,622 | 6,813 | 8,044 | 8,819 | 7,980 | 6,606 | 7,611 |
| 25 Latin America and Caribbean | 19,132 | 23,670 | 31,622 | 30,956 | 32,671 | 38,067 | 36,081 | 39,907 | 44,400 | 41,206 |
| 26 Argentina | 1,534 | 1,416 | 1,484 | 1,682 | 1,789 | 1,534 | 1,483 | 1,886 | 1,891 | 1,692 |
| 27 Bahamas | 2,770 | 3,596 | 6,743 | 7,429 | 7,695 | 13,078 | 10,014 | 11,164 | 15,803 | 13,020 |
| 28 Bermuda | 218 | 321 | 428 | 386 | 464 | 375 | 351 | 345 | 402 | 339 |
| 29 Brazil | 1,438 | 1,396 | 1,125 | 1,099 | 1,150 | 1,137 | 1,251 | 1,581 | 1,335 | 1,294 |
| 30 British West Indies | 1,877 | 3,998 | 5,991 | 5,717 | 6,845 | 6,971 | 6,916 | 9,313 | 8,938 | 7,785 |
| 31 Chile | 337 | 360 | 399 | 376 | 358 | 343 | 447 | 368 | 404 | 606 |
| 32 Colombia | 1,021 | 1,221 | 1,756 | 1,769 | 1,867 | 1,925 | 2,074 | 2,192 | 2,402 | 2,292 |
| 33 Cuba | 6 | 6 | 13 | 7 | 13 | 6 | 7 | 9 | 7 | 7 |
| 34 Ecuador | 320 | 330 | 322 | 321 | 274 | 330 | 335 | 318 | 391 | 443 |
| 35 Guatemala[3] | ........ | ........ | 416 | 387 | 386 | 339 | 360 | 318 | 319 | 319 |
| 36 Jamaica[3] | ........ | ........ | 52 | 72 | 43 | 75 | 80 | 78 | 54 | 104 |
| 37 Mexico | 2,870 | 2,876 | 3,417 | 3,178 | 3,158 | 3,178 | 3,234 | 3,215 | 3,476 | 3,628 |
| 38 Netherlands Antilles[4] | 158 | 196 | 308 | 321 | 361 | 318 | 335 | 396 | 414 | 422 |
| 39 Panama | 1,167 | 2,331 | 2,992 | 2,823 | 2,491 | 2,938 | 3,368 | 2,909 | 3,125 | 3,055 |
| 40 Peru | 257 | 287 | 363 | 320 | 347 | 403 | 360 | 321 | 380 | 425 |
| 41 Uruguay | 245 | 243 | 231 | 222 | 220 | 236 | 230 | 223 | 248 | 219 |
| 42 Venezuela | 3,118 | 2,929 | 3,821 | 3,339 | 3,709 | 3,211 | 3,426 | 3,672 | 2,982 | 3,920 |
| 43 Other Latin America and Caribbean | 1,797 | 2,167 | 1,760 | 1,509 | 1,501 | 1,669 | 1,809 | 1,601 | 1,828 | 1,636 |
| 44 Asia | 29,766 | 30,488 | 36,336 | 36,449 | 36,169 | 32,211 | 30,674 | 28,227 | 29,520 | 30,622 |
| China | | | | | | | | | | |
| 45 Mainland | 48 | 53 | 67 | 65 | 105 | 280 | 45 | 41 | 46 | 42 |
| 46 Taiwan | 990 | 1,013 | 502 | 552 | 534 | 600 | 667 | 605 | 740 | 769 |
| 47 Hong Kong | 894 | 1,094 | 1,256 | 1,400 | 1,390 | 1,254 | 1,459 | 1,496 | 1,555 | 1,452 |
| 48 India | 638 | 961 | 790 | 804 | 838 | 857 | 929 | 1,016 | 940 | 873 |
| 49 Indonesia | 340 | 410 | 449 | 575 | 357 | 479 | 567 | 394 | 410 | 509 |
| 50 Israel | 392 | 559 | 674 | 642 | 598 | 608 | 673 | 650 | 710 | 624 |
| 51 Japan | 14,363 | 14,616 | 21,927 | 21,428 | 21,769 | 18,110 | 14,896 | 12,262 | 12,581 | 13,099 |
| 52 Korea | 438 | 602 | 795 | 771 | 827 | 748 | 728 | 995 | 806 | 819 |
| 53 Philippines | 628 | 687 | 644 | 617 | 549 | 642 | 562 | 609 | 689 | 640 |
| 54 Thailand | 277 | 264 | 427 | 379 | 307 | 277 | 343 | 302 | 409 | 305 |
| 55 Middle East oil-exporting countries[5] | 9,360 | 8,979 | 7,392 | 7,934 | 7,595 | 7,107 | 8,435 | 8,444 | 9,003 | 9,667 |
| 56 Other Asia | 1,398 | 1,250 | 1,414 | 1,285 | 1,300 | 1,249 | 1,371 | 1,412 | 1,634 | 1,824 |
| 57 Africa | 2,298 | 2,535 | 2,886 | 2,693 | 2,804 | 2,650 | 2,986 | 3,056 | 3,236 | 3,183 |
| 58 Egypt | 333 | 404 | 404 | 337 | 278 | 329 | 359 | 297 | 305 | 378 |
| 59 Morocco | 87 | 66 | 32 | 29 | 32 | 43 | 34 | 36 | 45 | 35 |
| 60 South Africa | 141 | 174 | 168 | 179 | 207 | 242 | 246 | 206 | 316 | 196 |
| 61 Zaire | 36 | 39 | 43 | 48 | 42 | 50 | 55 | 47 | 56 | 37 |
| 62 Oil-exporting countries[6] | 1,116 | 1,155 | 1,525 | 1,379 | 1,549 | 1,256 | 1,554 | 1,523 | 1,566 | 1,656 |
| 63 Other Africa | 585 | 698 | 715 | 721 | 697 | 729 | 738 | 946 | 948 | 881 |
| 64 Other countries | 2,012 | 1,297 | 1,076 | 865 | 1,136 | 1,072 | 1,149 | 1,206 | 1,175 | 1,162 |
| 65 Australia | 1,905 | 1,140 | 838 | 655 | 934 | 862 | 957 | 991 | 890 | 806 |
| 66 All other | 107 | 158 | 239 | 209 | 202 | 211 | 192 | 215 | 286 | 355 |
| 67 Nonmonetary international and regional organizations | 5,714 | 3,274 | 2,617 | 2,317 | 2,095 | 2,364 | 2,300 | 2,757 | 2,851 | 3,438 |
| 68 International | 5,157 | 2,752 | 1,485 | 1,210 | 919 | 1,189 | 1,128 | 1,535 | 1,738 | 2,257 |
| 69 Latin American regional | 267 | 278 | 808 | 809 | 865 | 872 | 872 | 892 | 829 | 917 |
| 70 Other regional[7] | 290 | 245 | 324 | 299 | 311 | 303 | 300 | 330 | 284 | 263 |

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.
2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, German Democratic Republic, Hungary, Poland, and Romania.
3. Included in "Other Latin America and Caribbean" through March 1978.
4. Includes Surinam through December 1975.
5. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
6. Comprises Algeria, Gabon, Libya, and Nigeria.
7. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western Europe."

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## 3.17 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

