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Report submitted to the Congress pursuant to the Full Employment and Monetary Growth Act of 1978 on February 25, 1981.

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The past year was marked by considerable turbulence in the nation's economy and credit markets. Output and employment experienced extraordinarily sharp swings—generally confounding forecasters inside and outside government—and so, too, did interest rates and financial flows. On balance, the level of the aggregate output of goods and services at the end of 1980 was little changed from that at the beginning of the year, and with a growing labor force, unemployment was appreciably higher. At the same time, inflation continued at about the same unacceptably high rate as in 1979.

Many factors—some of them beyond the realm of the purely economic—combined to produce this distressing performance. At bottom, however, the behavior of the economy demonstrated rather vividly the difficulties of overcoming a deeply entrenched inflation and, particularly, the stresses that arise when necessary monetary restraint is not adequately supported by other instruments of public policy.

As 1980 began, the underlying trend of price increase was approaching a double-digit pace, and a recent further jump in international oil prices has threatened to worsen that trend. There was broad consensus that fighting inflation must be the top priority for national economic policy. The Federal Reserve shaped its policy for 1980 with the objective of reining in inflationary forces in the economy and establishing a framework within which decisionmakers in both the public and the private sectors could look forward over the longer run to a restoration of reasonable stability in the general price level.

The basic premise of the System's policy is the broadly accepted notion that inflation can persist over appreciable spans of time only if it is accommodated by monetary expansion. The strategy to which the System has committed itself is to hold monetary growth to rates that fall short of such accommodation and thus encourage adjustments consistent with a return to price stability over time. To be sure, the relationships between the growth of money and the behavior of the economic variables of ultimate concern—such as production, employment, and inflation—are not in practice absolutely stable or predictable, especially in the short run. But the crucial fact is that rates of monetary expansion in the vicinity of those specified by the Federal Open Market Committee (FOMC) last February implied a substantial degree of restraint on the growth of nominal gross national product—that is, the combined result of inflation and real growth. Put differently, the FOMC's ranges for monetary growth implied that, if inflation did not abate, there would in all likelihood be strong financial restraint on economic activity reflected in an easing of pressures on markets for goods and services and thence on productive capacity, factors that in turn would help to contain the momentum of inflation. This stabilizing influence was especially critical in a circumstance in which the impulse of a price hike by the Organization of Petroleum Exporting Countries could easily have led to a ratcheting upward of the trend rate of inflation.

In any event, inflation did not abate in 1980. But neither did it gain new momentum as many feared it might. Rather, the increases in most aggregate price indexes were about the same as were recorded in 1979. The fixed-weight price index for GNP rose $9^1/_2$ percent last year, a little more than in 1979, while the consumer price index rose $12^1/_2$ percent, somewhat less than in

1979. Such rates of inflation themselves result in a substantial increase in the amount of money needed to finance transactions. Thus, even though the monetary aggregates generally expanded at rates near or a bit above the upper ends of the FOMC's announced ranges, the steep rise in prices resulted in marked pressures in the credit markets that exerted restraint on economic activity and kept inflationary pressures from worsening.

These developments did not occur evenly throughout the year. During the opening months, the late-1979 boost in imported oil prices combined with other factors—including strife in Afghanistan, unsettlement in the Middle East generally, and attendant fears that an escalation of defense spending might greatly enlarge already sizable federal deficits—to aggravate inflationary expectations. These expectations contributed importantly to the upward pressures on interest rates that were associated with the Federal Reserve's efforts to contain growth in the monetary and credit aggregates. Then, in March, President Carter announced an anti-inflation program that included the application by the Federal Reserve of special restraints on credit growth by utilizing the powers of the Credit Control Act of 1969.

The tightening of credit markets and the psychological impact of the credit restraint program on consumers contributed to the sharpness of the economic decline that occurred in the first half of the year, although a decline at some point had long been anticipated in the light of strong pressures on financial positions and other factors. The drop in real GNP during the second quarter far exceeded the expectations of forecasters; in fact, it was the sharpest of the postwar period. However, with the slump in activity came a pronounced weakening of demands for money and credit and a steep decline in interest rates. The lowering of credit costs, coupled with removal of the special credit restraints, in turn was instrumental in bringing about a rebound in economic activity in the second half of the year, which turned out to be unexpectedly early and strong and restored real GNP almost to its year-end 1979 level. During this period of recovery, the public's demands on financial markets grew and interest rates rose as the System attempted to hold monetary expansion within bounds.

The financial pressures on the private sector of the economy last year were intensified by the competition of the federal government for the limited supply of credit. The federal deficit (unified basis, including off-budget agencies) grew from \$41 billion in calendar year 1979 to \$83 billion in calendar year 1980. During 1980, moreover, the massive federal deficit and repeated upward revisions in spending forecasts added to the prevailing mood of uncertainty and weakened public confidence in the government's willingness and ability to mount a successful anti-inflation effort.

In 1980, as in most periods of financial tension, those types of purchases that involve longer-term investments of large sums were hardest hit. The residential construction sector, especially, was squeezed by high interest rates and, particularly in the first half of the year, by reduced credit availability. Housing starts fell from an annual rate of 1.6 million units in the fourth quarter of 1979 to a rate of 1.1 million units in the second quarter of 1980; starts then snapped back sharply to just over 1.5 million units by the end of the summer, leveling off as interest rates moved upward again in the final months of the year. The mortgage markets have seen remarkably rapid institutional change in the past year, reflecting an adaptation to recurrent cyclical pressures on key lenders and to the difficulties potential homebuyers face with traditional mortgage instruments. Still, these changes have not insulated the real estate market from the effects of inflated home prices and of high mortgage rates on the willingness and ability of people to borrow and buy houses.

Credit conditions also played a role in dampening personal consumption expenditures in 1980—particularly outlays on big-ticket durable goods. However, several other influences militated against a robust pattern of consumer spending. The period leading up to 1980 had been marked by weakness in real disposable personal income and by an erosion of the financial flexibility of households. Faced with budgetary strains caused by relatively rapid increases in the prices of such basic necessities as food and energy, many American families had sought to maintain customary consumption patterns—and in some cases to finance extra purchases in anticipation of inflation—by borrowing. A declining trend in the personal saving rate suggested that consumers were becoming overextended and that some weakening in spending relative to income was quite likely; indeed, the saving rate rose from 4.7 percent in the fourth quarter of 1979 (a 28-year low) to 6.2 percent in the second quarter of 1980. Automobile purchases, which tend to be deferable in the short run, bore the brunt of the consumer retrenchment. Although credit conditions discouraged dealers from financing large inventories and to some extent were a depressant on demand for autos more generally, the steep increases in the prices of cars and gasoline appear to have been more decisive elements in the picture.

Business firms, like households, entered 1980 in a weakened financial condition. The preceding years of expansion had seen a substantial deterioration in aggregate measures of corporate liquidity; many enterprises were heavily burdened with short-term debt, and they thus were exposed to severe cash-flow pressures when interest rates rose. The combination of deteriorating balance sheets, a high cost of capital, and slackening demands for final products resulted in a 5 percent drop in real business fixed investment during 1980. Some industries—particularly in the defense, energy, and high-technology sectors—did register gains in capital outlays, but those elements of strength were more than offset by declines in most cyclical manufacturing industries. Plant construction spending was especially weak. Meanwhile, businesses kept a tight rein on inventories, encouraged by the high costs of carrying stocks; a moderate accumulation during the first-half recession—concentrated in the automotive and related industries—was largely eliminated in the subsequent rebound.

In the government sector, purchases of goods and services by the federal government rose moderately in real terms during 1980, reflecting in part a pickup in defense outlays. At the state and local level, real purchases were about unchanged, owing to fiscal strains associated with a slowing of growth in tax revenues and cutbacks in federal grants as well as to political pressures for spending restraint.

The slackening of domestic aggregate demand worked to hold down imports; in the case of petroleum imports, the impact of decreased economic activity was reinforced by the incentive for conservation provided by a sharply increased relative price of oil and other energy products. At the same time, U.S. exports—including both agricultural commodities and other products—rose appreciably in real terms. Net exports thus registered a noticeable increase during 1980, and the U.S. current account moved into sizable surplus in the second half of the year. The trade and current-account developments contrasted sharply with those of some other major industrial countries and contributed to a substantial appreciation of the dollar relative to continental European currencies over the course of the year.

Employment traced a path similar to that of output in 1980—that is, down substantially in the first half and up substantially in the second, with little net change. There was some alteration in the composition of employment over the course of the year, however, with jobs in manufacturing and construction decreasing and those in service industries increasing. The combination of this change in employment mix and a tendency for employers to lag in adjusting their work forces to lower levels of production contributed to a continued disappointing performance of labor productivity—output per hour worked—which showed no gain for the year.

With no moderating influence from the productivity side, the rise in unit labor costs reflected directly the behavior of wages and other labor expenses during 1980. In the nonfarm business sector, average hourly compensation—which includes employer contributions for social insurance and the cost of fringe benefits—rose 10 percent, a bit more than in 1979. However, this measure, because it does not account for changes in the mix of employment or in overtime, probably understates the acceleration in wage rates. For example, the index of average hourly earnings for production and nonsupervisory personnel, which does include adjustments for such factors, increased $9^1/_2$ percent in 1980 compared with 8 percent in 1979.

Wages typically are slow in responding to economic slack, and given the large increases in consumer prices in 1979 and 1980, there were strong tendencies toward sizable catch-up wage hikes even in the face of an unemployment rate that reached $7^1/_2$ percent last spring. This tendency manifests itself in a direct way when formal cost-of-living escalator clauses exist. Such clauses are most common in the manufacturing sector, especially when there is collective bargaining by large industrial unions, and the acceleration of wage rates was in fact relatively pronounced in that sector.

The Growth of Money and Credit in 1980

In its report to the Congress last February, the Board of Governors indicated the plans of the FOMC regarding the growth of money and credit in 1980. As in previous years, the FOMC set desired ranges for the growth of several monetary aggregates and of commercial bank credit. Measured from the fourth quarter of 1979 to the fourth quarter of 1980, the growth ranges were as follows: M-1A, $3^1/_2$ to 6 percent; M-1B, 4 to $6^1/_2$ percent; M-2, 6 to 9 percent; M-3, $6^1/_2$ to $9^1/_2$ percent; and bank credit, 6 to 9 percent.[1] It was recognized that legislative initiatives then pending in the area of financial regulation could alter the desired rates of increase, as could any other unanticipated developments that indicated the prescribed growth rates were inconsistent with the basic objectives of policy. As stated, however, the ranges suggested a clear deceleration of money and credit growth from the pace of 1979—a specification that appeared appropriate in terms of both the near-term and long-term requirements of anti-inflation policy.

As noted in the preceding section, the monetary and credit aggregates grew quite rapidly in the opening part of the year. Then, as economic activity began to fall rapidly, the growth of money and credit slowed markedly. Indeed, the narrow monetary aggregates, M-1A and M-1B, which are measures of the public's transaction balances, actually contracted significantly in the second quarter. This decline, occurring as it did at the same time that interest rates were falling sharply, was considerably greater than would have been expected on the basis of historical relationships among money, income, and interest rates. The weakness in the M-1 measures tended to restrain the growth of the broader monetary aggregates. Bank credit meanwhile contracted slightly.

At midyear, when the FOMC reassessed the monetary growth ranges for 1980, there were few, if any, signs of the then-incipient economic recovery. The monetary aggregates, though again on the rise, were either below or in the lower portion of the previously announced ranges. The Depository Institutions Deregulation and Monetary Control Act of 1980 had been signed into law by the end of March, but there was no clear evidence yet of significant impact on the behavior of the monetary aggregates. In these circumstances, the FOMC reaffirmed the ranges for money and bank credit that it had adopted in February, but it did indicate that, if the public continued to economize on the use of cash as strongly as in the second quarter, M-1A and M-1B might well finish the year near the lower end of their respective ranges.[2] Such a proviso was called for because a sustained downward shift in the demand for money implies that a given rate of monetary growth is more expansionary in its impact on the economy than would otherwise be the case.

Over the second half of the year, however, the monetary aggregates and bank credit grew very rapidly. There was a surprisingly swift and strong turnaround in economic activity. And simultaneously the public's demand for money retraced most of the evident downward shift of the first half. Both of these developments may have been associated with the phasing out of the extraordinary credit restraint program at the end

1. M-1A is currency plus private demand deposits at commercial banks net of deposits due to foreign commercial banks and official institutions. M-1B is M-1A plus other checkable deposits (that is, negotiable order of withdrawal accounts, accounts subject to automatic transfer service, credit union share draft balances, and demand deposits at mutual savings banks). M-2 is M-1B plus savings and small-denomination time deposits at all depository institutions, shares in money market mutual funds, overnight repurchase agreements (RPs) issued by commercial banks, and overnight Eurodollar deposits held by U.S. residents at Caribbean branches of U.S. banks. M-3 is M-2 plus large time deposits at all depository institutions and term RPs issued by commercial banks and savings and loan associations. Bank credit is total loans and investments of commercial banks.

2. Previous episodes had occurred, particularly in the mid-1970s, of lasting downward shifts in the demand for M-1 balances following rises in interest rates to new record levels. Such interest rate movements evidently encouraged greater efforts to economize on holdings of nonearning assets.

of the second quarter. In retrospect, this program seems to have played a greater role than was apparent at midyear in influencing the particular patterns of spending and financial flows that developed in the spring and summer.

Although the Federal Reserve resisted the accelerating growth in money and credit—and did succeed in bringing about a clear deceleration in the latter months of the year—the growth of the monetary aggregates on a fourth-quarter-to-fourth-quarter basis in 1980 was generally near or a bit above the upper ends of the ranges announced by the System. Bank credit growth was within the range specified by the FOMC.

Considerable care must be exercised in assessing the behavior of M-1A and M-1B. Last February when the ranges for the aggregates were set, it was assumed that the growth rates of the two aggregates would differ only by $^1/_2$ percentage point based on an expectation that, under prevailing statute, growth in automatic transfer service (ATS) and negotiable order of withdrawal (NOW) accounts would draw few funds from demand deposits (depressing M-1A) and savings deposits (boosting M-1B). With the passage of the Monetary Control Act, however, which authorized NOW accounts on a nationwide basis as of December 31, 1980, commercial banks began to promote ATS accounts more vigorously. As a result, actual growth of ATS and NOW accounts substantially exceeded the amount allowed for in the FOMC ranges for M-1A and M-1B.

M-1A increased 5 percent over the year ended in the fourth quarter of 1980, close to the midpoint of the FOMC's range for that aggregate. Meanwhile, growth in M-1B was $7^1/_4$ percent, $^3/_4$ of a percentage point above the upper end of its longer-run range. But if the FOMC's ranges are adjusted for current estimates of the actual impact of shifting into ATS and NOW accounts, the increases in both narrow aggregates are close to the upper bounds of the FOMC's ranges for 1980.

Although, conventionally, fourth-quarter averages have been adopted as the basis for measuring annual growth in the money and credit aggregates, the choice is somewhat arbitrary and is only one of many possible approaches. Moreover, citing figures for any particular calendar period does not necessarily give a clear sense of the longer-term trends, which are more relevant in assessing policy. For that reason, table 1 offers measurements of annual growth on several bases. Owing to the particular monthly patterns over the past two years, the fourth-quarter-to-fourth-quarter calculations show a lesser tendency toward deceleration in the growth of M-1A and M-1B than do other measurements of the 1980 experience.

1. Growth of money and bank credit[1]

Percentage changes

Item	M-1A	M-1B	M-2	M-3	Bank credit
Fourth quarter to fourth quarter					
1978	7.4 (7.9)	8.2 (8.0)	8.4	11.3	13.3
1979	5.0 (6.7)	7.7 (6.8)	9.0	9.8	12.3
1980	5.0 (6.3)	7.3 (6.7)	9.8	9.9	7.9
December to December					
1978	7.1 (7.8)	8.2 (7.9)	8.3	11.2	13.6
1979	5.2 (6.6)	7.5 (6.8)	8.9	9.4	11.5
1980	4.1 (5.2)	6.5 (5.8)	9.7	10.3	8.9
Annual average to annual average					
1978	7.7 (8.0)	8.2 (8.0)	8.9	11.7	12.3
1979	5.2 (6.8)	7.8 (7.0)	8.9	10.3	13.4
1980	4.6 (5.6)	6.4 (5.9)	9.1	8.6	8.3

1. Numbers in parentheses are adjusted for the estimated impact of shifting to ATS and NOW accounts from other assets and should give a better indication of the underlying trend of monetary expansion.

The effects on M-2 of shifting into ATS and NOW accounts likely are minor, since nearly all the inflows to those instruments appear to be from assets within this broad aggregate. For the year as a whole, M-2 grew about $9^3/_4$ percent, $^3/_4$ of a percentage point above the upper end of the FOMC's range. All of the growth in the nontransaction component of M-2 occurred in those assets offering market-related yields—primarily 6-month "money market certificates," $2^1/_2$-year "small-saver certificates," and shares of money market mutual funds. As of December, these assets accounted for 45 percent of the nontransactional component of M-2, compared with 28 percent a year earlier. In earlier periods of high interest rates, when such instruments did not exist, M-2 tended to decelerate markedly as disintermediation occurred, with savers shifting funds into market instruments. In 1980, the

2. Net funds raised and supplied in credit and equity markets

Billions of dollars

Sector	1978	1979	1980p	1980[1]			
				Q1	Q2	Q3	Q4p
NET FUNDS RAISED							
Total, all sectors	**482**	**483**	**434**	**497**	**253**	**454**	**534**
U.S. government	54	37	79	62	67	99	89
State and local government	24	16	21	21	12	24	27
Foreign	32	21	30	24	35	27	33
Private domestic nonfinancial	291	321	234	303	119	231	281
Business	128	156	133	163	79	133	155
Household	163	165	101	140	40	98	126
Domestic financial	81	88	70	87	20	73	104
Private intermediaries	40	36	23	32	−16	33	44
Sponsored credit agencies	23	24	24	34	16	12	36
Mortgage pool securities	18	28	23	21	20	28	24
NET FUNDS SUPPLIED							
Total, all sectors	**482**	**484**	**435**	**498**	**253**	**456**	**534**
U.S. government	20	23	26	29	30	24	21
State and local government	15	13	20	18	2	36	23
Foreign	40	−6	22	−8	47	22	27
Private domestic nonfinancial	51	81	29	74	−51	55	39
Business	−1	10	10	8	−10	22	22
Household	52	71	19	66	−41	33	17
Domestic financial	356	373	338	385	225	319	424
Private intermediaries	305	308	285	315	179	293	353
Commercial banking	129	121	104	117	−2	129	
Thrift institutions	76	56	57	35	27	74	94
Insurance and pension funds	84	90	98	103	108	93	86
Other[2]	16	41	26	60	46	−3	2
Sponsored credit agencies	26	29	25	40	6	24	32
Mortgage pool securities	18	28	23	21	20	28	24
Federal Reserve System	7	8	5	9	20	−26	15

1. Seasonally adjusted annual rates.
2. Includes finance companies, money market funds, real estate investment trusts, open-end investment companies, and security brokers and dealers.
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growing popularity of these relatively new assets may well have drawn some funds into M-2 from market securities such as Treasury bills, causing M-2 to grow somewhat more rapidly than in the preceding two years and also faster relative to M-1B.

M-3 grew almost 10 percent over the four quarters of 1980, $^1/_2$ percentage point above the upper end of its longer-run range. Large-denomination time deposits expanded moderately at commercial banks and thrift institutions during the year; in the case of banks, which issue the bulk of these instruments, the borrowing was offset by a reduction of net liabilities to foreign branches.

Bank credit grew about 8 percent in 1980. Fluctuations in this measure followed the general pattern of aggregate credit flows in the economy, but they were exaggerated by changes in the composition of business borrowing. During the first quarter, nonfinancial firms avoided long-term borrowing at record high interest rates and turned instead to the commercial banks for funds. In fact, they appear to have borrowed beyond their immediate needs in anticipation of greater credit stringency. During the second quarter, as bond rates dropped sharply and as banks tightened their lending policies in response to the special credit restraint program, corporations issued an unprecedented volume of long-term securities and repaid outstanding bank loans. During the summer months as interest rates began to rise, the pattern of financing began to reverse again, and in the fourth quarter, businesses again deferred long-term borrowing and tapped their banks for credit.

Broader measures of credit flows in the economy also exhibited a considerable cyclical fluctuation in 1980 (table 2). Total funds raised by all sectors of the economy in credit and equity markets fell by almost one-half in the second quarter, then retraced most of that decline in the third quarter. For the year as a whole, aggregate funds raised were substantially less than in 1978 and 1979. Commercial banks provided about the same share of total credit flowing to all sectors as in 1979, while the share of thrift institutions rose somewhat.

Issues in Monetary Control

Monetary growth in 1980 was, on balance, fairly close to the ranges specified by the FOMC. And, more important, the Federal Reserve's actions clearly imposed a significant—and essential—degree of restraint on the aggregate demand for goods and services in the economy. Nonetheless, particularly in view of the magnitude of the short-run swings in interest rates and financial flows in the past year, questions have been raised—inside as well as outside the Federal Reserve—about the techniques of implementing monetary policy and, especially, about the efficacy of the new operating procedures adopted in October 1979. These questions have been addressed in an intensive study of the recent period. A staff memorandum presenting an overview of the findings of that study and an evaluation of the new operating procedures is appended to this report.[3]

3. The charts, appendixes, including "Staff Study of the New Monetary Control Procedure: Overview of Findings and Evaluation," by Stephen H. Axilrod, and staff papers for this report are available on request from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

The monetary control project staff papers are as follows: Richard Davis, "Monetary Aggregates and the Use of 'Intermediate Targets' in Monetary Policy;" Jared Enzler, "Economic Disturbances and Monetary Policy Responses;" Jared Enzler and Lewis Johnson, "Cycles Resulting from Money Stock Targeting;" Margaret Greene, "The New Approach to Monetary Policy—A View From the Foreign Exchange Trading Desk;" Dana Johnson and others, "Interest Rate Variability Under the New Operating Procedures and the Initial Response in Financial Markets;" Peter Keir, "Impact of Discount Policy Procedures on the Effectiveness of Reserve Targeting;" Fred Levin and Paul Meek, "Implementing the New Procedures: The View From the Trading Desk;" David Lindsey and others, "Monetary Control Experience Under the New Operating Procedures;" David Pierce, "Trend and Noise in the Monetary Aggregates;" Lawrence Slifman and Edward McKelvey, "The New Operating Procedures and Economic Activity since October 1979;" Peter Tinsley and others, "Money Market Impacts of Alternative Operating Procedures;" and Edwin M. Truman and others, "The New Federal Reserve Operating Procedures: An External Perspective."

As a prelude to discussing the key points raised by the staff work, it is useful to describe in broad outline the general approach of the Federal Reserve to monetary policy. For a number of years, monetary aggregates have played a key role as intermediate targets for policy, that is, as variables standing midway in an economic chain linking the proximate instruments of the Federal Reserve—open market operations, the discount window, and reserve requirements—to the variables of ultimate concern, such as production, employment, and prices. Economists have debated extensively the question of the optimal intermediate target variable, with the controversy centering on the virtues of monetary aggregates versus interest rates. The System historically has, in effect, taken an eclectic view, believing that it would be remiss in ignoring the information provided by the movements of any financial or economic variable. However, it has perceived a clear value in focusing special attention on the behavior of the money stock, especially in an environment in which inflation is such a prominent concern. A special role for the monetary aggregates is, furthermore, dictated by the requirement of the Humphrey-Hawkins act that the Federal Reserve report to the Congress on its objectives for monetary expansion.

Analysts of all schools agree that, over the long run, inflation cannot persist without monetary accommodation. Thus, careful attention to the trend of monetary expansion is an absolutely essential feature of responsible monetary policy. In addition, however, in a shorter-run context, monetary aggregates are attractive as intermediate targets because they provide a mechanism of "automatic stabilization." When the economy begins to expand too rapidly, the associated increase in the quantity of money demanded for transaction purposes comes into conflict with the monetary target, and this results in a rise in market rates of interest; the rise in interest rates, in turn, damps the aggregate demand for goods and services. Similarly, if there is a recessionary impulse to the economy, the associated reduction in the demand for cash balances leads to an easing of credit conditions that moderates the impact of that impulse. Pursuit of an interest rate target carries with it a greater danger that an unanticipated impulse to the economy will tend to be fully accommodated, with greater inflationary or recessionary consequence.

Open market operations are the major tool of monetary control. Before October 1979, the basic approach employed by the System was to supply or absorb reserves through open market operations with an eye to holding short-term interest rates—most immediately, the federal funds rate—within a relatively narrow but changing band thought consistent with the desired growth of the money stock. This method placed considerable importance on the System's ability to predict the quantity of money the public would wish to hold at given interest rates. This never was an easy matter, but in 1979, as the advance of prices accelerated and inflationary expectations became a more significant and volatile factor affecting economic and financial behavior, predicting the public's desired money holdings at given levels of nominal interest rates became exceedingly difficult. As a consequence, in October the FOMC altered its technique of monetary control, substituting the volume of bank reserves for interest rates as the day-to-day guide in conducting open market operations.

Under the approach adopted in October 1979, the FOMC sets short-run targets for monetary expansion, as it did previously, to guide operations between meetings. The staff then calculates corresponding paths for various reserve aggregates. A path for total reserves is calculated based on the expected relationship between reserves and the money stock—the so-called reserves–money multiplier. This relationship is variable and not known with certainty because of the differences in reserve requirements on various components of the monetary aggregates, which shift in relative importance from week to week; moreover, in addition to required reserves, depository institutions also hold a varying amount of excess reserves. A path for nonborrowed reserves then is calculated by making an allowance for the portion of total reserves expected to be provided through borrowings at the Federal Reserve Bank discount windows.

Between meetings of the FOMC, the Open Market Desk focuses on achieving a given level of nonborrowed reserves, the reserve measure that is controllable through open market operations on a day-to-day basis. If the monetary aggregates deviate from their prescribed growth rates, the resultant movement in required reserves is reflected in an increase or decrease in borrowing at the discount window. Owing to administrative limitations imposed by the Federal Reserve on the frequency, amount, and purposes of borrowing, an increase in borrowing puts upward pressure on the federal funds rate as individual depository institutions bid more aggressively in the market for the available supply of nonborrowed reserves in an effort to shift the need to borrow to other institutions. A decline in borrowing has the opposite effect. The resultant movements in short-term interest rates induce portfolio adjustments by depository institutions and the public that tend to move the money stock back toward the targeted level. If it appears that these automatic effects are not going to be prompt enough or strong enough—as evidenced in part by sustained deviations in total reserves from their path—the System can reinforce them by making adjustments in the path for nonborrowed reserves that increase the upward or downward pressures on money market interest rates. Similar effects can be achieved through changes in the discount rate, given the nonborrowed reserves path.

The workings of this mechanism of monetary control are illustrated clearly by the movements in reserves and interest rates during 1980. During the early part of the year, when the money stock was running above the FOMC's short-run target, the volume of adjustment credit provided by the discount window increased substantially while the amount of nonborrowed reserves provided through open market operations declined, partly as a consequence of reductions in the nonborrowed reserves path to hold down total reserves and restrain the growth of money over time. During this period the federal funds rate rose sharply. Restraint was intensified by increases in the basic discount rate and the introduction in mid-March of a surcharge on frequent borrowing by large banks.

As the monetary aggregates weakened in the spring, the pattern of the first quarter was reversed. The System countered the weakness of the aggregates by maintaining the supply of total reserves; this required substantial injections of nonborrowed reserves to offset the impact of the repayment of discount window borrowings. The federal funds rate fell sharply.

The sharp plunge in interest rates, even though it occurred against a backdrop of marked monetary weakness and steep recession, did arouse concerns in some circles about the System's commitment to anti-inflationary restraint. This nervousness was evident not only in domestic financial markets but in foreign exchange markets too. By and large, the foreign exchange value of the dollar had fluctuated in a way that represented a fairly direct response to the pronounced relative movement of interest rates on assets denominated in dollars or foreign currencies. But as U.S. interest rates reached comparatively low levels, there was a sense of a growing risk that downward pressures on the dollar might cumulate.

In a way, the Federal Reserve was caught in an expectational crossfire. On the one side, those who concentrate on the money stock in assessing policy feared that the System was being too restrictive because the various measures of money were slowing sharply or contracting; on the other, some of those in the financial markets and elsewhere who view interest rates as *the* indicator of policy feared that the System was being inflationary because rates were falling sharply. The FOMC, in weighing the risks, decided to exercise some caution in the latter part of the spring by setting its short-run monetary growth targets with a view to a gradual rather than an immediate return to the longer-range path for the year.