| Area and country | 1976 | 1977 | 1978 | 1979 Jan. | Feb. | Mar. | Apr. | May | June[p] | July[p] |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 **Total** | **79,301** | **90,206** | **115,030** | **105,583** | **103,933** | **108,736** | **105,266** | **105,503** | **114,027** | **112,800** |
| 2 **Foreign countries** | **79,261** | **90,163** | **114,974** | **105,543** | **103,894** | **108,690** | **105,220** | **105,457** | **113,982** | **112,751** |
| 3 Europe | 14,776 | 18,114 | 24,231 | 20,790 | 20,474 | 21,299 | 20,890 | 20,285 | 24,283 | 24,105 |
| 4 Austria | 63 | 65 | 140 | 147 | 115 | 177 | 130 | 150 | 151 | 188 |
| 5 Belgium-Luxembourg | 482 | 561 | 1,200 | 1,504 | 1,378 | 1,804 | 1,377 | 1,330 | 1,677 | 1,657 |
| 6 Denmark | 133 | 173 | 254 | 172 | 170 | 166 | 204 | 168 | 153 | 137 |
| 7 Finland | 199 | 172 | 305 | 281 | 264 | 297 | 250 | 184 | 186 | 226 |
| 8 France | 1,549 | 2,082 | 3,742 | 2,664 | 2,286 | 2,921 | 2,907 | 2,701 | 3,507 | 3,205 |
| 9 Germany | 509 | 644 | 900 | 840 | 717 | 907 | 806 | 792 | 843 | 927 |
| 10 Greece | 279 | 206 | 164 | 162 | 169 | 192 | 170 | 155 | 168 | 129 |
| 11 Italy | 993 | 1,334 | 1,504 | 1,402 | 1,395 | 1,311 | 1,420 | 1,440 | 1,334 | 1,196 |
| 12 Netherlands | 315 | 338 | 680 | 681 | 619 | 581 | 532 | 531 | 517 | 797 |
| 13 Norway | 136 | 162 | 299 | 251 | 252 | 206 | 242 | 196 | 200 | 181 |
| 14 Portugal | 88 | 175 | 171 | 169 | 173 | 209 | 208 | 190 | 172 | 235 |
| 15 Spain | 745 | 722 | 1,110 | 905 | 1,103 | 909 | 806 | 926 | 995 | 999 |
| 16 Sweden | 206 | 218 | 537 | 449 | 388 | 312 | 300 | 231 | 247 | 401 |
| 17 Switzerland | 379 | 564 | 1,283 | 1,051 | 970 | 1,068 | 878 | 959 | 1,071 | 1,027 |
| 18 Turkey | 249 | 360 | 283 | 179 | 132 | 144 | 148 | 119 | 136 | 118 |
| 19 United Kingdom | 7,033 | 8,964 | 10,156 | 8,444 | 8,886 | 8,575 | 8,684 | 8,546 | 11,197 | 10,688 |
| 20 Yugoslavia | 234 | 311 | 363 | 400 | 409 | 448 | 475 | 492 | 535 | 541 |
| 21 Other Western Europe[1] | 85 | 86 | 122 | 135 | 110 | 124 | 424 | 171 | 188 | 199 |
| 22 U.S.S.R. | 485 | 413 | 366 | 327 | 309 | 319 | 298 | 291 | 301 | 291 |
| 23 Other Eastern Europe[2] | 613 | 566 | 652 | 629 | 628 | 628 | 633 | 713 | 708 | 965 |
| 24 Canada | 3,319 | 3,355 | 5,145 | 4,961 | 5,049 | 5,181 | 4,775 | 4,718 | 4,880 | 5,085 |
| 25 Latin America and Caribbean | 38,879 | 45,850 | 56,850 | 52,514 | 50,379 | 54,149 | 52,055 | 52,584 | 56,210 | 53,389 |
| 26 Argentina | 1,192 | 1,478 | 2,274 | 2,137 | 2,359 | 2,753 | 3,098 | 3,406 | 3,211 | 3,338 |
| 27 Bahamas | 15,464 | 19,858 | 21,116 | 21,006 | 18,640 | 19,899 | 18,715 | 18,825 | 18,042 | 15,971 |
| 28 Bermuda | 150 | 232 | 189 | 175 | 155 | 150 | 135 | 198 | 126 | 192 |
| 29 Brazil | 4,901 | 4,629 | 6,251 | 6,261 | 6,254 | 6,291 | 6,198 | 6,274 | 6,097 | 6,164 |
| 30 British West Indies | 5,082 | 6,481 | 9,505 | 5,368 | 5,122 | 7,435 | 5,524 | 4,895 | 9,182 | 6,510 |
| 31 Chile | 597 | 675 | 968 | 1,012 | 939 | 964 | 970 | 1,058 | 1,091 | 1,120 |
| 32 Colombia | 675 | 671 | 1,012 | 1,054 | 1,019 | 1,004 | 945 | 1,017 | 1,102 | 1,206 |
| 33 Cuba | 13 | 10 | * | * | * | 4 | 4 | 4 | 4 | 4 |
| 34 Ecuador | 375 | 517 | 705 | 700 | 768 | 839 | 903 | 877 | 898 | 916 |
| 35 Guatemala[3] | ........ | ........ | 94 | 87 | 110 | 89 | 95 | 101 | 96 | 98 |
| 36 Jamaica[3] | ........ | ........ | 40 | 37 | 48 | 61 | 63 | 64 | 40 | 47 |
| 37 Mexico | 4,822 | 4,909 | 5,417 | 5,449 | 5,398 | 5,562 | 5,778 | 6,024 | 6,455 | 7,166 |
| 38 Netherlands Antilles[4] | 140 | 224 | 273 | 264 | 217 | 282 | 213 | 234 | 282 | 392 |
| 39 Panama | 1,372 | 1,410 | 3,074 | 3,179 | 3,493 | 2,900 | 3,504 | 3,728 | 3,568 | 4,186 |
| 40 Peru | 933 | 962 | 918 | 873 | 846 | 834 | 839 | 744 | 722 | 727 |
| 41 Uruguay | 42 | 80 | 52 | 50 | 44 | 46 | 48 | 61 | 58 | 56 |
| 42 Venezuela | 1,828 | 2,318 | 3,474 | 3,324 | 3,481 | 3,527 | 3,555 | 3,601 | 3,793 | 3,814 |
| 43 Other Latin America and Caribbean | 1,293 | 1,394 | 1,487 | 1,538 | 1,487 | 1,512 | 1,468 | 1,472 | 1,442 | 1,483 |
| 44 Asia | 19,204 | 19,236 | 25,538 | 24,219 | 25,088 | 25,131 | 24,641 | 24,947 | 25,504 | 27,115 |
| China | | | | | | | | | | |
| 45 Mainland | 3 | 10 | 4 | 15 | 13 | 16 | 20 | 22 | 10 | 20 |
| 46 Taiwan | 1,344 | 1,719 | 1,499 | 1,457 | 1,767 | 1,841 | 1,823 | 1,812 | 1,896 | 1,889 |
| 47 Hong Kong | 316 | 543 | 1,573 | 1,620 | 1,960 | 2,036 | 1,717 | 1,993 | 2,112 | 1,965 |
| 48 India | 69 | 53 | 54 | 61 | 60 | 52 | 73 | 56 | 86 | 43 |
| 49 Indonesia | 218 | 232 | 143 | 141 | 123 | 124 | 135 | 138 | 138 | 131 |
| 50 Israel | 755 | 584 | 872 | 996 | 896 | 909 | 781 | 824 | 842 | 865 |
| 51 Japan | 11,040 | 9,839 | 12,739 | 12,550 | 12,196 | 12,811 | 12,121 | 12,342 | 12,478 | 13,928 |
| 52 Korea | 1,978 | 2,336 | 2,277 | 2,241 | 2,478 | 2,546 | 2,712 | 2,966 | 3,369 | 3,465 |
| 53 Philippines | 719 | 594 | 680 | 607 | 692 | 660 | 710 | 705 | 675 | 751 |
| 54 Thailand | 442 | 633 | 758 | 757 | 832 | 778 | 760 | 836 | 888 | 910 |
| 55 Middle East oil-exporting countries[5] | 1,459 | 1,746 | 3,135 | 2,333 | 2,487 | 1,939 | 2,437 | 1,723 | 1,585 | 1,783 |
| 56 Other Asia | 863 | 947 | 1,804 | 1,444 | 1,585 | 1,419 | 1,352 | 1,531 | 1,426 | 1,367 |
| 57 Africa | 2,311 | 2,518 | 2,221 | 2,145 | 2,092 | 1,968 | 1,977 | 1,967 | 2,122 | 2,043 |
| 58 Egypt | 126 | 119 | 107 | 82 | 83 | 73 | 104 | 121 | 177 | 115 |
| 59 Morocco | 27 | 43 | 82 | 97 | 88 | 66 | 64 | 46 | 37 | 34 |
| 60 South Africa | 957 | 1,066 | 860 | 838 | 760 | 701 | 680 | 719 | 743 | 745 |
| 61 Zaire | 112 | 98 | 164 | 156 | 155 | 155 | 151 | 151 | 151 | 189 |
| 62 Oil-exporting countries[6] | 524 | 510 | 452 | 438 | 456 | 455 | 462 | 460 | 474 | 452 |
| 63 Other | 565 | 682 | 556 | 533 | 550 | 518 | 516 | 471 | 540 | 508 |
| 64 Other countries | 772 | 1,090 | 988 | 914 | 813 | 961 | 882 | 956 | 983 | 1,013 |
| 65 Australia | 597 | 905 | 877 | 792 | 704 | 830 | 755 | 789 | 775 | 765 |
| 66 All other | 175 | 186 | 111 | 122 | 108 | 131 | 127 | 167 | 208 | 248 |
| 67 Nonmonetary international and regional organizations[7] | 40 | 43 | 56 | 40 | 39 | 46 | 46 | 46 | 45 | 49 |

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.
2. Beginning April 1978 comprises Bulgaria, Czechoslavkia, German Democratic Republic, Hungary, Poland, and Romania.
3. Included in "Other Latin America and Caribbean" through March 1978.
4. Includes Surinam through December 1975.
5. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
6. Comprises Algeria, Gabon, Libya, and Nigeria.
7. Excludes the Bank for International Settlements, which is included in "Other Western Europe."

NOTE. Data for period prior to April 1978 include claims of banks' domestic customers on foreigners.