The picture soon changed dramatically, however, for by midsummer the monetary aggregates—buoyed by the surprisingly strong turnaround in economic activity—were rising rapidly. And as required reserves began to exceed nonborrowed reserves, borrowing and interest rates climbed. As in the first quarter, pressures on money market interest rates were reinforced by reductions in the path for nonborrowed reserves and by increases in the discount rate and imposition of surcharges on frequent borrowing. Borrowing and the federal funds rate continued to rise until mid-December when a drop in the money stock relieved some of the pressure on reserve positions.

The staff study has examined the experience of 1980 in considerable detail in an effort to assess the causes of the extreme variability of money and interest rates in 1980 and the efficacy of the new reserves-oriented operating procedure in achieving the objectives of policy. Certain key conclusions of the study may be highlighted.

1. The year 1980 was one of extraordinary variability in money and nominal interest rates. In the case of money, however, it is important to note that comparisons with past years are complicated by the fact that monetary data for those periods have been considerably smoothed as additional information has been obtained on changes in seasonal patterns. If the 1980 figures are compared with the initial figures for earlier years, the difference in monetary variability is substantially reduced. Still, after making such allowances, it appears that money has been somewhat more variable over the past year, especially on a monthly or quarterly basis—though, as far as can be judged from available data, remaining within the range of foreign experience with money-stock variability.

2. Much of the variability—certainly the broad swings—in money and interest rates since October 1979 was attributable to an unusual combination of economic circumstances and not to the new operating procedures per se. The "real" and financial sectors of the economy were subjected to unusual disturbances in 1980. The imposition and subsequent removal of credit controls, especially, appear to have had a major impact on the demands for money and credit and to have strongly affected the behavior of money and interest rates in the second and third quarters.

3. Simulation exercises utilizing several models of the money market provided no clear evidence that, under present institutional arrangements, alternative operating techniques—using, for example, total reserves or the monetary base instead of nonborrowed reserves as an operating target—would improve short-run monetary control.

4. Clearly, efforts to limit severely deviations in money from its longer-run growth path would require acceptance of much more variable short-term interest rates.

5. Short-run variability in the monetary aggregates does not appear to involve significant im-

pacts on the behavior of the economy. Weekly and monthly changes in the monetary aggregates are inherently quite "noisy." Moreover, available models suggest that, because of the relatively long response lags involved, sizable quarterly (or even semiannual) fluctuations in monetary growth—if offsetting—do not leave an appreciable imprint on movements in output and prices.

6. The federal funds rate has been more variable since October 1979, as would be expected with use of a reserves operating target, but in addition very short-run fluctuations in other market rates—both short- and long-term—also have been larger in magnitude than formerly. These rates of interest have exhibited higher correlations than previously with movements in the federal funds rate. The reasons for this closer correlation between the federal funds and other rates in the very short run are not entirely clear, and it is not certain that such a pattern will prevail in the future. But, in any event, there are few signs that the resulting variability has imposed appreciable costs in terms of reduced efficiency of financial markets or of increased costs of capital in the period analyzed by the study. Considerable difficulties arise in separating the effects of the new operating technique from those of other factors. However, it does appear that much of the strain on financial institutions and many of the changes in financial practices observed in the past year were related to the broad cyclical pressures on interest rates during the year, caused by accelerated inflation and heightened inflationary expectations, and to the changes in credit demands associated with the behavior of economic activity.

The FOMC has reviewed the staff's work. Fundamentally, the research suggests that the basic operating procedure represents a sound approach to attaining the longer-run objectives set for the monetary aggregates. However, the FOMC and the Board of Governors will be considering the practicability of modifications that might reduce slippages between reserves and money, without unduly increasing the risk of an unnecessarily heightened variability of interest rates. These modifications include the possibility of prompter adjustment of nonborrowed reserve paths or of the discount rate at times when, in association with undesired movements in money, the levels of borrowing and, consequently, of total reserves are running persistently stronger or weaker than projected. In addition, the Board has already indicated its inclination to switch from the present system of lagged reserve accounting to a system in which required reserves are posted essentially at the same time as deposits; it is continuing to study the practical merits of such a system to ensure that the operating problems created for depository institutions and the Federal Reserve and the potentially increased volatility of the federal funds rate would not outweigh the possible benefits in terms of tighter short-run monetary control.

The FOMC has continued to set broad ranges of tolerance for money market interest rates—generally specified in terms of the federal funds rate. These ranges, however, should not be viewed as rigid constraints on the Open Market Desk in its pursuit of reserve paths set to achieve targeted rates of monetary growth. They have not, in practice, served as true constraints in the period since October 1979, as the FOMC typically has altered the ranges when they have become binding. But, in a world of uncertainty about economic and financial relationships, the ranges for interest rates have served as a useful triggering mechanism for discussion of the implications of current developments for policy.

The reserves operating procedure—or any modification of it—needs to be viewed in the context of a number of practical considerations that affect the basic targets for the monetary aggregates and the process of attaining them. First, targets need to recognize the lags in the adjustment of wages and prices that may limit the speed with which noninflationary rates of monetary expansion can be attained without unduly restraining economic activity. Second, the potential for costly disturbances in domestic financial or foreign exchange markets may occasionally require short-run departures from longer-run monetary targets. Third, precise month-by-month control of money is not possible, nor is it necessary in terms of achieving desirable economic performance. Finally, uncertainties about the relationship between money and economic performance suggest the desirability of a degree of flexibility in the targets—including the use of ranges for more than one measure of money—

and the potential need to alter previously established targets.

Monetary Policy and the Prospects for the Economy in 1981

The Federal Reserve's Objectives for the Growth of Money and Credit

In its midyear report last July, the Federal Reserve indicated to the Congress that its policy in 1981 would be designed to maintain restraint on the expansion of money and credit. Nothing has occurred in the intervening months to suggest the desirability of a change in that basic direction. Events have only served to underscore the importance of such a policy—and of complementary restraint in the fiscal dimension of federal policy as well.

Few would question today the virulence of the inflation that is afflicting the economy or the urgency of mounting an effective attack on the forces that are sustaining inflation. The rapid rise of prices is the single greatest barrier to the achievement of balanced economic growth, high employment, domestic and international financial stability, and sustained prosperity. The experience of the past year—the stresses and dislocations that have occurred—attests to the difficulty of dealing with inflationary trends that have been many years in the making, but it does not indicate that there is any less need to do so. Indeed, the need has become more urgent, for as price increases continue, the public's expectations of inflation become more and more firmly embedded, and those expectations in turn contribute to the stubborn upward momentum of wages and prices.

Persistent monetary discipline is a necessary ingredient in any effort to restore stability in the general price level. To be sure, other areas of policy are also important, but it is essential that monetary policy exert continuing resistance to inflationary forces. The growth of money and credit will have to be slowed to a rate consistent with the long-range growth of the nation's capacity to produce at reasonably stable prices. Realistically, given the structure of the economy, with the rigidities of contractual relationships and the natural lags in the adjustment process, that rate will have to be approached over a period of years if severe contractionary pressures on output and employment are to be avoided.

The ranges of monetary expansion specified this month by the FOMC for the year ending in the fourth quarter of 1981 reflect these considerations. They imply a significant deceleration of growth in the monetary aggregates from the rates observed in 1980 and other recent years. The ranges are as follows: for M-1A, 3 to $5\frac{1}{2}$ percent; for M-1B, $3\frac{1}{2}$ to 6 percent; for M-2, 6 to 9 percent; and for M-3, $6\frac{1}{2}$ to $9\frac{1}{2}$ percent. It should be emphasized that, owing to the introduction of NOW accounts on a nationwide basis at the end of 1980, the monetary ranges have been specified on a basis that abstracts from the impact of the shifting of funds into interest-bearing checkable deposits; only by adjusting for the distorting effects of such shifts can one obtain a meaningful measure of monetary growth. The FOMC also adopted a corresponding range of 6 to 9 percent for commercial bank credit.

The ranges for M-1A and M-1B are $\frac{1}{2}$ percentage point less than those the Federal Reserve sought in 1980. Since realized growth last year, after adjustment for the impact of shifting into interest-bearing checkable deposits, was close to the upper ends of the stated ranges for the period, the new ranges are consistent with a deceleration of considerably more than $\frac{1}{2}$ percentage point.

The actual observed changes in M-1A and M-1B will differ by a wide margin; in fact, it is quite possible that, because of the movement of funds from demand deposits to NOW accounts, M-1A could contract this year, while M-1B could grow more rapidly in reflection of funds moving into NOW accounts from savings deposits and other assets. It must be stressed that valid comparison of actual year-to-year growth has to allow for this institutional change.

The behavior of M-1A and M-1B thus far this year has reflected this pattern, but in an exaggerated degree because of the large initial transfer of funds to NOW accounts. The next section discusses in some detail the distortions caused by shifting to NOW accounts and the expected behavior of M-1A and M-1B. As the discussion indicates, any estimates of the extent and character of the prospective shift into NOW accounts must be tentative. The Federal Reserve will be monitoring the shifting into interest-bearing checkable deposits as the year progresses and will be assessing its impact on the expansion of the monetary aggregates. From time to time, the System will report its estimates of the adjusted growth of M-1A and M-1B so that the public and the Congress can better assess the consistency of monetary expansion with the FOMC's stated objectives.

The 1981 range for M-2 is the same as that in 1980; however, the upper end of the range is roughly ¾ percentage point less than the actual growth recorded in 1980. A reduction in the range does not appear appropriate at this time in light of what is known about the relationships among the various monetary measures, as affected by public preferences for various types of assets and by expected economic and institutional circumstances. In fact, there is a distinct likelihood that, consistent with the planned decline in the growth of the narrower aggregates, growth in M-2 in 1981 will be in the upper half of its 6 to 9 percent range. With the changes in regulatory ceilings that have made small-denomination time deposits more attractive in comparison to market instruments and with the growing popularity of money market mutual funds, the nontransactional component of M-2 is likely to continue growing quite briskly. Moreover, if the tax cuts proposed by the President result in a marked increase in the proportion of income saved, this saving may contribute to relatively robust growth in M-2, which has, in any event, tended in recent years to approximate the increase in nominal GNP.

The range for M-3 in 1981 is the same as that for 1980, but again is below the actual growth experienced last year. The deceleration would reflect the slower expansion specified for M-2, which accounts for more than three-quarters of the broader aggregate. Large-denomination time deposits at commercial banks—the other major component of M-3—likely will expand moderately again this year, but much will depend on the patterns of credit flows that emerge. The growth of bank credit is now expected to be about the same as in 1980. Household borrowing at banks could increase, especially in the consumer installment area, where use of credit was severely damped for a time last year by credit controls. However, nonfinancial firms likely will wish to rely less heavily on bank borrowing than they did in 1980, in light of the deterioration of balance-sheet liquidity that they have already experienced. Indeed, should credit market conditions be such as to encourage a substantial funding of short-term debt by corporations, commercial banks might play a lesser role in the overall supply of credit and M-3 could be damped by reduced bank reliance on large time deposits. On the other hand, if conditions in the bond markets are not conducive to long-term financing, then bank credit and M-3 could be relatively strong.

Impact of Nationwide NOW Accounts on Monetary Growth in 1981

As noted in the preceding section, the behavior of M-1A and M-1B will be greatly affected this year by the advent, under the Monetary Control Act of 1980, of nationwide availability of NOW accounts and other interest-bearing checkable deposits. The phenomenon is qualitatively similar to what occurred in 1980 when growth in M-1A was depressed and growth in M-1B enhanced by the shifting of funds into ATS accounts—but the distortions in 1981 will be quantitatively much greater.

With the introduction of a new financial instrument like the NOW account, a broad adjustment of the public's asset portfolios may occur. Under the present circumstances, however, it seems reasonable as a practical matter to expect that the major impact will be a shifting of funds into the new accounts from existing nonearning demand deposits and from the interest-earning assets included in M-2 (especially highly liquid, relatively low-yielding savings deposits). The analysis of experience in past years with NOW accounts in the northeastern part of the country and with ATS accounts throughout the nation indicates that flows from demand and savings deposits have accounted for the great bulk of the growth of interest-bearing accounts. Furthermore, various surveys and other analyses have indicated that in the past roughly two-thirds of the funds flowing into ATS and NOW accounts have come from demand deposits and roughly one-third from savings deposits.

During January, a somewhat larger share of the funds flowing into interest-bearing checking deposits appears to have come from demand deposits—perhaps about 75 to 80 percent, with only about 20 to 25 percent coming from savings deposits (or, to a very limited extent, other sources). This change from past patterns appears to reflect a relatively fast adjustment on the part of holders of large-denomination demand deposit balances at commercial banks. The sources of subsequent growth in interest-bearing checkable deposits are expected to be more along the lines of the past two-thirds–one-third break.

Depository institutions have marketed the new accounts very aggressively, many of them lining up a sizable number of customers before the end of 1980. Since December 30, the net growth of interest-bearing checkable deposits already has totaled more than $22 billion. Obviously it is extremely difficult to forecast the further growth of interest-bearing checkable deposits over the remainder of the year. A working assumption would be that the net increase in such deposits this year will amount to somewhere between $35 billion to $45 billion, which would mean that half, or a little more than half, of the funds already have been shifted. If the shares of funds coming from demand and savings deposits move promptly to a two-thirds–one-third proportion, the result will be a depressing effect on M-1A growth of 7 to 8 percentage points and an increase of 2 to 3 percentage points in M-1B growth. Taking the midpoints of these estimates and applying them to the basic ranges specified by the FOMC for monetary growth this year, the observed change in M-1A from the fourth quarter of 1980 to the fourth quarter of 1981 would be $-4\frac{1}{2}$ to -2 percent and that in M-1B would be 6 to $8\frac{1}{2}$ percent.

As already indicated, the growth of interest-bearing checkable deposits in January was extraordinarily rapid and resulted in an extreme divergence of M-1A and M-1B movements. Observed M-1A contracted at a $37\frac{1}{2}$ percent annual rate in January, while M-1B increased at a $12\frac{1}{4}$ percent annual rate. On the assumption that three-quarters to four-fifths of the funds flowing into interest-bearing checkable deposits came from demand deposits, both M-1A and M-1B, on an adjusted basis, showed only small growth in the early weeks of this year.

Outlook for the Economy

The economy entered 1981 on an upward trajectory, extending the recovery in activity from last year's brief but sharp recession. January saw further large gains in retail sales, employment, and industrial production. On the whole, the demand for goods and services has continued to prove more buoyant than most analysts had expected. Unfortunately, at the same time inflation has not abated.

The persistence of intense inflationary pressures jeopardizes the continuity of economic expansion over the remainder of the year. Moreover, unless the rise of prices slows, there can be little hope of an appreciable, sustained easing of interest rates or of a substantial improvement in the balance sheets of the many units of the economy that already have experienced a deterioration in their financial condition.