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## 3.18 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States

### Payable in U.S. Dollars

Millions of dollars, end of period

| Type of claim | 1976 | 1977 | 1978 | 1979 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Jan. | Feb. | Mar. | Apr. | May r | June | July p |
| 1 **Total** | **79,301** | **90,206** | **126,139** | ........ | ........ | **r120,384** | ........ | ........ | **127,575** | ........ |
| 2 Banks' own claims on foreigners | ........ | ........ | 115,030 | 105,583 | 103,933 | 108,736 | 105,266 | 105,503 | 114,027 | 112,800 |
| 3 Foreign public borrowers | ........ | ........ | 10,095 | 10,312 | 10,509 | 10,774 | 11,000 | 10,534 | 11,128 | 11,611 |
| 4 Own foreign offices[1] | ........ | ........ | 41,217 | 38,073 | 35,583 | r36,931 | 36,206 | 34,701 | 36,295 | 35,606 |
| 5 Unaffiliated foreign banks | ........ | ........ | 40,381 | 34,496 | 34,759 | 37,388 | 34,509 | 35,530 | 41,474 | 38,873 |
| 6 Deposits | ........ | ........ | 5,664 | 4,862 | 5,397 | 6,340 | 5,698 | 5,566 | 7,390 | 6,972 |
| 7 Other | ........ | ........ | 34,716 | 29,635 | 29,362 | 31,048 | 28,811 | 29,964 | 34,084 | 31,901 |
| 8 All other foreigners | ........ | ........ | 23,338 | 22,701 | 23,081 | 23,643 | 23,552 | 24,738 | 25,131 | 26,709 |
| 9 Claims of banks' domestic customers[2] | ........ | ........ | 11,109 | ........ | ........ | 11,646 | ........ | ........ | 13,548 | ........ |
| 10 Deposits | ........ | ........ | 994 | ........ | ........ | 1,143 | ........ | ........ | 1,438 | ........ |
| 11 Negotiable and readily transferable instruments[3] | ........ | ........ | 4,762 | ........ | ........ | 4,863 | ........ | ........ | 6,230 | ........ |
| 12 Outstanding collections and other claims[4] | 5,756 | 6,176 | 5,353 | ........ | ........ | r5,641 | ........ | ........ | 5,879 | ........ |
| 13 MEMO: Customer liability on acceptances | ........ | ........ | 14,917 | ........ | ........ | r15,098 | ........ | ........ | 16,838 | ........ |
| Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5] | ........ | ........ | 11,674 | 14,677 | 15,563 | 15,749 | 16,472 | 17,340 | 14,976 | ........ |

1. *U.S. banks:* includes amounts due from own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. *Agencies, branches, and majority-owned subsidiaries of foreign banks:* principally amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the account of their domestic customers.
3. Principally negotiable time certificates of deposit and bankers acceptances.
4. Data for March 1978 and for period prior to that are outstanding collections only.
5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see July 1979 BULLETIN, p. 550.

NOTE. Beginning April 1978, data for banks' own claims are given on a monthly basis, but the data for claims of banks' domestic customers are available on a quarterly basis only.

## 3.19 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States

### Payable in U.S. Dollars

Millions of dollars, end of period

| Maturity; by borrower and area | 1978 | | | 1979 | | |
|---|---|---|---|---|---|---|
| | June | Sept. | Dec. | Mar. r | June p | Sept. |
| 1 **Total** | **55,470** | **59,948** | **73,557** | **71,539** | **77,339** | .......... |
| *By borrower* | | | | | | |
| 2 Maturity of 1 year or less[1] | 44,138 | 47,097 | 58,277 | 55,356 | 59,763 | .......... |
| 3 Foreign public borrowers | 3,067 | 3,702 | 4,558 | 4,627 | 4,551 | .......... |
| 4 All other foreigners | 41,071 | 43,395 | 53,719 | 50,729 | 55,212 | .......... |
| 5 Maturity of over 1 year[1] | 11,333 | 12,850 | 15,280 | 16,183 | 17,575 | .......... |
| 6 Foreign public borrowers | 3,226 | 4,230 | 5,328 | 5,937 | 6,372 | .......... |
| 7 All other foreigners | 8,107 | 8,620 | 9,952 | 10,246 | 11,204 | .......... |
| *By area* | | | | | | |
| Maturity of 1 year or less[1] | | | | | | |
| 8 Europe | 9,631 | 10,463 | 15,116 | 12,373 | 13,998 | .......... |
| 9 Canada | 1,598 | 1,948 | 2,670 | 2,512 | 2,678 | .......... |
| 10 Latin American and Caribbean | 17,221 | 18,775 | 20,850 | 21,647 | 22,937 | .......... |
| 11 Asia | 13,707 | 13,786 | 17,575 | 16,993 | 18,166 | .......... |
| 12 Africa | 1,457 | 1,535 | 1,496 | 1,290 | 1,423 | .......... |
| 13 All other[2] | 523 | 591 | 569 | 541 | 563 | .......... |
| Maturity of over 1 year[1] | | | | | | |
| 14 Europe | 2,920 | 3,102 | 3,152 | 3,108 | 3,484 | .......... |
| 15 Canada | 344 | 794 | 1,426 | 1,456 | 1,212 | .......... |
| 16 Latin America and Caribbean | 5,889 | 6,859 | 8,452 | 9,336 | 10,214 | .......... |
| 17 Asia | 1,298 | 1,305 | 1,401 | 1,473 | 1,871 | .......... |
| 18 Africa | 631 | 580 | 636 | 629 | 613 | .......... |
| 19 All other[2] | 252 | 211 | 214 | 180 | 182 | .......... |

1. Remaining time to maturity.
2. Includes nonmonetary international and regional organizations.

NOTE. The first available data are for June 1978.

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## 3.20 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks[1]