The near-term prospects for prices are not favorable. In the months immediately ahead, the major price indexes will reflect the effect of poor agricultural supply conditions on food prices and the impact of higher OPEC charges and domestic decontrol on energy prices. Increases in the consumer price index, furthermore, will reflect—in a way that exaggerates the true change in the average cost of living—the rise in mortgage interest rates that occurred in the latter part of 1980.

Aside from these special factors, the basic trend of prices is linked closely to the behavior of unit labor costs, which constitute the largest element in costs of production. As noted earlier, poor productivity performance has contributed to rising costs. It is also quite clear that wage demands have been sizable. Despite the acceleration in wage increases that has occurred, the wages of many workers have failed to keep pace with the upward movement of prices in the past few years. This development was virtually inevitable in light of the decline in productivity and the adverse terms-of-trade effects of the tremendous increase in foreign oil prices. So long as those conditions continue, the average worker cannot anticipate a rising standard of living, and attempts to "make up" losses in real income will be reflected in strong cost and price pressures.

The condition of labor markets is, of course, a factor affecting wage decisions. Despite the fact that the overall unemployment rate stands at $7\frac{1}{2}$

percent, scarcities of skilled workers have occurred in some sectors of the economy. But, even when slack in labor demand does exist, its impact on wages is rather slow in emerging; wages appear to have a strong momentum rooted in inflationary expectations, which are based to a great extent on past experience as well as on attempts to maintain real income. Workers' wage demands are influenced by expectations about prices, as well as by patterns established in previous wage bargaining. Meanwhile, employers condition their wage offers in good measure by their own sense of the prospects for inflation and of whether they will be able to pass along higher compensation costs by increasing prices.

This momentum must be turned in a favorable direction. To do so will require a commitment to monetary and fiscal restraint that is firm and credible, and a direction of other governmental policies toward fighting inflation. Labor and management must be persuaded that the inflationary process will not be accommodated—that wage and price decisions based on an anticipation of rapid inflation will prove inimical to their ability to maintain employment and sales volume. Put more positively, they have to be convinced that moderation in their individual wage and price actions will not put them at a relative disadvantage and will in fact produce a better economic environment for everyone.

Such an alteration of the expectational climate will not be easy to achieve. But it is important to do so. For, to the extent that those attitudes can be changed, the short-run costs of restraint on aggregate demand, in the form of economic slack, will be ameliorated. Conversely, prolongation of high wage and price demands would come into conflict with needed monetary and fiscal restraint, aggravating economic difficulties. In any event, once expectations are turned, further progress toward price stability should come more easily so long as excessive pressures on productive capacity are avoided.

The policy of monetary restraint adopted by the Federal Reserve is intended to contribute to the process of breaking the momentum of inflation. Fiscal policy also has a crucial role to play.

3. Economic projections for 1981

Item	Actual 1980	Projected 1981	
		FOMC	Administration
Changes from fourth quarter to fourth quarter, percent			
Nominal GNP	9.5	9 to 12	11.0
Real GNP	−.3	−1½ to 1½	1.4
GNP deflator	9.8	9 to 10½	9.5
Average level in fourth quarter, percent			
Unemployment rate	7.5	8 to 8½	7.7

Cuts in federal taxes potentially can help to invigorate private capital formation and thereby enhance productivity, reduce costs, and pave the way for faster economic growth. But it is important that government spending be held firmly in check at the same time so that aggregate demand does not become excessive and so that the pressures of government demands on the credit markets do not impede the financing of private investment.

The members of the FOMC, in assessing the economic outlook, have recognized the possibility of some reduction this year in business and personal income taxes and some initial steps in the longer-range effort toward slowing the growth of federal expenditures. Given these working assumptions, the individual members of the FOMC have formulated projections for economic performance in the current year that generally fall within the ranges indicated in table 3. As may be seen, the FOMC members' projections for output and inflation encompass those that underlie the administration's recent budget proposal.

The members of the FOMC see inflation as remaining rapid in 1981, although not so rapid throughout the year as seems likely to be the case early in the period. The failure of inflation to slow more quickly and the large budgetary deficits in prospect for the year are seen as resulting in continued strong demands for money and credit and in the maintenance of relatively high interest rates. Against this backdrop, economic activity is likely to show only intermittent strength, and unemployment probably will rise between now and the end of the year. □

Treasury and Federal Reserve Foreign Exchange Operations

This 38th 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 Treasury 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 August 1980 through January 1981. Previous reports have been published in the March and September BULLETINS *of each year beginning with September 1962.*

During the six-month period under review, the U.S. dollar came into heavy demand in the exchange markets and advanced sharply against many major currencies.

The dollar's underlying strength reflected the relatively favorable current-account position of the United States. The current account had swung from substantial deficit in the first half of 1980 to surplus in the second half of the year. By contrast, many other major industrial countries continued to record massive current-account deficits, swollen by the increase in their oil import bills following the runup of international oil prices in 1979–80.

In addition, the dollar proved increasingly attractive as an investment medium. As the U.S. economy snapped back from the sharp recession of early 1980, the demand for money and credit in the United States also rebounded strongly. With the Federal Reserve continuing to adhere to its approach—adopted in October 1979—of placing primary emphasis on bank reserves rather than on interest rates to control the growth of the money and credit aggregates, interest rates in the United States were bid up once again to new peak levels. Meanwhile, the economies of most other major countries were showing slower growth than before or even moving into recession, with marked increases in unemployment. This development generated strong pressures on the authorities to ease up on policies, including monetary policies, even as inflation rates and, in most cases, current-account deficits still showed little sign of improving. The authorities were reluctant to have their interest rates rise in pace with those in the United States. Consequently, as interest differentials opened up in favor of the dollar, increasing volumes of funds moved into dollar-denominated assets.

Through late 1980, the selling pressures were mainly on Western European currencies, in particular the German mark. In Europe, current-account deficits continued to be large and inter-

1. Federal Reserve reciprocal currency arrangements

Millions of dollars

Institution	Amount of facility	
	Jan. 1, 1980	Jan. 31, 1981
Austrian National Bank	250	250
National Bank of Belgium	1,000	1,000
Bank of Canada	2,000	2,000
National Bank of Denmark	250	250
Bank of England	3,000	3,000
Bank of France	2,000	2,000
German Federal Bank	6,000	6,000
Bank of Italy	3,000	3,000
Bank of Japan	5,000	5,000
Bank of Mexico	700	700
Netherlands Bank	500	500
Bank of Norway	250	250
Bank of Sweden	300	500[1]
Swiss National Bank	4,000	4,000
Bank for International Settlements		
Swiss francs/dollars	600	600
Other authorized European currencies/dollars	1,250	1,250
Total	**30,100**	**30,300**

1. Increased by $200 million effective May 23, 1980.

2. Drawings and repayments under reciprocal currency arrangements, August 1, 1980–January 31, 1981[1]

Millions of dollars equivalent; drawings, or repayments (–)

Activity by the Federal Reserve System

Transactions with	Commitments, Jan. 1, 1980	1980 Q1	1980 Q2	1980 Q3	1980 Q4	January 1981	Commitments, Jan. 31, 1981
Bank of France[2]	0	0	100.2	60.6 –54.6	–110.5	0	0
German Federal Bank[2]	3,150.4	316.0 –3,489.2	996.1 –132.4	265.7 –876.2	–260.3	0	0
Swiss National Bank	0	22.7 –22.7	0	11.2 –11.2	0	0	0
Total	3,150.4	338.7 –3,511.9	1,096.2 –132.4	337.5 –942.1	–370.8	0	0

Activity by the BIS and foreign central banks

Bank drawing on System	Outstanding, Jan. 1, 1980	1980 Q1	1980 Q2	1980 Q3	1980 Q4	January 1981	Outstanding, Jan. 31, 1981
Bank of Sweden	0	0	0	0	0	200.0	200.0
Bank for International Settlements (against German marks)[3]	0	192.0 –97.0	50.0 –145.0	0	0	0	0
Total	0	192.0 –97.0	50.0 –145.0	0	0	200.0	200.0

1. Because of rounding, figures may not add to totals. Data are on a value-date basis.
2. Data on repayments of swap commitments with the Bank of France and the German Federal Bank include revaluation adjustments of $34.3 million for swap renewals during 1980.
3. BIS drawings and repayments of dollars against European currencies other than Swiss francs to meet temporary cash requirements.

est rates, while high relative to inflation rates, were generally below those in the United States. The pound sterling was an exception; the United Kingdom moved into a strong current-account position and maintained high interest rates that proved attractive to investment flows. The Japanese yen advanced sharply, on a substantial improvement in Japan's current-account position and on heavy demands for yen-denominated assets.

In early 1981 the dollar's advance became more generalized, even though U.S. interest rates had edged off from their peaks. The release of the U.S. hostages by Iran lifted one element of uncertainty for the dollar, while the unfreezing of a part of Iran's assets took place without disrupting the exchanges. Moreover, the market reacted positively to the sense of determination shown by the Reagan administration to deal with inflation and to revitalize the U.S. economy. By late January, market sentiment became extremely bullish toward the dollar. At the same time, market participants were inclined to interpret developments affecting other major currencies in a pessimistic light. In this atmosphere, markets became increasingly one way, with the dollar rising virtually every day.

Over the six-month period ending January 31, the dollar had risen 19 percent against the German mark and 16 to 20 percent against other currencies within the joint float of the European Monetary System (EMS). Sterling, which had risen 5½ percent, had dropped back for a net gain of 1½ percent on balance. The yen also eased back from its highs but still rose 10 percent for the six-month period. The Canadian dollar, which had dropped to a 40-year low in December, was steadier after the year-end on signs of an improvement in Canada's external position and on the sharp rise in interest rates that had occurred in December.

In foreign currency operations, U.S. authorities were active throughout the period, mainly as buyers of currencies. As the dollar firmed against the German mark in August, the Federal Reserve and the Treasury began to acquire, in the market and through correspondents, the currencies needed by the System to repay swap debt and by the Treasury to cover its short position under its medium-term mark obligations. These operations continued in substantial volume through the fall.

By the end of October, the System had repaid in full the remaining $879.7 million equivalent of

3. U.S. Treasury securities, foreign currency denominated[1]

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

Issues	Commitments Jan. 1, 1980	1980 Q1	Q2	Q3	Q4	Jan. 1981	Commitments Jan. 31, 1981
Public series							
Germany	4,065.7	1,168.0	0	0	0	0	5,233.6
Switzerland	1,203.0	0	0	0	0	0	1,203.0
Total	**5,268.6**	**1,168.0**	**0**	**0**	**0**	**0**	**6,436.6**

1. Data are on a value-date basis. Because of rounding, figures may not add to totals.

swap debt to the German Federal Bank and $166.3 million of swap drawings on the Bank of France outstanding as of July 31, 1980. By early December the Treasury had acquired sufficient marks to cover its medium-term notes in that currency. Thereafter, with the dollar still in strong demand, the U.S. authorities continued on balance to acquire currencies. Operations were conducted on days in which the exchange rates were particularly volatile, and on some occasions the Trading Desk placed simultaneous bid-and-asked prices to settle the market. Nevertheless, with the one-way movement into dollars that developed, by late January the U.S. authorities were again purchasing marks virtually every day.

To summarize, over the six months, the U.S. authorities operated in German marks, French francs, Swiss francs, and Japanese yen. In marks, the Federal Reserve and Treasury purchased a total of $7,569.5 million equivalent in the market and from correspondents and sold $368.2 million in the market. In French francs, the Federal Reserve purchased $158.6 million in the market and from correspondents to repay the swap debt. In Swiss francs, the Federal Reserve and the Treasury bought $192.2 million equivalent, which was added to balances. In yen, the Federal Reserve sold $50.0 million equivalent as part of a coordinated intervention operation early in January. Finally, in January the central bank of Sweden drew $200 million under its swap line with the Federal Reserve. U.S. foreign currency reserves stood at $10.7 billion at the end of January, up from $5.4 billion at the end of July.

From August through January, the Federal Reserve realized profits of $18.6 million on its foreign exchange operations. The U.S. Treasury's Exchange Stabilization Fund realized losses of $3.7 million on its operations in the market. Also, the Treasury's general account incurred losses of $170.2 million, reflecting annual renewals at current market rates of the agreement to warehouse with the Federal Reserve proceeds of Treasury securities denominated in marks and Swiss francs. These losses will be recovered by the Treasury's general account when it reacquires these currencies for the redemption of the securities. As of the end of the period, with the dollar having risen sharply, the Federal Reserve showed valuation losses of $150.6 million on its foreign exchange assets while the Exchange Stabilization Fund showed valuation losses of $826.3 million on its foreign exchange assets. The Treasury's general account showed valuation profits of $781.1 million related to the outstanding issues of securities denominated in foreign currencies of $6,436.6 million equivalent.

During the period under review, U.S. authorities changed certain provisions of swap agreements with foreign central banks. Since July 1973 the exchange risk on drawings by the Federal Reserve or the U.S. Treasury had been shared evenly with the foreign central bank on which the drawing was being made. This risk-sharing procedure did not apply to drawings by other central banks. In addition, since the inception of the swap agreements in 1962, the interest rates paid on any drawings, either by the Federal Reserve or the Treasury or by the foreign central banks, were based on the current rates for U.S. Treasury bills. Under procedures beginning this year,

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

Net profits or losses (−) in millions of dollars

Period	Federal Reserve	U.S. Treasury: Exchange Stabilization Fund	U.S. Treasury: General account
1980—Q1	14.1	0	64.9
Q2	7.7	42.0	0
Q3	−1.1	3.9	6.3
Q4	6.2	−3.1	−25.9
January 1981	6.2	−.7	−144.3
Valuation profits and losses on outstanding assets and liabilities as of January 31, 1981	−150.6	−826.3	781.1

1. Data are on a value-date basis.

the Federal Reserve and the U.S. Treasury, like their counterparts in the swap arrangements, will take the full exchange risk on their swap drawings. They will also pay a rate of interest based on the creditor country's Treasury bill rate or the nearest equivalent market rate.

GERMAN MARK

By mid-1980 the German authorities were confronted with an emerging policy dilemma. Economic activity was contracting as recessionary trends abroad led to a sharp slowdown in export growth at the same time that domestic demand faltered. Unemployment was rising. Inflation, after peaking at 6 percent, began to recede and the growth of central bank money had slowed to the lower end of the 5 to 8 percent annual target range. These developments had permitted the German Federal Bank to begin cautiously to ease money market conditions by providing some liquidity on a temporary basis over the summer months. But the central bank resisted domestic pressures to reduce official interest rates out of concern that a relaxation of the overall restrictive stance of monetary policy before inflationary expectations were firmly laid to rest would undercut the progress already under way in bringing inflation under control.