Billions of dollars, end of period

| Area or Country | 1975 | 1976 | 1977 | | | 1978 | | | | 1979 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | June | Sept. | Dec. | Mar. | June[7] | Sept. | Dec. | Mar. | June |
| 1 **Total** | **167.0** | **207.7** | **217.8** | **226.7** | **239.4** | **247.2** | **245.7** | **246.7** | **265.3** | **263.4** | **273.6** |
| 2 G-10 countries and Switzerland | 88.0 | 100.1 | 104.1 | 108.8 | 115.3 | 116.6 | 112.8 | 113.7 | 124.9 | 118.8 | 124.5 |
| 3 Belgium-Luxembourg | 5.3 | 6.1 | 6.3 | 7.1 | 8.4 | 8.3 | 8.3 | 8.4 | 9.0 | 9.4 | 9.2 |
| 4 France | 8.5 | 10.0 | 10.6 | 10.5 | 11.0 | 11.4 | 11.4 | 11.7 | 12.2 | 11.7 | 12.8 |
| 5 Germany | 7.8 | 8.7 | 8.2 | 8.6 | 9.6 | 9.0 | 9.1 | 9.7 | 11.4 | 10.5 | 10.8 |
| 6 Italy | 5.2 | 5.8 | 6.4 | 6.0 | 6.5 | 6.0 | 6.4 | 6.0 | 6.6 | 5.7 | 6.1 |
| 7 Netherlands | 2.8 | 2.8 | 3.1 | 3.0 | 3.5 | 3.4 | 3.4 | 3.5 | 4.4 | 3.8 | 4.0 |
| 8 Sweden | 1.0 | 1.2 | 1.7 | 1.9 | 1.9 | 2.0 | 2.1 | 2.2 | 2.1 | 2.0 | 2.0 |
| 9 Switzerland | 2.4 | 3.0 | 3.0 | 3.3 | 3.3 | 4.0 | 4.1 | 4.3 | 5.4 | 4.5 | 4.8 |
| 10 United Kingdom | 36.3 | 41.5 | 41.4 | 44.1 | 46.5 | 46.5 | 45.0 | 44.4 | 47.2 | 46.4 | 50.2 |
| 11 Canada | 3.8 | 5.1 | 6.4 | 6.6 | 5.8 | 6.9 | 5.1 | 4.9 | 5.9 | 5.8 | 5.5 |
| 12 Japan | 14.9 | 15.9 | 17.0 | 17.6 | 18.8 | 19.1 | 17.9 | 18.6 | 20.7 | 19.0 | 19.1 |
| 13 Other developed countries | 10.7 | 15.1 | 16.9 | 18.1 | 18.6 | 20.5 | 19.3 | 18.7 | 19.2 | 18.3 | 18.8 |
| 14 Austria | .7 | 1.2 | 1.2 | 1.3 | 1.3 | 1.5 | 1.5 | 1.5 | 1.7 | 1.7 | 2.2 |
| 15 Denmark | .6 | 1.0 | 1.4 | 1.5 | 1.6 | 1.6 | 1.7 | 1.9 | 2.0 | 2.0 | 2.0 |
| 16 Finland | .9 | 1.1 | 1.1 | 1.2 | 1.2 | 1.2 | 1.1 | 1.0 | 1.2 | 1.1 | 1.1 |
| 17 Greece | 1.4 | 1.7 | 1.8 | 2.0 | 2.2 | 2.7 | 2.3 | 2.2 | 2.3 | 2.3 | 2.2 |
| 18 Norway | 1.4 | 1.5 | 1.7 | 1.8 | 1.9 | 1.9 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 |
| 19 Portugal | .3 | .4 | .5 | .6 | .6 | .7 | .6 | .5 | .6 | .6 | .5 |
| 20 Spain | 1.9 | 2.8 | 3.2 | 3.5 | 3.6 | 3.6 | 3.6 | 3.5 | 3.4 | 3.0 | 3.0 |
| 21 Turkey | .6 | 1.3 | 1.4 | 1.4 | 1.5 | 1.5 | 1.4 | 1.5 | 1.5 | 1.4 | 1.4 |
| 22 Other Western Europe | .6 | .7 | .8 | 1.2 | .9 | 1.4 | 1.2 | 1.0 | 1.0 | 1.1 | 1.2 |
| 23 South Africa | 1.2 | 2.2 | 2.3 | 2.3 | 2.4 | 2.5 | 2.4 | 2.2 | 2.0 | 1.7 | 1.8 |
| 24 Australia | 1.3 | 1.2 | 1.5 | 1.5 | 1.4 | 1.9 | 1.4 | 1.3 | 1.4 | 1.3 | 1.3 |
| 25 Oil-exporting countries[2] | 6.9 | 12.6 | 15.0 | 16.5 | 17.6 | 19.2 | 19.1 | 20.4 | 22.8 | 22.9 | 22.6 |
| 26 Ecuador | .4 | .7 | .9 | 1.1 | 1.1 | 1.3 | 1.4 | 1.6 | 1.6 | 1.5 | 1.6 |
| 27 Venezuela | 2.3 | 4.1 | 4.6 | 5.1 | 5.5 | 5.5 | 5.6 | 6.2 | 7.2 | 7.2 | 7.5 |
| 28 Indonesia | 1.6 | 2.2 | 2.2 | 2.2 | 2.2 | 2.1 | 1.9 | 1.9 | 2.0 | 1.9 | 1.9 |
| 29 Middle East countries | 1.6 | 4.2 | 5.5 | 6.3 | 6.9 | 8.3 | 8.3 | 8.7 | 9.5 | 9.7 | 9.0 |
| 30 African countries | 1.0 | 1.4 | 1.8 | 1.9 | 1.9 | 2.0 | 1.9 | 2.0 | 2.5 | 2.6 | 2.6 |
| 31 Non-oil developing countries | 34.2 | 43.1 | 45.8 | 47.6 | 50.0 | 49.9 | 48.9 | 49.5 | 52.4 | 53.1 | 56.1 |
| 32 Argentina | 1.7 | 1.9 | 2.1 | 2.4 | 2.9 | 3.0 | 3.0 | 2.9 | 3.0 | 2.9 | 3.5 |
| 33 Brazil | 8.0 | 11.1 | 11.8 | 11.8 | 12.7 | 13.0 | 13.3 | 14.0 | 14.9 | 14.6 | 15.0 |
| 34 Chile | .5 | .8 | .7 | .8 | .9 | 1.1 | 1.3 | 1.3 | 1.6 | 1.7 | 1.8 |
| China | | | | | | | | | | | |
| 35 Mainland | * | * | * | * | * | * | * | * | * | .1 | .1 |
| 36 Taiwan | 1.7 | 2.3 | 2.7 | 2.9 | 3.1 | 2.5 | 2.4 | 2.4 | 2.9 | 3.1 | 3.3 |
| 37 Colombia | 1.2 | 1.3 | 1.2 | 1.2 | 1.3 | 1.3 | 1.3 | 1.3 | 1.4 | 1.5 | 1.5 |
| 38 Mexico | 9.0 | 11.7 | 12.2 | 12.6 | 11.9 | 11.2 | 11.0 | 10.7 | 10.8 | 10.9 | 11.0 |
| 39 Peru | 1.4 | 1.8 | 2.0 | 1.9 | 1.9 | 1.7 | 1.8 | 1.8 | 1.7 | 1.6 | 1.4 |
| 40 Other Latin America | 2.6 | 2.7 | 2.4 | 2.5 | 2.7 | 3.5 | 3.3 | 3.4 | 3.6 | 3.5 | 3.3 |
| 41 India | .2 | .2 | .2 | .3 | .3 | .3 | .2 | .3 | .2 | .2 | .2 |
| 42 Israel | .9 | 1.0 | .8 | .7 | .9 | .8 | .7 | .7 | 1.0 | 1.0 | .9 |
| 43 Korea (South) | 2.4 | 3.1 | 3.4 | 3.6 | 3.9 | 3.7 | 3.6 | 3.5 | 3.9 | 4.2 | 5.0 |
| 44 Malaysia[3] | .3 | .5 | .7 | .7 | .7 | .6 | .6 | .6 | .6 | .6 | .7 |
| 45 Philippines | 1.7 | 2.2 | 2.3 | 2.4 | 2.5 | 2.6 | 2.7 | 2.8 | 2.8 | 3.2 | 3.7 |
| 46 Thailand | .7 | .7 | .8 | .9 | 1.7 | 1.1 | 1.1 | 1.1 | 1.2 | 1.2 | 1.4 |
| 47 Other Asia | .4 | .4 | .3 | .4 | .3 | .4 | .3 | .3 | .2 | .3 | .4 |
| 48 Egypt | .4 | .4 | .4 | .4 | .3 | .3 | .3 | .4 | .4 | .4 | .7 |
| 49 Morocco | .1 | .2 | .3 | .4 | .5 | .4 | .5 | .5 | .6 | .6 | .5 |
| 50 Zaire | .3 | .2 | .3 | .3 | .3 | .3 | .2 | .2 | .2 | .2 | .2 |
| 51 Other Africa[4] | .5 | .6 | 1.0 | 1.2 | 1.2 | 1.4 | 1.2 | 1.3 | 1.4 | 1.4 | 1.5 |
| 52 Eastern Europe | 3.7 | 5.2 | 5.5 | 5.5 | 6.5 | 6.3 | 6.4 | 6.6 | 6.9 | 6.7 | 6.7 |
| 53 U.S.S.R. | 1.0 | 1.5 | 1.5 | 1.5 | 1.6 | 1.4 | 1.4 | 1.4 | 1.3 | 1.1 | .9 |
| 54 Yugoslavia | .6 | .8 | .9 | 1.0 | 1.1 | 1.2 | 1.3 | 1.3 | 1.5 | 1.6 | 1.7 |
| 55 Other | 2.1 | 2.8 | 3.1 | 3.0 | 3.8 | 3.7 | 3.7 | 3.9 | 4.1 | 4.0 | 4.1 |
| 56 Offshore banking centers | 19.4 | 26.2 | 25.4 | 25.3 | 26.1 | 29.0 | 31.1 | 29.2 | 30.0 | 34.1 | 35.0 |
| 57 Bahamas | 7.3 | 11.8 | 9.5 | 9.9 | 9.8 | 11.3 | 11.8 | 11.1 | 9.9 | 12.8 | 13.2 |
| 58 Bermuda | .5 | .5 | .5 | .5 | .6 | .6 | .7 | .7 | .7 | .6 | .7 |
| 59 Cayman Islands and other British West Indies | 2.5 | 3.8 | 4.8 | 4.3 | 3.8 | 4.5 | 6.3 | 6.2 | 6.9 | 7.3 | 7.1 |
| 60 Netherlands Antilles | .6 | .6 | .5 | .6 | .7 | .7 | .6 | .6 | .8 | .7 | .8 |
| 61 Panama | 2.6 | 2.7 | 2.9 | 2.8 | 3.1 | 3.2 | 3.2 | 3.1 | 2.9 | 3.3 | 3.4 |
| 62 Lebanon | .2 | .1 | .2 | .1 | .2 | .2 | .1 | .1 | .1 | .1 | .1 |
| 63 Hong Kong | 1.6 | 2.3 | 2.8 | 3.1 | 3.7 | 4.0 | 4.1 | 4.0 | 4.3 | 4.7 | 5.1 |
| 64 Singapore | 3.8 | 4.4 | 4.2 | 3.9 | 3.7 | 4.0 | 3.8 | 2.9 | 3.9 | 4.1 | 4.2 |
| 65 Others[5] | .1 | * | * | .1 | .5 | .5 | .5 | .5 | .5 | .5 | .4 |
| 66 Miscellaneous and unallocated[6] | 4.1 | 5.4 | 5.1 | 5.0 | 5.3 | 5.7 | 8.1 | 8.6 | 9.1 | 9.5 | 9.9 |

1. The banking offices covered by these data are the U.S. offices and foreign branches of U.S.-owned banks and of U.S. subsidiaries of foreign-owned banks. Offices *not* covered include (1) U.S. agencies and branches of foreign banks, and (2) foreign subsidiaries of U.S. banks. To minimize duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution. The data in this table combine foreign branch claims in table 3.13 (the sum of lines 7 through 10) with the claims of U.S. offices in table 3.17 (excluding those held by agencies and branches of foreign banks and those constituting claims on own foreign branches). However, see also footnote 2.

2. Includes Algeria, Bahrain, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Oman, Qatar, Saudi Arabia, and United Arab Emirates in addition to countries shown individually.

3. Foreign branch claims only through December 1976.

4. Excludes Liberia.

5. Foreign branch claims only.

6. Includes New Zealand, Liberia, and international and regional organizations.

7. For June 1978 and subsequent dates, the claims of the U.S. offices in this table include only banks' own claims payable in dollars. For earlier dates the claims of the U.S. offices also include customer claims and foreign currency claims (amounting in June 1978 to $10 billion).