Moreover, the current-account deficit, running in excess of DM 25 billion at an annual rate, was in deeper deficit than had been projected earlier. German interest rates, though high by domestic standards, remained low relative to interest rates elsewhere. As a result, the goal of financing the current-account deficit with a combination of private and public inflows of capital, and thereby avoiding a drain on Germany's foreign exchange reserves, had met with only limited success. Despite substantial foreign official placements with the German Federal Bank and revaluation adjustments to its gold and foreign currency holdings with the European Monetary Fund, Germany's gross foreign exchange reserves declined $1.6 billion in the first seven months of 1980 to stand at $45.7 billion at the end of July.[1]

In the exchanges, the German mark had moved up from its lows of last April in the wake of declining U.S. interest rates. On occasion during August the mark still came into bursts of demand amid concerns about the outlook for inflation in the United States. As in preceding months, the authorities in the United States acted to settle these pressures. The Federal Reserve and U.S. Treasury together sold $69.6 million equivalent of marks during the month. But the mark's rebound had lost momentum as a renewed upturn in U.S. interest rates began to provide support for the dollar. Also, tensions in Poland were generating uncertainties about Germany's strategic and economic exposure to developments in Eastern Europe. Consequently, the mark was vulnerable from time to time to renewed capital outflows. On days when the spot rate weakened, the Federal Reserve and the U.S. Treasury were able to acquire $481.1 million equivalent of marks and $312.8 million equivalent of marks respectively in the market and from correspondents. These marks were used to rebuild balances and to reduce the Federal Reserve's swap debt with the German Federal Bank from $879.7 million at the end of July to $437.9 million by the end of August.

The stalling of the mark's recovery during August contributed to the perception in the market that a deepening conflict between domestic and external objectives had left the German authorities with little room to maneuver. Following up their actions of the summer, the German Federal Bank acted to nudge money market rates lower while aiming to keep an overall, tight grip on liquidity. On September 1 the authorities cut minimum reserve requirements by 10 percent on domestic and foreign liabilities. To reduce further the cost of funds to the banks, the authorities acted on September 19 to lower the Lombard rate from 9½ to 9 percent, while also supplying additional mark liquidity via repurchase agreements against government securities and via foreign exchange swaps of marks against dollars. In fact, however, German money market rates did not ease much because the commercial banks,

1. Foreign exchange reserves for Germany and other members of the EMS, including the United Kingdom, incorporate adjustments for gold and foreign exchange swaps against European currency units (ECUs) done with the European Monetary Fund. Foreign exchange reserve numbers used in the report are drawn from International Monetary Fund data published in *International Financial Statistics*.

expecting a further drop in official lending rates, bid aggressively for funds in the market rather than approach the central bank for longer-term loans. Around the time of the International Monetary Fund (IMF)–World Bank meetings in late September and early October, expectations of a more meaningful relaxation of policy became widespread amid spirited public discussion of the need for a cut in the discount rate.

Meanwhile, in contrast to the pattern of declining production and rising unemployment in Germany, economic activity in the United States was picking up. In the face of renewed demands for money and credit, the Federal Reserve had acted to constrain the growth of bank reserves in order to control the growth of the monetary aggregates. Market interest rates climbed sharply, and on September 26 the Federal Reserve raised the discount rate 1 percentage point to 11 percent. Strong demand for money and credit persisted, putting additional upward pressure on U.S. money market rates. With interest differentials adverse to the mark thus widening and with market participants looking for still larger differentials in the weeks ahead, capital began to flow heavily out of mark-denominated assets. As a result, the mark, already weighed down by the large current-account deficit, came under increasing selling pressure in the foreign exchange market. The Trading Desk continued to buy marks in response to the emergence of one-way pressures, acquiring $395.9 million equivalent of marks on behalf of the Federal Reserve and $283.6 million equivalent of marks, including $36.9 million on a forward basis, on behalf of the U.S. Treasury through October 15. These purchases in the market and from correspondents enabled the Federal Reserve to liquidate in full its remaining swap debt with the German Federal Bank and the Treasury to continue covering its outstanding mark-denominated, medium-term notes.

At its Council meeting on October 20 the German Federal Bank provided the banks with additional rediscount quotas at preferential rates and otherwise acted to increase bank liquidity but decided not to lower official interest rates. Demands that greater priority be given to restoring economic growth nevertheless continued. Indeed, a report of the five leading German economic research institutes recommended that the German Federal Bank expand the growth of the money supply, reduce official lending rates, and accept a temporary depreciation of the mark if necessary to prevent the downturn of the economy from deepening further. In the foreign exchange market, sentiment toward the mark turned bearish. Interest-sensitive capital flowed even more heavily from Germany amid portfolio shifts into the dollar, sterling, and higher-yielding currencies in the EMS. Meanwhile, official and commercial borrowers with financing needs in other currencies borrowed marks and converted the proceeds in the exchanges. The pressure of these outflows triggered a fall in bond prices, thus prompting the German Federal Bank to support the capital market through open market operations, while also pushing the mark to the floor of the joint float vis-a-vis the French franc and occasionally also vis-a-vis the Netherlands guilder.

As speculative selling pressures mounted, reports of a temporary withdrawal of the mark from the joint float or of a widening in intervention limits began circulating through the market. But high-ranking German officials denied that such measures were under consideration and reaffirmed their commitment to maintain the mark's strength and thereby its attractiveness to foreign investors. The German Federal Bank, which had gradually increased its intervention sales of dollars, was by late October operating heavily in French francs and on a smaller scale in Dutch guilders to preserve exchange rate limits within the EMS. Even so, by early November the mark had declined 10 percent from levels prevailing around mid-September to a low of DM 1.96 against the dollar.

To support the mark further, the German Federal Bank allowed the heavy intervention within the EMS to tighten the German money market. Moreover, the French authorities adopted measures on November 7 to ease their money market interest rates and to discourage capital inflows. These actions alleviated the pressures on the mark. As concerns over realignment of EMS parities began to fade, the immediate focus of market attention shifted to interest rate developments among the industrial countries. In this respect, traders were unsure about the dollar's prospects if U.S. interest rates should suddenly drop off once the near-term run-up in rates topped out. Consequently, when signs of the beginning of deceleration in the growth of the U.S. monetary aggregates set off expectations that U.S. interest rates might decline, the dollar came suddenly on offer. As funds flowed out of dollars back into mark-denominated assets, the spot rate soared about 4 percent against the dollar to a high of DM 1.8860 in less than two trading days between November 7 and 10. In response, the U.S. authorities intervened as a seller of marks, while the German Federal Bank also purchased dollars in Frankfurt.

But, contrary to expectations, U.S. interest rates continued their advance in the weeks that followed. With the economy expanding, the growth of the monetary aggregates resumed and U.S. interest rates began to advance once again. The Federal Reserve followed by raising the discount rate successively by 1 percentage point each on November 17 and on December 5 to 13 percent and introduced a surcharge on frequent use of the discount window by large borrowers. Short-term domestic and Eurodollar rates climbed sharply higher through mid-December, reaching new peaks of 22 percent and opening up interest differentials adverse to the mark of as much as 12½ percentage points.

Once again private capital flowed out of Germany as investors locked in high dollar interest yields at the expense of mark-denominated assets and as foreign governments, corporations, and individuals continued to borrow marks to take advantage of relatively low interest costs and prospective further declines of the spot rate in the exchanges. Such outflows were of major concern to the German authorities. They added to huge funding needs imposed by the current-account deficit as well as by the continuing deficit on long-term private direct investment. Increased foreign borrowings by German public authorities, mainly from members of the Organization of Petroleum Exporting Countries, were not proving sufficient to prevent the mark from weakening further or to stem the erosion of Germany's foreign exchange reserves. Accordingly, the German Federal Bank acted to curtail further capital outflows and in December negotiated a "gentleman's agreement" with large commercial banks that temporarily stopped new mark-denominated loans to foreigners. Nevertheless, selling pressure on the mark pushed the spot rate to as low as DM 2.0325 in European trading on December 12 despite substantial purchases of marks by the Trading Desk both in New York and through the agency of the German Federal Bank in Frankfurt.

In the weeks between mid-October and mid-December, the U.S. authorities intervened forcefully at times to counter one-way pressures on the mark. The Federal Reserve acquired $1,472.8 million equivalent of marks in the market and from correspondents, adding these to balances. For its part the U.S. Treasury bought $3,101.7 million equivalent, including $196 million on a forward basis, enabling it to cover entirely its mark-denominated securities. On occasions when the markets were particularly volatile, the authorities also intervened to sell $170.3 million equivalent of marks, financed out of balances.

After mid-December as U.S. interest rates slipped back from their highs, the mark began to recover. Even so, a sustained surge of buying did not materialize. Some evidence had accumulated by this time that the decline in U.S. interest rates would be more gradual than had been originally thought. In particular, the U.S. economy, though generally expected to weaken in the first half of 1981, appeared fairly robust despite the depressed state of the auto and housing sectors. Moreover, further declines in German industrial production and rising unemployment were taken to suggest that the German authorities would follow by lowering their interest rates. But, in view of the considerable uncertainties surrounding the movement in interest differentials, few traders were willing to take on new positions, particularly before the year-end.

Coming into the new year, market participants tried to assess the outlook for economic and financial developments for 1981. Traders were impressed by the large swing in the U.S. current account from deficit in the first half of 1980 to surplus in the second half of the year. Indeed, the importance of the increasingly favorable U.S. current-account position for the dollar–mark relationship was underscored at the onset of trading in January when the mark, after initially rising to as high as DM 1.9280 on January 6, dropped back amid a stream of commercially based orders for dollars. By contrast, the outlook for Germany's current account worsened. Most forecasters were looking for nearly as large a deficit this year as the shortfall of DM 28 billion recorded in 1980, despite projections of continued stagnation and even recession in the German economy. The prospect of a sizable and prolonged deficit partly reflected the adverse impact on Germany's terms of trade of the sharp depreciation of the mark and of higher oil prices. But underlying the tenaciousness of the deficit were structural problems as well, such as the challenge to manufactured exports by overseas competitors and Germany's continued heavy dependence on foreign energy resources.

Within Germany the ongoing policy debate intensified amid heightened disagreement over the appropriate adjustment to the change in Germany's external situation. In the exchange market, sentiment toward the mark turned exceedingly bearish during January as market participants focused on the ambivalence of German policy. While holding to a firm monetary stance in the face of internal pressures to stimulate the economy, the central bank had nonetheless avoided overt steps toward tightening, and market participants began to question the resolve of the authorities to support the mark. Moreover, the determined tone of the Reagan administration in seeking to strengthen the U.S. posture both at home and abroad contrasted sharply with the sense of policy frustration in Germany, adding to the market's pessimism toward the mark.

In these circumstances, the selling of marks gathered force as concerns about a sharp drop in U.S. interest rates evaporated and as the Iranian hostage crisis and the unfreezing of blocked Iranian dollar assets were resolved without major incident, thereby removing uncertainties about the dollar. Downward pressures on the mark were also aggravated by the possibility of Soviet military intervention in Poland, in view of Germany's strategic exposure and its extensive trade and investment relationships with Eastern Europe. By late January the mark was dropping more rapidly in the exchanges against the dollar than other EMS currencies and was again at the floor of the EMS vis-a-vis the French franc. In response, the German Federal Bank intervened in dollars and, together with the Bank of France, in francs to preserve the EMS intervention limits. For their part, the U.S. authorities also acquired substantial amounts of marks. Even so, the mark plummeted 10 percent from its highs in early January to DM 2.1300 by January 31, for a net decline of 19 percent over the six months under review.

In view of the continuing volatility of the exchanges after mid-December, the U.S. authorities intervened frequently both to settle the market and toward the end of January to counter the strong one-way pressures building up in favor of the dollar. From mid-December, purchases of marks by the Federal Reserve and the U.S. Treasury amounted to $719.0 million equivalent and $802.6 million equivalent respectively. Over that time, intervention sales by the U.S. authorities amounted to $128.4 million equivalent.

In summary, during the six-month period the Federal Reserve purchased $2,106.9 million equivalent of marks in the market and $961.8 million equivalent of marks from correspondents, while intervening to sell $215.9 million equivalent. At the same time, the U.S. Treasury acquired $3,865.2 million equivalent in the market and another $635.8 million equivalent from correspondents and sold $152.4 million equivalent of marks. Meanwhile, reflecting sizable intervention purchases of marks within the EMS and the repayment of swap debt by the Federal Reserve, Germany's foreign exchange reserves declined $3.3 billion over the six-month period to stand at $42.4 billion on January 31, 1981.

Swiss Franc

The economy in Switzerland, in contrast to that in Germany, remained strong through the early summer of last year. Bolstered by consumer and investment demand, the Swiss gross national product was expanding at an annual rate of 3 percent while employment advanced to its highest level in five years. But international developments were impinging on this otherwise favorable economic performance. Even though the Swiss inflation rate was still the lowest in the industrialized world, domestic prices were being pulled up sharply by rising oil prices and the higher prices of other imported goods.

The deterioration in the terms of trade, recessions in foreign markets, and the strength of the domestic economy had opened up a trade gap of around $6 billion, about twice the 1979 deficit and sufficiently large to push the current account into deficit for the first time in 15 years. Moreover, since the larger industrialized countries were relying heavily on restrictive monetary policies to combat high inflation, interest rates abroad had risen, reaching historic highs in a number of countries and moving interest differentials sharply against Switzerland in early 1980. These differentials, especially against the United States, were widening again by early August.

The relatively low nominal interest rates in Switzerland left the franc vulnerable to downward pressures that, if they intensified, threatened to increase inflationary pressures within Switzerland. In response, the Swiss authorities had begun to dismantle exchange controls limiting capital inflows, actions that helped the franc rebound strongly against the dollar in the late spring and early summer. But in late July when the dollar began to recover, the franc fell back from its highs to trade around SF 1.65 in early August. Later in the month as U.S. interest rates continued to advance, the franc eased further, slipping at times against the mark as well as the dollar. In response, the Swiss authorities hastened to complete the abolition of all remaining restrictions against capital inflows. In addition, regulations governing borrowings in Swiss francs were changed to make it easier for central banks and monetary authorities to invest in private Swiss franc placements. During this period the U.S. authorities supplemented their operations in marks by operating in Swiss francs as well. By the end of August, they had bought $20 million equivalent of francs in the market and $15.2 million equivalent from correspondents, of which $22.6 million was for the Federal Reserve and $12.6 million was for the Treasury.