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## 3.21 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Holdings and Transactions

Millions of dollars

| Country or area | 1977 | 1978 | 1979 Jan.–July[p] | 1979 Jan. | Feb. | Mar. | Apr. | May | June[p] | July[p] |
|---|---|---|---|---|---|---|---|---|---|---|
| | Holdings (end of period)[4] | | | | | | | | | |
| 1 **Estimated total[1]** | **38,640** | **44,938** | ........ | **46,210** | **45,667** | **47,529** | **48,131** | **47,218** | **47,494** | **48,991** |
| 2 **Foreign countries[1]** | **33,894** | **39,817** | ........ | **41,341** | **40,963** | **42,932** | **43,177** | **43,055** | **43,454** | **44,544** |
| 3 Europe[1] | 13,936 | 17,072 | ........ | 18,360 | 18,502 | 20,172 | 20,593 | 20,667 | 21,047 | 22,213 |
| 4 Belgium-Luxembourg | 19 | 19 | ........ | 19 | 19 | 19 | 19 | 20 | 24 | 24 |
| 5 Germany[1] | 3,168 | 8,705 | ........ | 8,864 | 8,860 | 10,216 | 10,812 | 10,828 | 10,751 | 10,781 |
| 6 Netherlands | 911 | 1,358 | ........ | 1,433 | 1,517 | 1,587 | 1,637 | 1,672 | 1,695 | 1,655 |
| 7 Sweden | 100 | 285 | ........ | 320 | 355 | 360 | 415 | 479 | 484 | 481 |
| 8 Switzerland | 497 | 977 | ........ | 1,818 | 1,508 | 1,537 | 1,510 | 1,458 | 1,582 | 1,843 |
| 9 United Kingdom | 8,888 | 5,373 | ........ | 5,489 | 5,823 | 5,991 | 5,735 | 5,697 | 6,016 | 6,938 |
| 10 Other Western Europe | 349 | 354 | ........ | 417 | 420 | 461 | 464 | 513 | 496 | 491 |
| 11 Eastern Europe | 4 | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |
| 12 Canada | 288 | 152 | ........ | 150 | 146 | 166 | 226 | 216 | 227 | 232 |
| 13 Latin America and Caribbean | 551 | 416 | ........ | 433 | 417 | 418 | 397 | 387 | 387 | 537 |
| 14 Venezuela | 199 | 144 | ........ | 183 | 183 | 183 | 183 | 183 | 183 | 183 |
| 15 Other Latin American and Caribbean | 183 | 110 | ........ | 88 | 72 | 72 | 52 | 42 | 42 | 192 |
| 16 Netherlands Antilles | 170 | 162 | ........ | 162 | 162 | 162 | 162 | 162 | 162 | 162 |
| 17 Asia | 18,745 | 21,488 | ........ | 21,709 | 21,210 | 21,488 | 21,273 | 21,097 | 21,103 | 20,874 |
| 18 Japan | 6,860 | 11,528 | ........ | 12,226 | 12,422 | 12,729 | 12,982 | 13,014 | 13,040 | 13,090 |
| 19 Africa | 362 | 691 | ........ | 691 | 691 | 691 | 691 | 691 | 691 | 691 |
| 20 All other | 11 | −3 | ........ | −3 | −3 | −3 | −3 | −3 | −3 | −3 |
| 21 **Nonmonetary international and regional organizations** | **4,746** | **5,121** | ........ | **4,869** | **4,704** | **4,597** | **4,954** | **4,163** | **4,040** | **4,447** |
| 22 International | 4,646 | 5,089 | ........ | 4,837 | 4,666 | 4,560 | 4,915 | 4,114 | 3,993 | 4,400 |
| 23 Latin American regional | 100 | 33 | ........ | 33 | 38 | 38 | 38 | 48 | 48 | 48 |
| | Transactions (net purchases, or sales (−), during period) | | | | | | | | | |
| 24 **Total[1]** | **22,843** | **6,297** | **4,054** | **1,272** | **−543** | **1,862** | **602** | **−913** | **277** | **1,497** |
| 25 Foreign countries[1] | 21,130 | 5,921 | 4,727 | 1,524 | −378 | 1,968 | 246 | −122 | 399 | 1,090 |
| 26 Official institutions | 20,377 | 3,734 | 1,580 | 150 | −517 | 524 | 242 | −149 | 298 | 1,033 |
| 27 Other foreign[1] | 753 | 2,188 | 3,148 | 1,375 | 141 | 1,443 | 4 | 27 | 101 | 57 |
| 28 Nonmonetary international and regional organizations | 1,713 | 375 | −672 | −252 | −165 | −106 | 356 | −791 | −121 | 407 |
| MEMO: Oil-exporting countries | | | | | | | | | | |
| 29 Middle East[2] | 4,451 | −1,785 | −2,012 | −461 | −693 | −31 | −452 | −190 | 8 | −193 |
| 30 Africa[3] | −181 | 329 | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ |

1. Beginning December 1978, includes U.S. Treasury notes publicly issued to private foreign residents.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Estimated official and private holdings of marketable U.S. Treasury securities with an original maturity of more than 1 year. Data are based on a benchmark survey of holdings as of Jan. 31, 1971, and monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

## 3.22 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS

Millions of dollars, end of period

| Assets | 1976 | 1977 | 1978 | 1979 Feb. | Mar. | Apr. | May | June | July | Aug.[p] |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 Deposits | 352 | 424 | 367 | 343 | 303 | 388 | 407 | 326 | 372 | 325 |
| *Assets held in custody* | | | | | | | | | | |
| 2 U.S. Treasury securities[1] | 66,532 | 91,962 | 117,126 | 114,005 | 107,854 | 99,674 | 91,327 | 95,301 | 98,794 | 98,794 |
| 3 Earmarked gold[2] | 16,414 | 15,988 | 15,463 | 15,432 | 15,426 | 15,406 | 15,381 | 15,356 | 15,322 | 15,296 |

1. Marketable U.S. Treasury bills, 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.

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## 3.23 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

| Transactions, and area or country | 1977 | 1978 | 1979 Jan–July[p] | 1979 Jan. | Feb. | Mar. | Apr. | May | June[p] | July[p] |
|---|---|---|---|---|---|---|---|---|---|---|
| | U.S. corporate securities | | | | | | | | | |
| STOCKS | | | | | | | | | | |
| 1 Foreign purchases | 14,155 | 20,142 | 11,502 | 1,361 | 1,384 | 1,941 | 1,614 | 1,578 | 1,859 | 1,765 |
| 2 Foreign sales | 11,479 | 17,723 | 10,473 | 1,301 | 1,264 | 1,437 | 1,520 | 1,386 | 1,792 | 1,772 |
| 3 **Net purchases, or sales (−)** | **2,676** | **2,420** | **1,029** | **60** | **120** | **504** | **94** | **191** | **66** | **−7** |
| 4 **Foreign countries** | **2,661** | **2,466** | **1,011** | **61** | **104** | **501** | **94** | **191** | **67** | **−7** |
| 5 Europe | 1,006 | 1,283 | 253 | −7 | 52 | 104 | −2 | 136 | 11 | −41 |
| 6 France | 40 | 47 | 181 | −6 | 16 | 33 | 31 | 48 | 41 | 18 |
| 7 Germany | 291 | 620 | −86 | −18 | 20 | −2 | −59 | −1 | −16 | −11 |
| 8 Netherlands | 22 | −22 | −94 | −35 | −15 | −19 | −10 | −7 | −15 | 8 |
| 9 Switzerland | 152 | −585 | −84 | −30 | 12 | −12 | −17 | 18 | −3 | −52 |
| 10 United Kingdom | 613 | 1,230 | 333 | 85 | 19 | 109 | 52 | 74 | 5 | −11 |
| 11 Canada | 65 | 74 | 199 | 7 | −6 | 57 | 30 | 47 | 33 | 30 |
| 12 Latin America and Caribbean | 127 | 151 | 3 | 34 | −25 | 36 | 22 | −18 | −28 | −17 |
| 13 Middle East[1] | 1,390 | 781 | 348 | −16 | 46 | 242 | 48 | 20 | 15 | −7 |
| 14 Other Asia | 59 | 187 | 217 | 49 | 30 | 61 | −3 | 9 | 39 | 32 |
| 15 Africa | 5 | −13 | −6 | −2 | 6 | 1 | −3 | −2 | −3 | −4 |
| 16 Other countries | 8 | 3 | −2 | −4 | 1 | 1 | 2 | −1 | −1 | 1 |
| 17 **Nonmonetary international and regional organizations** | **15** | **−46** | **18** | **−1** | **16** | **3** | **1** | * | **−1** | * |
| BONDS[2] | | | | | | | | | | |
| 18 Foreign purchases | 7,739 | 7,955 | 5,061 | 641 | 453 | 581 | 589 | 863 | 1,081 | 853 |
| 19 Foreign sales | 3,560 | 5,509 | 4,490 | 704 | 547 | 489 | 378 | 922 | 802 | 647 |
| 20 **Net purchases, or sales (−)** | **4,179** | **2,446** | **571** | **−63** | **−94** | **92** | **210** | **−59** | **279** | **206** |
| 21 **Foreign countries** | **4,083** | **2,037** | **807** | **54** | **28** | **79** | **106** | **87** | **245** | **207** |
| 22 Europe | 1,850 | 915 | 707 | 39 | 110 | 1 | 139 | 121 | 153 | 143 |
| 23 France | −34 | 30 | 2 | 18 | * | 13 | −2 | −1 | 8 | −34 |
| 24 Germany | −20 | 68 | 81 | 42 | 13 | 4 | 19 | 6 | 24 | −27 |
| 25 Netherlands | 72 | 19 | −139 | −4 | −10 | −27 | −20 | −37 | −32 | −9 |
| 26 Switzerland | 94 | −100 | −20 | 8 | 6 | 12 | 8 | −41 | −10 | −4 |
| 27 United Kingdom | 1,690 | 930 | 753 | −54 | 93 | 27 | 134 | 151 | 169 | 232 |
| 28 Canada | 141 | 102 | 72 | 11 | 10 | 33 | 6 | 4 | * | 8 |
| 29 Latin America and Caribbean | 64 | 78 | 73 | 23 | 9 | 24 | 9 | 7 | −10 | 11 |
| 30 Middle East[1] | 1,695 | 810 | −157 | −34 | −106 | 25 | −61 | −73 | 52 | 40 |
| 31 Other Asia | 338 | 131 | 112 | 16 | 4 | −3 | 14 | 28 | 48 | 5 |
| 32 Africa | −6 | −1 | 1 | * | 1 | * | * | * | * | * |
| 33 Other countries | * | 1 | * | * | * | 1 | −1 | * | * | * |
| 34 **Nonmonetary international and regional organizations** | **96** | **409** | **−237** | **−118** | **−122** | **13** | **104** | **−146** | **34** | **−1** |
| | Foreign securities | | | | | | | | | |
| 35 Stocks, net purchases, or sales (−) | −410 | 527 | −20 | 11 | −28 | 2 | 13 | 67 | −18 | −67 |
| 36 Foreign purchases | 2,255 | 3,666 | 2,482 | 265 | 232 | 331 | 369 | 554 | 403 | 329 |
| 37 Foreign sales | 2,665 | 3,139 | 2,502 | 254 | 260 | 329 | 356 | 487 | 421 | 396 |
| 38 Bonds, net purchases, or sales (−) | −5,096 | −4,017 | −1,992 | −600 | −322 | −39 | −21 | 5 | −684 | −331 |
| 39 Foreign purchases | 8,040 | 11,044 | 6,641 | 783 | 942 | 1,182 | 879 | 851 | 1,006 | 998 |
| 40 Foreign sales | 13,136 | 15,061 | 8,633 | 1,383 | 1,264 | 1,220 | 900 | 847 | 1,690 | 1,330 |
| 41 **Net purchases, or sales (−) of stocks and bonds** | **−5,506** | **−3,490** | **−2,013** | **−590** | **−349** | **−37** | **−8** | **71** | **−703** | **−398** |
| 42 **Foreign countries** | **−3,949** | **−3,313** | **−1,465** | **−513** | **−141** | **−19** | **−21** | **70** | **−420** | **−422** |
| 43 Europe | −1,100 | −40 | −819 | −124 | −42 | 3 | −174 | −31 | −139 | −311 |
| 44 Canada | −2,404 | −3,237 | −1,022 | −305 | −184 | −228 | 10 | 85 | −221 | −178 |
| 45 Latin America and Caribbean | −82 | 201 | 348 | 60 | 70 | 54 | 55 | 26 | 53 | 30 |
| 46 Asia | −97 | 350 | 23 | −141 | 19 | 152 | 84 | −14 | −114 | 37 |
| 47 Africa | 2 | −441 | −7 | −3 | −5 | −8 | 2 | 4 | 4 | * |
| 48 Other countries | −267 | −146 | 11 | 1 | 2 | 7 | 2 | 1 | −4 | 2 |
| 49 **Nonmonetary international and regional organizations** | **−1,557** | **−177** | **−547** | **−77** | **−209** | **−17** | **13** | **1** | **−282** | **24** |