Meanwhile, since the Swiss National Bank had intervened only occasionally to buy dollars in 1980, the authorities were relying on other operations to provide the liquidity banks needed on a short- and medium-term basis to maintain reserve requirements. These operations included arranging foreign exchange swaps for short- and medium-term maturities and placing government deposits with commercial banks. Even so, the Swiss monetary base, which is used as a target by the authorities, was falling just below the desired growth rate of 4 percent per year. In part, this reflected reduced holdings of bank notes following the removal of exchange controls. But, with recessions spreading across other European countries, especially Germany, the sluggishness of monetary growth suggested that the Swiss economy might also be slowing down. The markets came to expect a decline in interest rates. Nevertheless, the authorities remained determined to combat inflation, which at 4 percent per year remained historically high for Switzerland. Therefore, the Swiss National Bank provided liquidity at now relatively unfavorable interest rates, thereby signaling to the market its refusal to accommodate lower interest rates.

By mid-October, the steep rise in U.S. interest rates opened up a large gap between U.S. and Swiss rates. Funds flowed heavily out of the franc into the dollar and the rate fell sharply with other continental currencies, dropping some $5^1/_2$ percent to SF 1.7425 in early November before leveling off with the mark around midmonth. Nevertheless, during this same period the somewhat tighter money market conditions had helped stabilize the franc vis-a-vis the mark. With the franc benefiting from the return of funds that had been invested earlier in the year in Germany, the franc did not fall as fast as the mark and the Swiss National Bank did not have to intervene in the exchange market. Between early September and mid-November the Federal Reserve bought an additional $5 million equivalent of francs in the market and $102.2 million equivalent from correspondents. For its part the Exchange Stabilization Fund bought $29.8 million equivalent from correspondents.

In December, U.S. interest rates rose even higher and the differential between U.S. and Swiss interest rates widened to more than 14 percent. Investment portfolio managers reacted swiftly by moving large amounts of funds out of the franc into higher-yielding dollar assets. Moreover, seeing little possibility of a near-term recovery in the franc, many corporate entities, governments, and official agencies borrowed francs domestically or in the Euro-Swiss franc market where in many cases borrowers simply exercised options to allow them to switch loan currency denominations on rollover dates. As a result, the franc fell even more sharply against the dollar, while also relinquishing some of its gains against the mark. By mid-December, it dropped another $5^1/_2$ percent to SF 1.8365 before recovering to SF 1.7800 at the month-end in response to the decline in U.S. interest rates and a sharp year-end rise in Swiss interest rates.

Coming into 1981, participants remained wary over the outlook for the franc. Its steep decline against the dollar was seen as undercutting the fight against inflation in Switzerland. At the same time, the Swiss economy was expanding more slowly in the face of deepening recessions in Germany and elsewhere in Europe. In many financial centers around the world the concern over Germany's economic outlook tended to include Switzerland, and as a result many investors viewed the Swiss franc as a less attractive medium for investment funds. Against this background, once it became clear in early January that U.S. interest rates were not giving up much ground, the franc came heavily on offer with the other continental currencies, plummeting 8 percent against the dollar over the month. This further steep decline in the rate prompted the Swiss National Bank to sell modest amounts of dollars in the exchange market. Also on January 29 the Federal Reserve and the Treasury each purchased $10 million equivalent of francs in the market to supplement intervention in marks. The franc closed on January 30 at a three-year low of SF 1.9270, to end the six-month period $16^1/_4$ percent lower against the dollar. Also, the franc eased back from its highs against the mark, having received much less intervention support. It therefore closed the six-month period little changed on balance against the mark.

Over the period, Federal Reserve market and correspondent purchases of francs totaled $30 million equivalent and $109.8 million equivalent respectively. Treasury acquisitions of francs for the Exchange Stabilization Fund totaled $15 million equivalent and $37.4 million equivalent respectively.

During the six-month period, Switzerland's foreign currency reserves fluctuated from month to month in response to foreign exchange swap operations undertaken for domestic monetary purposes. On balance, the reserves declined $200 million to $12.1 billion as of January 31.

JAPANESE YEN

By the third quarter of 1980, Japan was experiencing a dramatic turnaround in its balance of payments. This shift occurred initially in the capital account, where heavy inflows first into the banking sector and later into stocks and bonds had provided more than adequate financing for a current-account deficit still running at an annual rate of $20 billion through the first half of the year. By midsummer, however, the current account was itself moving out of deficit at an unexpectedly rapid pace. A major reason for this improvement was a large reduction of the volume of oil imports, reflecting energy conservation efforts and major investments in energy-saving production processes by Japanese companies. In addition, following the adoption of more restrictive fiscal and monetary policies to stabilize the Japanese yen last March, private consumption flattened out and inventories were cut back sharply. This reduction of domestic demand also contributed to lower import volume, while at the same time it encouraged Japanese companies to expand their overseas sales. As a result, the Japanese yen advanced from its early-April lows to ¥ 227.28 by the opening of the period, while Japan's foreign exchange reserves rose to $18.8 billion.

This sharp recovery in the yen, together with the improved balance of payments performance, touched off a debate within Japan on whether or not to lower domestic interest rates. Earlier in the summer, the Bank of Japan had resisted pressures for easing monetary policy in view of the continued strength of inflationary pressures and the size of the current-account deficit. But by mid-August evidence emerged of the substantial improvement in the current account and of a lowering in the inflation rate. Moreover, economic growth was slowing down both at home and abroad. As a result, on August 20 the Bank of Japan lowered its discount rate $^3/_4$ percentage point to $8^1/_4$ percent. In addition, on September 5 the government announced a modest fiscal stimulus, featuring a restoration of some programs cut earlier in the year.

In the exchange market, this slight relaxation in fiscal and monetary policy had little impact on the performance of the yen. The market had become increasingly aware that, despite its heavy dependence on oil imports, Japan—by comparison with most other industrialized countries—was achieving a rapid adjustment to higher world oil prices. The yen was remarkably resilient in the face of a prospective shortfall in oil production resulting from the outbreak of hostilities between Iran and Iraq. This resiliency impressed the market and the yen continued to be buoyed by capital inflows, including funds from OPEC countries to purchase stocks of Japanese companies as well as government and corporate bonds. These inflows, together with the virtual elimination of the current-account deficit by early autumn, propelled the yen $7^1/_4$ percent above early-August levels to ¥ 210.65 by September 19 and a further 2 percent to ¥ 206.20 on October 14. At this level the yen was at its highest in nearly two years before easing back against a strengthening dollar to ¥ 211.05 at the month-end. Meanwhile, with the yen in heavy demand in late September and early October, the Bank of Japan intervened in the exchange market to moderate its rise. These operations contributed to an increase of $2.2 billion in foreign exchange reserves to $21.0 billion as of October 31.

In early November the strength of the yen, further evidence of moderating inflation, and a moderation of monetary growth provided the Bank of Japan with an opportunity to cut its discount rate another 1 percentage point to $7^1/_4$ percent. In addition, the authorities lowered reserve requirement ratios for bank deposits. This move was largely anticipated in the exchange market, and the yen continued to fluctuate around ¥ 212. Around the month-end, however, the Japanese yen dropped to as low as ¥ 216.75 on expectations of higher interest rates in the United States coinciding with the implementation of a new exchange control law on December 1, liberalizing the movement of funds in and out of the country. But effective the same day the Ministry of Finance announced increases in the quotas available to Japanese and foreign banks for swapping dollar borrowing into yen, thereby providing more scope for capital inflows. The market soon came into better balance, and the yen recovered to fluctuate around ¥ 210 through midmonth.

In late December, exchange market sentiment became more favorable for the yen. Continued strength of export and investment demand was expected to give the economy a boost in Japan that contrasted with the spreading slowdown in most other industrialized countries. With U.S. interest rates also drifting lower at the time, market participants came to expect another wave of investment flows into Japan. As the market turned more bullish toward the yen, commercial leads and lags moved in its favor, pushing the rate up to as high as ¥ 198.00 on January 5. This abrupt rise prompted the Bank of Japan to intervene in the exchanges. At that time, the dollar was coming generally on offer and, as part of a joint effort with the Bank of Japan to prevent the disorderly conditions in the yen market from spilling over into the other currency markets, the Federal Reserve sold $50 million equivalent of yen in New York, financed out of System balances. This intervention helped bring the market into balance and, as concern over a possible sharp drop in U.S. interest rates faded, the yen rate settled back to around ¥ 202.50 by midmonth. Thereafter, the yen traded quietly, declining somewhat against the dollar but rising against the continental European currencies. Market sentiment remained generally positive for the yen, which closed on January 30 at ¥ 206.10, up some $9^1/_2$ percent over the six-month period. Meanwhile, the Bank of Japan's interventions during the last three months of the period contributed to a rise of $1.7 billion in foreign exchange reserves to $22.7 billion as of January 31, for an overall rise of $3.9 billion for the six-month period.

STERLING

Coming into the period under review, sterling had been buoyant relative to other European currencies. Britain's rising production of oil from the North Sea left its economy well protected against possible cutoffs in oil supplies and further increases in energy prices. A deepening recession at home was dampening import demand so as to help push the current account from deficit into substantial surplus. The British authorities remained determined to curb the entrenched inflationary pressures in the domestic economy. Toward that end, the Bank of England kept short-term British interest rates close to the recent record levels as long as the demand for credit appeared to remain strong. As a result, British interest rates stayed high by international standards and, in a world dominated by fears over the vulnerability of national economies to rising oil prices, sterling remained an attractive investment medium, especially in view of the depth, diversity, and breadth of the London money and capital markets.

As a result, the pound had led the advance of the European currencies against the dollar during the spring and summer to trade by early August at \$2.34 against the dollar and around 74.5 on a trade-weighted basis as a percentage of Smithsonian parities. Moreover, Britain's reserve position had become so strong that the government had announced during July its decision to prepay during 1980 an official Eurodollar borrowing of \$1.5 billion due to mature during 1985–88. Even after some of these repayments, Britain's official foreign currency holdings at the end of July were close to an all-time high at \$20.4 billion.

Sterling's strength in the exchange market, while acting to slow domestic price increases, was creating a dilemma for British policymakers, since the pound's steep and persistent rise against nearly all other currencies posed an ever-increasing threat to the competitiveness of British goods. As the pound advanced, British industrialists complained bitterly over narrowing profit margins and declining product market shares. As Britain's company sector came under increasing liquidity strains, unemployment rose to more than 2 million, stocks were run down, and investment was cut back. The corporate bond market remained inactive, and bank borrowing was the major source of finance. The continued high level of borrowing by the private sector, as well as the large public-sector borrowing requirement, kept monetary growth well above target despite substantial sales of government stock. Thus, market participants eagerly awaited any evidence that might point to a deceleration in monetary growth sufficient to permit the authorities to lower interest rates or, alternatively, any development that might prompt the authorities once more to engage in heavy exchange market intervention to moderate the pound's rise.

Instead, money market conditions in London remained tight almost continuously from August to October. Statistics on the growth of the monetary and credit aggregates gave the market little hope that the time had come for the Bank of England to reduce its official minimum lending rate. As a result, sterling continued to be well bid during the late summer and fall. During August, both the exchange market and the money market were further influenced by efforts of the major oil companies to acquire sterling to make sizable petroleum revenue tax payments. In late September the pound was bid up further in reaction to the outbreak of hostilities between Iraq and Iran, rekindling concerns over the global availability of oil supplies. By mid-October, release of figures revealing a further gain in Britain's trade surplus underscored the magnitude of the favorable shift in the country's balance of payments position. Thus, sterling was ratcheted up against the dollar 3 percent in the two and a half months to mid-October to \$2.4108, even as most other European currencies were fluctuating rather narrowly, albeit somewhat lower, against the dollar.

Later that month when a renewed rise in U.S. interest rates started to draw funds out of many continental European currencies, the still relatively high yields available in London shielded the pound from these pressures. Indeed, with sizable amounts of OPEC and other investment funds on the move, some funds went into sterling, and this influx helped push the exchange rate up even higher. By late October the pound was advancing against virtually all currencies, hitting a six-year high of \$2.4565 against the dollar. Against the continental EMS currencies, the pound rose 10 percent above levels in early August to four-year highs in early November. The Bank of England continued to intervene only to smooth out wide movements in the rate. Net official dollar purchases in the exchange market were more than offset by other operations, so the United Kingdom's currency reserves declined somewhat over the three months.

Meanwhile, however, credit demand, although still strong, was on the verge of slackening for several reasons. The government deficit, although running ahead of forecast levels, was expected to decline as a result of planned reductions in expenditures, the approach of the tax-payment season, an anticipated rebate from the European Community (EC), and sales of government-owned companies. Also, as the recession became more protracted and industry cut its employment rolls while also pruning financial commitments, the demand for bank credit was expected to taper off. In the exchange market, expectations therefore hardened that the authorities would announce a reduction of interest rates when a new parliamentary session opened in mid-November. A sharp sell-off suddenly developed, and the pound fell $4\frac{3}{4}$ percent from its highs to \$2.3385 on November 24. On that day the Bank of England's minimum lending rate was reduced 2 percentage points to 14 percent. Chancellor Howe also announced a series of measures designed to lower the public-sector borrowing requirement, including a proposal for a supplementary tax on oil production at a rate of 20 percent of gross revenues and an increase in employee national insurance contributions (effective from April 1981). On balance, this package was well received in the exchange market, and the pound steadied to trade around \$2.34 through mid-December.

Coming into the new year, sterling was again buoyant in the exchange market. Underpinned by a further widening in the current-account surplus, a rebate from the EC, and occasional large investment orders, the pound was bid up to as high as \$2.4320 on January 21. Nevertheless, with U.S. interest rates unexpectedly firm and with the dollar strong in the exchanges, the pace of capital flows into the pound began to slow. As a result, a diversification of investment portfolios by British residents into other currencies, which had proceeded ever since abolition of exchange controls a year before, now began to show through. Around the month-end, sterling dropped back from its highs to close at \$2.3630 on January 30. The pound was, however, still up $1\frac{1}{2}$ percent on balance against the dollar and nearly 21 percent higher against the mark since the end of July. On a trade-weighted effective basis, the rate rose 7 percentage points to 81.2 percent of its Smithsonian parity over the six-month period.

Meanwhile, the Bank of England continued to intervene on both sides of the market to smooth fluctuations in the pound. These operations had little impact on external reserves, which were affected more by repayments of foreign currency debts and periodic revaluations of Britain's holdings in the European Monetary Fund. As a result of these considerations, the United Kingdom's foreign currency reserves declined \$1.7 billion over the six-month period to \$18.7 billion as of January 31.