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. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

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## 3.24 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States ▲

Millions of dollars, end of period

| Type, and area or country | 1976 | 1977 | 1978 June | 1978 Sept. | 1978 Dec. | 1979 Mar. | 1979 June | 1979 Sept. | 1979 Dec. |
|---|---|---|---|---|---|---|---|---|---|
| 1 **Total** | **10,099** | **11,085** | **11,870** | **12,786** | **13,888** | **13,370** | ... | ... | ... |
| 2 Payable in dollars | 9,390 | 10,284 | 11,044 | 11,955 | 11,166 | 10,930 | ... | ... | ... |
| 3 Payable in foreign currencies[1] | 709 | 801 | 825 | 831 | 2,723 | 2,440 | ... | ... | ... |
| *By type* | | | | | | | | | |
| 4 Financial liabilities | ... | ... | ... | ... | 5,407 | 5,238 | ... | ... | ... |
| 5 Payable in dollars | ... | ... | ... | ... | 3,465 | 3,419 | ... | ... | ... |
| 6 Payable in foreign currencies | ... | ... | ... | ... | 1,942 | 1,819 | ... | ... | ... |
| 7 Commercial liabilities | ... | ... | ... | ... | 8,481 | 8,131 | ... | ... | ... |
| 8 Trade payables | ... | ... | ... | ... | 3,930 | 3,431 | ... | ... | ... |
| 9 Advance receipts and other liabilities | ... | ... | ... | ... | 4,552 | 4,700 | ... | ... | ... |
| 10 Payable in dollars | ... | ... | ... | ... | 7,701 | 7,511 | ... | ... | ... |
| 11 Payable in foreign currencies | ... | ... | ... | ... | 780 | 620 | ... | ... | ... |
| *By area or country* | | | | | | | | | |
| Financial liabilities | | | | | | | | | |
| 12 Europe | ... | ... | ... | ... | 3,467 | 3,281 | ... | ... | ... |
| 13 Belgium-Luxembourg | ... | ... | ... | ... | 287 | 254 | ... | ... | ... |
| 14 France | ... | ... | ... | ... | 157 | 133 | ... | ... | ... |
| 15 Germany | ... | ... | ... | ... | 334 | 293 | ... | ... | ... |
| 16 Netherlands | ... | ... | ... | ... | 360 | 391 | ... | ... | ... |
| 17 Switzerland | ... | ... | ... | ... | 207 | 187 | ... | ... | ... |
| 18 United Kingdom | ... | ... | ... | ... | 1,947 | 1,852 | ... | ... | ... |
| 19 Canada | ... | ... | ... | ... | 205 | 233 | ... | ... | ... |
| 20 Latin America and Caribbean | ... | ... | ... | ... | 971 | 969 | ... | ... | ... |
| 21 Bahamas | ... | ... | ... | ... | 422 | 407 | ... | ... | ... |
| 22 Bermuda | ... | ... | ... | ... | 56 | 41 | ... | ... | ... |
| 23 Brazil | ... | ... | ... | ... | 10 | 13 | ... | ... | ... |
| 24 British West Indies | ... | ... | ... | ... | 122 | 132 | ... | ... | ... |
| 25 Mexico | ... | ... | ... | ... | 77 | 73 | ... | ... | ... |
| 26 Venezuela | ... | ... | ... | ... | 46 | 52 | ... | ... | ... |
| 27 Asia | ... | ... | ... | ... | 754 | 745 | ... | ... | ... |
| 28 Japan | ... | ... | ... | ... | 671 | 667 | ... | ... | ... |
| 29 Middle East oil-exporting countries[2] | ... | ... | ... | ... | 48 | 36 | ... | ... | ... |
| 30 Africa | ... | ... | ... | ... | 5 | 5 | ... | ... | ... |
| 31 Oil-exporting countries[3] | ... | ... | ... | ... | 2 | 1 | ... | ... | ... |
| 32 All other[4] | ... | ... | ... | ... | 5 | 5 | ... | ... | ... |
| Commercial liabilities | | | | | | | | | |
| 33 Europe | ... | ... | ... | ... | 2,927 | 2,809 | ... | ... | ... |
| 34 Belgium-Luxembourg | ... | ... | ... | ... | 73 | 68 | ... | ... | ... |
| 35 France | ... | ... | ... | ... | 312 | 336 | ... | ... | ... |
| 36 Germany | ... | ... | ... | ... | 519 | 390 | ... | ... | ... |
| 37 Netherlands | ... | ... | ... | ... | 206 | 193 | ... | ... | ... |
| 38 Switzerland | ... | ... | ... | ... | 321 | 343 | ... | ... | ... |
| 39 United Kingdom | ... | ... | ... | ... | 760 | 811 | ... | ... | ... |
| 40 Canada | ... | ... | ... | ... | 653 | 601 | ... | ... | ... |
| 41 Latin America | ... | ... | ... | ... | 1,031 | 1,102 | ... | ... | ... |
| 42 Bahamas | ... | ... | ... | ... | 25 | 16 | ... | ... | ... |
| 43 Bermuda | ... | ... | ... | ... | 95 | 40 | ... | ... | ... |
| 44 Brazil | ... | ... | ... | ... | 75 | 62 | ... | ... | ... |
| 45 British West Indies | ... | ... | ... | ... | 53 | 89 | ... | ... | ... |
| 46 Mexico | ... | ... | ... | ... | 130 | 240 | ... | ... | ... |
| 47 Venezuela | ... | ... | ... | ... | 306 | 359 | ... | ... | ... |
| 48 Asia | ... | ... | ... | ... | 2,942 | 2,627 | ... | ... | ... |
| 49 Japan | ... | ... | ... | ... | 430 | 411 | ... | ... | ... |
| 50 Middle East oil-exporting countries[2] | ... | ... | ... | ... | 1,543 | 1,117 | ... | ... | ... |
| 51 Africa | ... | ... | ... | ... | 724 | 754 | ... | ... | ... |
| 52 Oil-exporting countries[3] | ... | ... | ... | ... | 313 | 345 | ... | ... | ... |
| 53 All other[4] | ... | ... | ... | ... | 204 | 239 | ... | ... | ... |

1. Prior to December 1978, foreign currency data include only liabilities denominated in foreign currencies with an original maturity of less than one year.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.

▲ For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.

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## 3.25 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States ▲

Millions of dollars, end of period

| Type, and area or country | 1976 | 1977 | 1978 | | | 1979 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | June | Sept. | Dec. | Mar. | June | Sept. | Dec. |
| 1 **Total** | **19,350** | **21,298** | **23,229** | **23,260** | 27,138 | 29,859 | | | |
| 2 Payable in dollars | 18,300 | 19,880 | 21,665 | 21,292 | 24,160 | 27,036 | | | |
| 3 Payable in foreign currencies[1] | 1,050 | 1,418 | 1,564 | 1,968 | 2,978 | 2,823 | | | |
| *By type* | | | | | | | | | |
| 4 Financial claims | | | | | 15,843 | 19,097 | | | |
| 5 Deposits | | | | | 10,735 | 13,989 | | | |
| 6 Payable in dollars | | | | | 9,694 | 13,087 | | | |
| 7 Payable in foreign currencies | | | | | 1,041 | 903 | | | |
| 8 Other financial claims | | | | | 5,108 | 5,108 | | | |
| 9 Payable in dollars | | | | | 3,528 | 3,573 | | | |
| 10 Payable in foreign currencies | | | | | 1,580 | 1,535 | | | |
| 11 Commercial claims | | | | | 11,295 | 10,762 | | | |
| 12 Trade receivables | | | | | 10,647 | 10,008 | | | |
| 13 Advance payments and other claims | | | | | 647 | 754 | | | |
| 14 Payable in dollars | | | | | 10,938 | 10,377 | | | |
| 15 Payable in foreign currencies | | | | | 357 | 385 | | | |
| *By area or country* | | | | | | | | | |
| Financial claims | | | | | | | | | |
| 16 Europe | | | | | 5,054 | 5,333 | | | |
| 17 Belgium-Luxembourg | | | | | 48 | 63 | | | |
| 18 France | | | | | 179 | 180 | | | |
| 19 Germany | | | | | 529 | 263 | | | |
| 20 Netherlands | | | | | 107 | 91 | | | |
| 21 Switzerland | | | | | 98 | 96 | | | |
| 22 United Kingdom | | | | | 3,850 | 4,409 | | | |
| 23 Canada | | | | | 4,454 | 5,130 | | | |
| 24 Latin America and Caribbean | | | | | 5,197 | 7,566 | | | |
| 25 Bahamas | | | | | 2,836 | 4,124 | | | |
| 26 Bermuda | | | | | 80 | 62 | | | |
| 27 Brazil | | | | | 151 | 137 | | | |
| 28 British West Indies | | | | | 1,231 | 2,394 | | | |
| 29 Mexico | | | | | 146 | 145 | | | |
| 30 Venezuela | | | | | 149 | 142 | | | |
| 31 Asia | | | | | 918 | 825 | | | |
| 32 Japan | | | | | 306 | 206 | | | |
| 33 Middle East oil-exporting countries[2] | | | | | 18 | 17 | | | |
| 34 Africa | | | | | 180 | 203 | | | |
| 35 Oil-exporting countries[3] | | | | | 10 | 26 | | | |
| 36 All other[4] | | | | | 41 | 39 | | | |
| Commercial claims | | | | | | | | | |
| 37 Europe | | | | | 3,935 | 3,800 | | | |
| 38 Belgium-Luxembourg | | | | | 145 | 172 | | | |
| 39 France | | | | | 607 | 487 | | | |
| 40 Germany | | | | | 392 | 495 | | | |
| 41 Netherlands | | | | | 256 | 270 | | | |
| 42 Switzerland | | | | | 213 | 253 | | | |
| 43 United Kingdom | | | | | 802 | 678 | | | |
| 44 Canada | | | | | 1,102 | 1,106 | | | |
| 45 Latin America and Caribbean | | | | | 2,535 | 2,461 | | | |
| 46 Bahamas | | | | | 109 | 117 | | | |
| 47 Bermuda | | | | | 215 | 241 | | | |
| 48 Brazil | | | | | 624 | 489 | | | |
| 49 British West Indies | | | | | 9 | 10 | | | |
| 50 Mexico | | | | | 513 | 497 | | | |
| 51 Venezuela | | | | | 293 | 273 | | | |
| 52 Asia | | | | | 3,087 | 2,748 | | | |
| 53 Japan | | | | | 978 | 894 | | | |
| 54 Middle East oil-exporting countries[2] | | | | | 711 | 665 | | | |
| 55 Africa | | | | | 449 | 445 | | | |
| 56 Oil-exporting countries[3] | | | | | 137 | 132 | | | |
| 57 All other[4] | | | | | 187 | 201 | | | |

1. Prior to December 1978, foreign currency data include only liabilities denominated in foreign currencies with an original maturity of less than one year.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.

▲ For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.

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## 3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Percent per annum

| Country | Rate on Aug. 31, 1979 | | Country | Rate on Aug. 31, 1979 | | Country | Rate on Aug. 31, 1979 | |
|---|---|---|---|---|---|---|---|---|
| | Per-cent | Month effective | | Per-cent | Month effective | | Per-cent | Month effective |
| Argentina | 18.0 | Feb. 1972 | France | 9.5 | Aug. 1977 | Norway | 7.0 | Feb. 1978 |
| Austria | 3.75 | Jan. 1979 | Germany, Fed. Rep. of | 5.0 | July 1979 | Sweden | 7.0 | July 1979 |
| Belgium | 9.0 | June 1979 | Italy | 10.5 | Sept. 1978 | Switzerland | 1.0 | Feb. 1978 |
| Brazil | 33.0 | Nov. 1978 | Japan | 5.25 | July 1979 | United Kingdom | 14.0 | June 1979 |
| Canada | 11.75 | July 1979 | Mexico | 4.5 | June 1942 | Venezuela | 5.0 | Oct. 1970 |
| Denmark | 9.0 | June 1979 | Netherlands | 8.0 | July 1979 | | | |

NOTE. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper and/or government securities for commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood the central bank transacts the largest proportion of its credit operations.

## 3.27 FOREIGN SHORT-TERM INTEREST RATES

Percent per annum, averages of daily figures

| Country, or type | 1976 | 1977 | 1978 | 1979 | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Mar. | Apr. | May | June | July | Aug. |
| 1 Eurodollars | 5.58 | 6.03 | 8.74 | 10.64 | 10.60 | 10.75 | 10.52 | 10.87 | 11.53 |
| 2 United Kingdom | 11.35 | 8.07 | 9.18 | 11.98 | 11.64 | 11.76 | 13.02 | 13.87 | 14.06 |
| 3 Canada | 9.39 | 7.47 | 8.52 | 11.08 | 11.18 | 11.26 | 11.17 | 11.29 | 11.78 |
| 4 Germany | 4.19 | 4.30 | 3.67 | 4.42 | 5.50 | 5.89 | 6.40 | 6.77 | 7.04 |
| 5 Switzerland | 1.45 | 2.56 | 0.74 | 0.03 | 0.93 | 1.54 | 1.51 | 1.19 | 1.67 |
| 6 Netherlands | 7.02 | 4.73 | 6.53 | 7.35 | 7.23 | 7.82 | 8.55 | 9.53 | 9.51 |
| 7 France | 8.65 | 9.20 | 8.10 | 7.05 | 6.96 | 7.63 | 8.63 | 9.90 | 10.85 |
| 8 Italy | 16.32 | 14.26 | 11.40 | 11.46 | 11.52 | 11.37 | 11.27 | 11.46 | 11.50 |
| 9 Belgium | 10.25 | 6.95 | 7.14 | 7.63 | 7.63 | 8.16 | 9.09 | 11.18 | 11.42 |
| 10 Japan | 7.70 | 6.22 | 4.75 | 4.54 | 5.13 | 5.25 | 5.46 | 6.26 | 7.00 |

NOTE. Rates are for 3-month interbank loans except for the following: Canada, finance company paper; Belgium, time deposits of 20 million francs and over; and Japan, loans and discounts that can be called after being held over a minimum of two month-ends.