French Franc

For France the recent sharp increase in oil prices served to aggravate domestic inflationary pressures, lower real incomes, and impose a sharp reversal in the country's current-account position, thereby eroding the benefits of years of stabilization policies. By mid-1980, the rate of consumer price inflation had jumped up to $13\frac{1}{2}$ percent. The current-account surplus of preceding years had given way to a deficit that was to amount to \$7 billion for the full year. Moreover, the economy had lost its upward momentum in the face of weakening consumer and investment demand and, with little opportunity to absorb a growing labor force, the rate of unemployment rose to more than 6 percent.

In response, the French government had already begun to provide limited fiscal stimulus to the economy and followed up with some further modest measures when it announced its 1981 budget early in September. In particular, certain social benefits were increased, more low-interest loans were made available to export firms and to finance housing, and some tax relief was provided to encourage new investment. But the French authorities, remaining committed to the combined goal of curbing inflation and maintaining the strength of the French franc, resisted pressure to ease the Bank of France's restrictive monetary policy as the economy weakened. Indeed, tight limits on banks' credit ceilings were maintained. The growth of money, which had run near 11 percent—the top of the target for M-2—at times during the summer, was back well within the targeted range by early fall. In addition, short-term rates had resumed a gradual rise after the summer, so that interest rates for most maturities were yielding a positive return even after taking inflation into account.

In the exchange markets, the French franc was trading firmly as the six-month period under review opened. It was benefiting then, as it had through much of the year, partly from the relatively high French interest rates that attracted investment flows into franc-denominated assets and partly from the domestic credit ceilings that provided an incentive to French banks and corporations to borrow in foreign currencies to meet local financing needs. In addition, the market's attitude toward the franc remained more positive than for other European currencies. The current-account deficit, while a source of concern, was considerably smaller than that for Germany, its principal trading partner. France's traditionally good relations with Middle Eastern countries were generally thought in the market to help cushion France from any shortfall of oil supplies that might result from either the Iranian crisis or the outbreak of hostilities between Iran and Iraq. Moreover, some investors, looking to diversify their holdings, were attracted by the opportunities afforded in either the domestic or the Euro-franc markets. Thus, capital inflows were more than sufficient to finance France's current-account deficit. The French franc had recovered from its spring lows to trade around FF 4.15 early in August. Bank of France intervention within the context of the EMS had contributed to a rise in France's foreign currency reserves to $25.3 billion by the end of July. Also, in view of the franc's relative strength, the Federal Reserve had included the French currency in its intervention operations earlier in the year, leaving a net $166.3 million of indebtedness outstanding under the System's swap line with the Bank of France as of that same date.

Against this background, with the currency markets reasonably well balanced during August and September, the franc fluctuated narrowly against the dollar while remaining comfortably near the top of the EMS 2¼-percent band. Although the Bank of France continued to buy modest amounts of EMS currencies, there was little further increase in French official foreign exchange reserves. Later on, however, the French franc became caught up in the tug of war between a generally rising dollar and a declining German mark. As the dollar strengthened after mid-October, the French franc started a decline, which was to proceed almost without interruption, to FF 4.4750 against the dollar by early November. Meanwhile, the Federal Reserve took advantage of the opportunity to begin to buy French francs both from correspondents and in the market and covered all its outstanding swap debt by the end of October.

Within the EMS by contrast, upward pressure on the French franc intensified after mid-October. The Bank of France had just, in effect, reaffirmed its commitment to a restrictive monetary policy stance at a time when the authorities of other European countries were becoming increasingly concerned about slower economic growth and the prospect of recession. The French central bank announced that its growth target for M-2 for 1981 would be reduced to 10 percent and intervened in the Paris money market to maintain interest rates at a fairly high level. With the German mark coming under increasing selling pressure, the still relatively high level of interest rates in France attracted funds from abroad and kept the French franc from declining as rapidly as the mark against the dollar. The relationship between these two currencies within the EMS, therefore, became increasingly strained. On a number of occasions in late October and early November, the franc was at its upper intervention limit against the mark. The central banks of both countries were obliged to intervene in the market to buy large amounts of marks against francs. At times the Bank of France supplemented these operations by buying small amounts of dollars as well. Despite these purchases, which were partially reflected in a $874 million increase in official foreign currency holdings for the month of October, the franc had risen to a high of FF 2.3002 against the mark by October 31.

On November 7, the Bank of France announced a number of measures to relieve the upward pressure on the franc within the EMS. The money market intervention point was reduced ¾ percentage point to 10¾ percent, and a reserve requirement of 5 percent was imposed on deposits of nonresidents to discourage interest-sensitive short-term capital inflows from abroad. But, to offset the effects of the recent intervention activity on domestic liquidity, the Bank of France also increased reserve requirements on commercial bank sight and time deposits. After these measures, the pressures in the EMS substantially subsided. The franc eased from its limit against the German mark, although at times during November and December the Bank of France bought modest amounts of marks, while also acquiring Belgian francs when that currency was low within the EMS. For a time the EMS currencies also steadied against the dollar. When, however, the EMS as a group declined, the French franc dropped further against the dollar, easing as much as 4 percent below early-November levels before recovering some in advance of the year-end.

During January, as prospects of a resolution to the Iranian hostage issue improved, the market for French francs began to react to the possibility that any move to unfreeze Iranian assets would set off new and possibly massive flows of funds. Those U.S. banks with liabilities vis-a-vis Iran were presumed to have to bid for funds in the Eurodollar market to meet these liabilities, and as Eurodollar rates were bid up, the European currencies generally weakened against the dollar. At the same time, market participants anticipated that Iran, once its assets were unfrozen, might try to switch a substantial amount of its funds into French francs. As a result, the franc declined less against the dollar than the other EMS currencies as the dollar continued to advance around midmonth. Although in fact no such flow of funds materialized, the relatively high interest rates in France continued to attract funds from abroad. By the end of January, the franc was again firmly against the upper EMS band even as it eased to FF 4.9000 against the dollar. The Bank of France was once more intervening with other central banks to support the German mark and Belgian franc. France's official foreign currency reserves increased further to stand at $26.5 billion by the end of January, up $1.2 billion over the six-months. Over the period under review, the French franc, frequently caught between the rising dollar and the weakening German mark, moved down 18½ percent on balance against the dollar and up ½ percent on balance against the mark.

Italian Lira

By mid-1980, the sharp increase in energy prices of the past two years, together with a rapid deterioration in Italy's non-oil trade position, had swung Italy's current account sharply into deficit, reversing the sizable surplus position of 1979. The Italian domestic economy continued to expand strongly into 1980, even at a time when a slackening of other economies was being reflected in a slowing of foreign demand for Italian products. Moreover, inflation in Italy remained relatively high, proceeding at a pace of more than 20 percent on a year-over-year basis. Since spring, fiscal policy had been at the center of an intense domestic debate that focused on the need to control inflation, to reduce the government debt, and to spur export growth. But, with no fiscal measures yet in place, the burden of fighting inflation fell entirely on monetary policy, which remained restrictive.

In this context, the Italian lira had come under increasing pressure. In the exchanges, as the growing current-account deficit weighed increasingly on the lira, the spot rate had not risen as the dollar declined and, consequently, had fallen from the top to the bottom of the EMS band. At home, exporters had pressed strongly for devaluation to restore their competitive position. Government officials publicly denied that devaluation was a viable alternative in Italy where prices and wages are highly indexed. Even so, commercial leads and lags moved sharply against the lira, and Italian residents sought increasingly to repay their foreign currency borrowings, thereby adding to pressure on the lira and keeping the devaluation rumors alive. By early summer the Bank of Italy had intervened heavily in the exchanges to steady the lira within the EMS band.

Early in July the government implemented a package of austerity measures aimed at controlling inflation, supporting the lira in the exchanges, spurring exports, and cutting the public-sector borrowing requirement as a share of gross domestic product. The measures, which became effective immediately but required parliamentary ratification within 60 days, included consolidation of value-added tax brackets; higher taxes on spirits, gasoline, and stamps; and a special tax on wages to be used in support of weak industries. At the same time, the Bank of Italy further tightened restrictions on domestic credit expansion. The exchange markets responded favorably to these measures, rumors of lira devaluation subsided, and the lira firmed temporarily in the exchanges. As capital began to flow back into Italy and the normal tourist-related inflows began to gather pace, the Bank of Italy was able to rebuild its foreign currency reserves to $22.0 billion by the end of July. Meanwhile, the lira stabilized within the EMS band about 2½ percent below the top and participated with the rise of other currencies against the U.S. dollar. By early August it was trading above its lows at LIT 838.80.

But downward pressures on the lira developed again by mid-August. Although the domestic economy had itself begun to slow by this time, Italy's current account continued to deteriorate, and there was little evidence of improvement on the inflation front. Market participants continued to question how long the lira could be held within its EMS band in view of the much lower inflation rates in most other EMS countries. Also, the time for ratifying the July package of economic measures was running out. When the coalition government of Sig. Cossiga lost a parliamentary vote of confidence and resigned over the weekend of September 27–28, the July government austerity measures were allowed to lapse.

At this juncture, the Bank of Italy stepped in to stem any buildup of speculative pressure against the lira. It immediately raised the discount rate 1½ percentage points to 16½ percent, required exporters to finance 50 percent of their short-term credit needs in foreign currency borrowings, and tightened regulations dealing with leading and lagging of payments and receipts. The Bank of Italy also intervened forcefully in the exchange markets. Meanwhile, a new government under Sig. Forlani was soon formed. New fiscal measures were put into place to control the budget and slow the growth of personal consumption. Though similar to those contained in the July policy package, the new measures provided for additional acceleration of personal income tax payments and expanded support for ailing industries. These actions combined to reassure the exchange markets, and by mid-October the lira stabilized around LIT 865 and at a level of about 3½ percent below the top of the EMS band.

Over the next two months, the lira traded comfortably within the EMS, while declining against the U.S. dollar no more rapidly than the other currencies involved in the joint float arrangement. Interest rates in Italy remained higher than those abroad; and though the climbing of U.S. rates narrowed some of the differentials favorable to the lira, the Italian currency was shielded more than most currencies from the growing flows of funds into U.S. dollar assets. Indeed, interest rate considerations, as well as restrictions on domestic credit demand, still encouraged inflows of short-term capital, and commercial leads and lags turned in favor of the lira. Moreover, the Italian oil companies that normally enter the exchange markets to acquire foreign currency balances in early December for regular import payments instead borrowed heavily in the Eurocurrency markets in the hope that the dollar would be cheaper in the future. With the lira thus holding steady within the EMS, the Bank of Italy took advantage of opportunities to acquire foreign currencies through mid-December and relaxed somewhat the October regulation relating to short-term export financing abroad.

Meanwhile, Italy's current-account gap had widened to bring the deficit for 1980 as a whole to about $10 billion—a figure that was much larger than anticipated only a few months earlier and overshadowed news of a modest improvement in the trade account late in the year. Industrial production was beginning to show signs of a possible recovery, even before much progress had been achieved in improving price or trade performance. Public expenditures and borrowing turned higher late in the year, and monetary growth accelerated, clouding the outlook for a near-term reduction of inflationary pressures all the more. The Bank of Italy continued its strong anti-inflationary stance, and Italian interest rates remained high. Furthermore, just as the period closed, the Bank of Italy sought to strengthen its grip on credit expansion by extending the application of its ceilings to all bank loans in lire and, for the first time, to most loans in foreign currencies, leaving only export loans exempt from the ceilings.

Nevertheless, funds had begun to flow out of Italy in late December, as export financings were repaid and those Italian oil companies that had previously borrowed abroad to finance their import deliveries took advantage of a brief softening of dollar rates to repay these loans. The pressures against the lira continued through January, prompting the Bank of Italy to intervene at times quite heavily to maintain the lira's position within the EMS band. As the entire joint float declined sharply against the dollar through January, the lira fell to record lows, closing the six-month period at LIT 1,004.50 or down a net 19¾ percent. At the same time, Italian reserves stood at $20.5 billion, down $1.5 billion for the period.

EUROPEAN MONETARY SYSTEM

Last spring and early summer, the currencies linked together in the joint float arrangement within the EMS rebounded against the dollar, largely in response to the sharp decline in U.S. interest rates while interest rates in EMS member countries generally remained firm. This advance halted in July, and EMS currencies generally eased somewhat against the dollar in August and in early September as U.S. interest rates began to turn upward while interest rates in several EMS countries declined slightly.

For the most part, these broad movements took place without much strain on the EMS joint float mechanism itself. Member countries faced the common problem of having to adjust to the sharp runup of oil prices of 1979 and early 1980, which had generated unusually large current-account deficits for all of them and had aggravated domestic inflationary pressures. The authorities were seeking to develop a coordinated policy response in the monetary and fiscal areas as well as on energy questions. Monetary policy, in particular, had been tightened to combat inflation at home and to attract funds, which could help finance the current-account deficits, or at least to stem an outflow of interest-sensitive funds that would complicate the effort. In general, interest rates were higher in countries with high rates of inflation, so interest differentials roughly compensated for inflation differentials. By late summer it was clear that industrial production had dropped back from early in the year and, with unemployment rates rising, pressures were building up for an easing of earlier restrictive policies. But the central banks resisted pressures to ease, in view of the continuing high rates of inflation and the need to finance the current-account deficits, with the result that any movement in the direction of ease was modest, if at all.

Within the band of currencies, the Dutch guilder was firm on the Netherlands' relatively favorable external position and on the high interest rates prevailing in the Amsterdam money market. The guilder, after having traded in the upper half of the EMS band during the first seven months of the year, moved toward the top of the band in August and remained there over the rest of the year. The guilder's relative strength enabled the Dutch authorities to move cautiously to reduce interest rates, with four cuts in official rates totaling 2 percentage points between June and October. The French franc was also strong within the EMS, alternatively at the top with the guilder, as France attracted capital inflows in excess of its current-account deficit. In Ireland, foreign borrowings by the public sector were being used to finance the current-account deficit. Conversions in the market of the proceeds of these borrowings and some favorable leads and lags in sterling payments kept the Irish pound near the top of the band. At the same time, Denmark was financing its current-account deficit by borrowing abroad, enabling the Danish krone to fluctuate around the middle of the joint float. The Italian lira, which is allowed a wider trading band than the other currencies in the arrangement, also moved widely but without need for intervention at the outer limits.