## 3.28 FOREIGN EXCHANGE RATES

Cents per unit of foreign currency

| Country/currency | 1976 | 1977 | 1978 | 1979 | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Mar. | Apr. | May | June | July | Aug. |
| 1 Australia/dollar | 122.15 | 110.82 | 114.41 | 112.15 | 110.85 | 110.57 | 111.11 | 112.83 | 112.83 |
| 2 Austria/schilling | 5.5744 | 6.0494 | 6.8958 | 7.3312 | 7.1862 | 7.1222 | 7.2081 | 7.4628 | 7.4786 |
| 3 Belgium/franc | 2.5921 | 2.7911 | 3.1809 | 3.3971 | 3.3271 | 3.2732 | 3.3048 | 3.4240 | 3.4140 |
| 4 Canada/dollar | 101.41 | 94.112 | 87.729 | 85.187 | 87.235 | 86.534 | 85.296 | 85.920 | 85.425 |
| 5 Denmark/krone | 16.546 | 16.658 | 18.156 | 19.269 | 18.958 | 18.562 | 18.401 | 19.072 | 18.964 |
| 6 Finland/markka | 25.938 | 24.913 | 24.337 | 25.161 | 24.976 | 24.974 | 25.250 | 26.040 | 26.075 |
| 7 France/franc | 20.942 | 20.344 | 22.218 | 23.328 | 22.967 | 22.691 | 22.914 | 23.535 | 23.491 |
| 8 Germany/deutsche mark | 39.737 | 43.079 | 49.867 | 53.754 | 52.745 | 52.422 | 53.084 | 54.817 | 54.666 |
| 9 India/rupee | 11.148 | 11.406 | 12.207 | 12.138 | 12.191 | 12.066 | 12.317 | 12.651 | 12.484 |
| 10 Ireland/pound | 180.48 | 174.49 | 191.84 | 203.73 | 201.97 | 198.43 | 200.01 | 206.79 | 205.79 |
| 11 Italy/lira | .12044 | .11328 | .11782 | .11888 | .11858 | .11744 | .11828 | .12192 | .12219 |
| 12 Japan/yen | .33741 | .37342 | .47981 | .48470 | .46241 | .45797 | .45750 | .46189 | .45890 |
| 13 Malaysia/ringgit | 39.340 | 40.620 | 43.210 | 45.440 | 45.023 | 44.934 | 45.474 | 46.422 | 46.363 |
| 14 Mexico/peso | 6.9161 | 4.4239 | 4.3896 | 4.3835 | 4.3780 | 4.3805 | 4.3767 | 4.3767 | 4.3804 |
| 15 Netherlands/guilder | 37.846 | 40.752 | 46.284 | 49.801 | 48.794 | 48.132 | 48.374 | 49.821 | 49.805 |
| 16 New Zealand/dollar | 99.115 | 96.893 | 103.64 | 105.39 | 104.96 | 104.37 | 103.29 | 102.04 | 101.40 |
| 17 Norway/krone | 18.327 | 18.789 | 19.079 | 19.619 | 19.444 | 19.270 | 19.398 | 19.824 | 19.877 |
| 18 Portugal/escudo | 3.3159 | 2.6234 | 2.2782 | 2.0855 | 2.0482 | 2.0214 | 2.0192 | 2.0551 | 2.0332 |
| 19 South Africa/rand | 114.85 | 114.99 | 115.01 | 118.40 | 117.94 | 118.22 | 118.31 | 118.46 | 119.38 |
| 20 Spain/peseta | 1.4958 | 1.3287 | 1.3073 | 1.4490 | 1.4679 | 1.5131 | 1.5131 | 1.5118 | 1.5132 |
| 21 Sri Lanka/rupee | 11.908 | 11.964 | 6.3834 | 6.4593 | 6.4455 | 6.4239 | 6.4059 | 6.3786 | 6.4174 |
| 22 Sweden/krona | 22.957 | 22.383 | 22.139 | 22.901 | 22.772 | 22.755 | 23.028 | 23.687 | 23.693 |
| 23 Switzerland/franc | 40.013 | 41.714 | 56.283 | 59.473 | 58.220 | 57.894 | 58.884 | 60.650 | 60.349 |
| 24 United Kingdom/pound | 180.48 | 174.49 | 191.84 | 203.78 | 207.34 | 205.87 | 211.19 | 225.98 | 223.68 |
| MEMO: | | | | | | | | | |
| 25 United States/dollar[1] | 105.57 | 103.31 | 92.39 | 88.39 | 89.49 | 90.31 | 89.56 | 86.93 | 87.24 |

1. Index of weighted average exchange value of U.S. dollar against currencies of other G-10 countries plus Switzerland. March 1973 = 100. Weights are 1972–76 global trade of each of the 10 countries. Series revised as of August 1978. For description and back data, see "Index of the Weighted-Average Exchange Value of the U.S. Dollar: Revision" on page 700 of the August 1978 BULLETIN.

NOTE. Averages of certified noon buying rates in New York for cable transfers

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# Guide to Tabular Presentation and Statistical Releases

## GUIDE TO TABULAR PRESENTATION

### *Symbols and Abbreviations*

| | |
|---|---|
| c | Corrected |
| e | Estimated |
| p | Preliminary |
| r | Revised (Notation appears on column heading when more than half of figures in that column are changed.) |
| * | Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions) |
| 0 | Calculated to be zero |
| n.a. | Not available |
| n.e.c. | Not elsewhere classified |
| IPCs | Individuals, partnerships, and corporations |
| REITs | Real estate investment trusts |
| RPs | Repurchase agreements |
| SMSAs | Standard metropolitan statistical areas |
| ...... | Cell not applicable |

### *General Information*

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local government" also includes municipalities, special districts, and other political subdivisions.

In some of the tables details do not add to totals because of rounding.

## STATISTICAL RELEASES

### *List Published Semiannually, with Latest Bulletin Reference*

| | *Issue* | *Page* |
|---|---|---|
| Anticipated schedule of release dates for individual releases | June 1979 | A-76 |

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| Charlotte | 28230 | Robert E. Elberson | | Stuart P. Fishburne |
| *Culpeper Communications and Records Center* | *22701* | | | Albert D. Tinkelenberg |
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| Jacksonville | 32203 | Copeland D. Newbern | | Charles D. East |
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| Louisville | 40232 | James F. Thompson | | Donald L. Henry |
| Memphis | 38101 | Frank A. Jones, Jr. | | L. Terry Britt |
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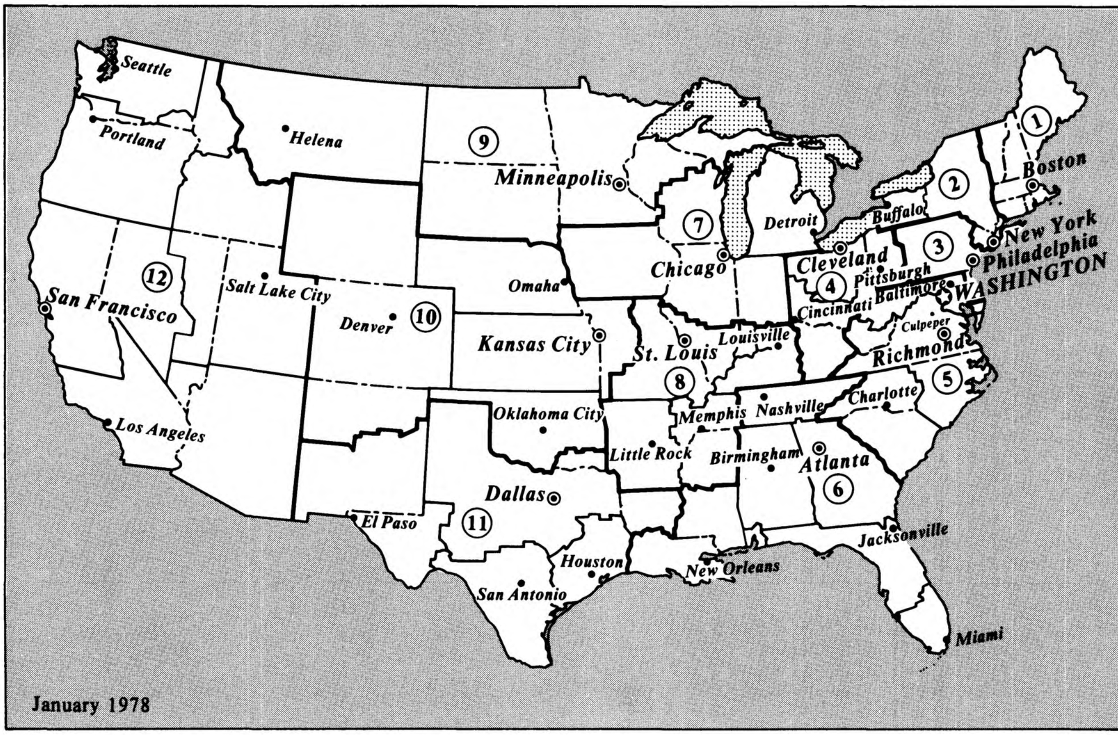
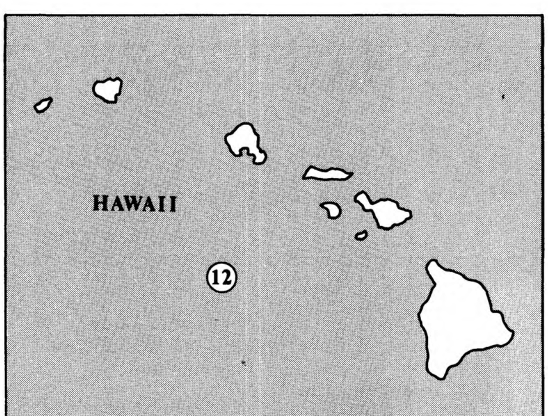
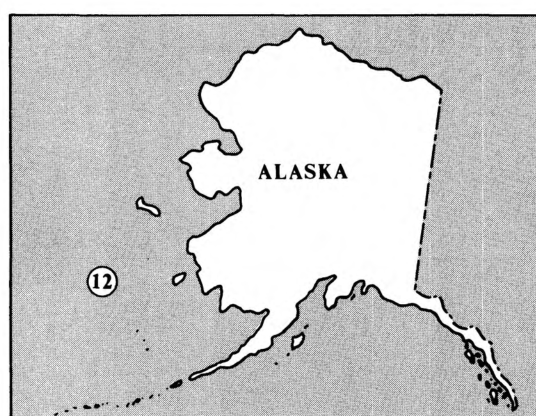
# The Federal Reserve System

## Boundaries of Federal Reserve Districts and Their Branch Territories

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