The Belgian franc traded near the bottom of the $2\frac{1}{4}$ percent band. Belgium's problems—a large current-account deficit, a large fiscal deficit, and a stagnating economy—were viewed as particularly serious by the market. To finance the current-account and fiscal deficits, the Belgian government borrowed heavily in international markets. Political wrangling hampered the taking of effective adjustment measures, and the Belgian franc remained under selling pressure, with the result that the National Bank was obliged to maintain interest rates high enough to avoid funds moving out of the franc and to give support from time to time to keep the franc within the $2\frac{1}{4}$ percent EMS band.

The German mark was also near the bottom of the band. Germany had the largest current-account deficit to finance among the EMS members. Although Germany's inflation performance continued to be as good or better than the others, German interest rates were well below those in other EMS member countries. Moreover, Germany had no official restrictions on capital outflows and still refrained from removing all controls on inflows. The result was that funds could readily move out of Germany into other EMS currencies, and official and private entities within other EMS countries could readily use marks in international borrowings.

By October, strains began to build up within the EMS. In part these came from outside, as heavy flows of funds moved into the U.S. dollar, the pound sterling, and the Japanese yen—currencies in which interest rates remained very high or, as in the U.S. case, were rising. But the interest rate disparities within the EMS and the relative freedom of funds to move also played a role. With the exchange markets turning generally bearish over the outlook for the German mark, funds moved out of the mark and into other EMS currencies. To the extent that these funds gravitated to the currencies at the top of the EMS band—the French franc and Dutch guilder—the EMS intervention mechanisms were soon triggered.

Intervention mounted quickly, and talk began circulating of a possible widening in the intervention limits or of a temporary withdrawal of the mark from the joint float arrangement. Such approaches were openly rejected by the authorities of the respective EMS member countries. In early November, the French took measures to ease money market conditions, making explicit their intention to reduce the selling pressures on the German mark. Meanwhile, the German Federal Bank was allowing the heavy intervention within the EMS to tighten its own money market. The market sensed the resolve of the authorities to maintain existing parities, and the tension gradually eased. Even so, the EMS joint float continued to decline against the major currencies outside the group, including the dollar, the pound sterling, the Japanese yen, and to a small degree the Swiss franc. Apart from a rise in the Danish krone, reflecting a 1980 current-account deficit for Denmark that was lower than expected, and a downward movement in the Irish pound from its temporarily high position in the band, the configuration of currencies hardly changed within the EMS.

The currencies in the group at first recovered slightly against the dollar when U.S. interest rates were receding from their mid-December highs. But it soon became apparent that U.S. interest rates would not drop off as sharply as some market participants had originally believed. Moreover, the market remained concerned about the prospects for EMS member countries in reversing their current-account deficits and dealing with domestic policy dilemmas. As market sentiment toward the dollar became increasingly bullish, the dollar came into demand against the currencies in the EMS band. As before, the brunt of the immediate selling pressures fell on the German mark, and that currency touched its lower intervention limit. The Belgian franc also came under selling pressure, and both the mark and the franc required official support within the EMS.

CANADIAN DOLLAR

In the summer of 1980, the Canadian dollar was underpinned by a favorable shift in Canada's trade and current-account position, by a reversal of the previous adverse interest rate differentials vis-a-vis the United States, and by Canada's status as a major oil and gas producer. The improvement in the trade account stemmed from a slowdown in the domestic economy, the ability of Canadian exporters to take advantage of the sharp depreciation of the Canadian dollar in previous years, and the market's perception of sustained efforts to curb cost and price pressures at home through monetary policy. As a result, exports to markets like Europe, where activity had not yet slackened so sharply as in North America, continued to increase. With the trade account heading to a surplus of $7 billion for the year, the current-account deficit was narrowing to a size that could comfortably be financed by private capital inflows.

The reemergence of favorable interest differentials reflected the sharper drop of interest rates in the United States than in Canada. Restoration of the traditionally favorable interest rate gap for Canada had once again provided an incentive for investors to shift funds into higher-yielding Canadian dollar assets, while also prompting Canadian borrowers to tap U.S. and other foreign capital markets and to convert the proceeds in the exchanges. Canada's potential for increasing energy production in the future for both domestic and export use was underscored early in the year with reports of new oil discoveries. At a time of rapidly rising world energy prices and uncertainty over the adequacy of aggregate oil supplies, this factor added to the attractiveness of the Canadian dollar as an investment medium. In this environment, the Canadian dollar had been bid up to its high for the year of Can.$1.1406 in early July, and by the month-end Canada's foreign currency reserves stood at $1.9

billion after repayment in May and June of $600 million borrowed early in the year under the revolving standby credit facility with Canadian banks.

During August and September the Canadian dollar was beginning to lose some of its buoyancy. In part, this reflected a narrowing of the positive interest differential as Canadian interest rates continued to ease for a while even after interest rates in the United States resumed an upward trend. The exchange market had also become concerned about the continued debate over domestic energy pricing and development policy, which had important implications for the distribution of income as well as the outlook for containing inflationary pressures at home. The western provinces had called for a larger share of oil revenues to be returned to provincial governments and for a more rapid increase in domestic energy prices to world market levels. When these calls were resisted at the federal level, the market became concerned that a fundamental constitutional conflict might emerge over the relationship between the federal and provincial governments. Thus, the Canadian dollar settled back to trade around Can.$1.1575 during much of August and September. It came on offer in early September around the time of a meeting between Prime Minister Trudeau and the provincial premiers and then again later in the month when no visible progress was made on the constitutional issue. By October 2, the rate had declined to Can.$1.1734 with the Bank of Canada continuing to operate on both sides of the market to smooth short-run rate fluctuations.

The Canadian dollar firmed briefly after early October as a number of developments, including the outbreak of hostilities between Iran and Iraq, reinforced the market's positive views about Canada's basic strength in its natural resources. Late in the month, however, the Canadian dollar was again coming under some selling pressure as the market anticipated and then reacted to measures contained in the October 28 federal budget. The budget called for cuts in the federal deficit and included a national energy policy that, in turn, provided for specific measures to increase domestic wellhead oil prices, imposed a refinery levy to pay for oil import subsidies, and increased Canadian ownership of oil and gas production with an increase in the share of the national oil company. These measures were seen in the market as discouraging foreign investment and as possibly complicating constitutional issues. Indeed, a number of provinces objected to the proposed oil-pricing arrangements, and Alberta announced its intention to cut its oil production by 15 percent. These developments contributed to a substantial self-off of Canadian dollars in the exchange market and the rate declined to Can.$1.1899 on November 6. By mid-November the market had come back into balance with the spot rate fluctuating around Can.$1.1860.

Meanwhile, the Canadian economy, spurred by strengthening retail sales and industrial production, had picked up in the third quarter and posted its first gain in real output for the year. At the same time, the inflation rate began to accelerate as increases in food and energy prices and higher labor costs worked their way through the economy. The money supply moved toward the upper end of its target range, and the Bank of Canada, operating within a system of establishing its official bank rate in accordance with the weekly Treasury bill tender rate, entered the money market to push up short-term interest rates. The discount rate then climbed to nearly 14 percent in mid-November, compared with about 10½ percent in mid-August. But an even more rapid surge in interest rates was under way in the United States—one which the Canadian authorities were initially reluctant to match.

As a result, interest rates in Canada increasingly fell behind those in the United States, and the adverse differentials that first had emerged at the end of August had widened sharply by November–December. Several announced bond issues planned by Canadian entities for the New York market were postponed in response to the rise in interest rates here, cutting off a potential source of demand for Canadian dollars in the exchanges. Also, dealers and corporate treasurers became increasingly unsure about the willingness of the authorities to foster increases in interest rates to match those in the United States. The Canadian dollar therefore came heavily on offer, plunging through the Can.$1.20 benchmark by December 11 to a low of Can.$1.2122 on December 16, 4½ percent below levels in early August.

At the same time, the Bank of Canada continued to act forcefully in the money market, raising the official discount rate to 17.4 percent by December 19, as well as in the exchange markets, selling sizable amounts of dollars on a number of occasions. These actions were reinforced by Governor Bouey's speech to provincial ministers of finance restating the commitment of the Bank of Canada to a firm anti-inflation policy and a stable currency in the exchanges. As a result, the Canadian dollar steadied and began to recover, helped by an easing in U.S. interest rates. Dealers moved to cover their short positions, and corporations that had held off buying Canadian dollars in expectation of further rate declines entered the market to cover their needs. The rate thus rebounded to Can.$1.1885 by December 30.

A more positive tone prevailed in the market early in the new year, as market participants took note of the continuing improvement in Canada's trade position. Also, some easing of U.S. interest rates early in January led to a narrowing of interest differentials vis-a-vis U.S. dollar assets, while wide favorable differentials for Canada remained against several major continental currencies. As a result, the Canadian dollar generally kept pace with the rising U.S. dollar until late in the period, thereby strengthening considerably against the continental currencies. Although announcement of decontrol of domestic oil prices in the United States by President Reagan on January 27 refocused market attention on the still unresolved Canadian energy policy controversy and sapped the Canadian dollar of some of its strength, the spot rate was trading about 1½ percent above its December lows at Can. $1.1948 by the close of the six-month period. At this level, it had reduced its net decline against the U.S. dollar since July to about 3 percent. Against the European currencies, the Canadian dollar on balance had gained about 15 percent.

As the Canadian dollar had firmed in the first weeks of January, the Bank of Canada purchased sizable amounts of U.S. dollars. Also, after having drawn $900 million in December on standby credit facilities with Canadian and foreign banks, the Bank of Canada repaid in January the $600 million drawing on Canadian banks, leaving the $300 million drawing on foreign banks still outstanding. As a result, Canada's foreign exchange reserves stood at $1.4 billion at the end of the period, down $558 million net over the six months.

Swedish Krona

Last year, the Swedish authorities were confronted with several economic problems at once. The current-account deficit deepened, to nearly $5 billion, as the latest rise in world oil prices added to Sweden's oil import bill and as export growth slackened. The inflation rate accelerated to nearly 14 percent for the year as a whole. A surge in state and local spending contributed to a continuing increase in the government budget deficit to about $10 billion, or more than 10 percent of gross national product. Efforts to deal with these and other issues, such as the long-festering debate over nuclear policy, were hampered by the fact that Sweden was governed by a coalition of parties with only a slender majority in Parliament. Consequently, as major adjustment policies were being hammered out, the Bank of Sweden had little choice but to tighten monetary policy, both to absorb the excess liquidity generated by the fiscal deficit and to avoid outflows of interest-sensitive funds.

Meanwhile, the Bank of Sweden intervened as necessary to keep the krona within a reasonable range against the index of a trade-weighted basket of currencies, and the government continued to arrange borrowings in the international capital markets to cover the current-account deficit and to avoid an excessive drain on reserves. On the possibility that some bridge financing might occasionally be needed as longer-term loan packages were assembled, the Bank of Sweden moved to reinforce its short-term credit lines. In this context, in May the Bank of Sweden and the Federal Reserve agreed to increase the swap arrangement $200 million to $500 million for one year, with the understanding that drawings could be made, if needed, in connection with bridge-financing operations.

Through the spring and early summer, the exchange market for the Swedish krona was rather well balanced, and takedowns on the government's international borrowings ran well ahead of the Bank of Sweden's intervention sales of dollars. By August, however, as the government prepared a new package of measures, rumors of a possible devaluation generated heavy selling pressure on the krona, largely in the form of adverse commercial leads and lags. The krona declined ½ percent during the month, to as low as SK 4.2005 against the dollar but remained around 100.8 in terms of the official index. For their part, the authorities firmly rejected devaluation on the grounds that it would exacerbate domestic inflationary pressures and do little to solve Sweden's structural problems. The Bank of Sweden stepped up its exchange market intervention, and the government increased the pace of its external borrowings to replenish reserves.

Early in September the government convened an extraordinary session of Parliament and gained approval of a package of fiscal measures, which included a sizable hike in the value-added tax and an increase in taxes on energy consumption. The government followed up by announcing cuts in planned expenditures to reduce the budget deficit. These actions were seen in the markets as positive first steps, and the krona improved somewhat over October and November. As some commercial leads and lags ran off, the krona gained ½ percentage point, in terms of its official index, to 100.3, while declining some 5 percent against a strengthening U.S. dollar to SK 4.36. At the end of November, Sweden's foreign currency reserves remained little changed from the levels of last summer.

Nevertheless, concerns over the outlook for Sweden's fiscal and current-account deficits continued to weigh on the exchange market, and the krona's relative strengthening proved short lived. Devaluation talk revived toward the year-end, and commercial leads and lags turned against the krona once more. On January 12 the government announced its proposed budget for the next fiscal year, beginning in July 1981. The deficit was again projected to be large, but the message lacked significant new measures to close the gap. The exchange market atmosphere deteriorated further, leading to strong selling pressure on the krona. The Bank of Sweden was obliged to intervene in size to avoid a sharp deterioration of the krona against the official index. On January 20, the Bank of Sweden followed up by announcing a series of forceful measures: hiking its discount rate 2 percentage points to 12 percent and its penalty lending rate fully 4 percent to 17 percent, raising long-term rates about 1 percentage point, doubling the bank's cash reserve requirements from 2 to 4 percent, and imposing a ceiling on commercial bank lending.

These actions led to a tightening of money market conditions and to a sharp rise in interest rates, but market participants continued to focus on the need for clear new measures on the fiscal side. Consequently, the krona remained under heavy selling pressure. The Bank of Sweden's sizable intervention continued, and the government accelerated its pace of negotiating new borrowings, including a $1 billion loan in the Euromarkets. Even so, the intervention had become so heavy that reserves were being drawn down. Consequently, in late January the Bank of Sweden drew $200 million under the swap agreement with the Federal Reserve to be used as bridge financing until new loans could be completed. Against the dollar, the krona declined a further 5¼ percent from November levels to SK 4.5900, while against the official index it slipped to as low as 101 before recovering to 100.3 on the last trading day of the month. On balance, Sweden's reserves declined $500 million in December and January to $2.5 billion as of January 31.

After the turn of the month, however, the immediate selling pressures on the krona lifted. On February 2, employers and trade unions reached an agreement on a wage package that scheduled much more modest percentage increases than in recent years and incorporated cost-of-living provisions that would make devaluation even more improbable. On February 3, the government announced a far-reaching package of fiscal measures, designed to scale back the size and cost of government and to stimulate private initiative. These developments were well received in the exchange market, and funds began to flow back into the krona, enabling the authorities to replenish external reserves. □

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STUDY SUMMARY

BANKING STRUCTURE AND PERFORMANCE AT THE STATE LEVEL DURING THE 1970s

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Prepared as a staff paper in late 1980.

The increase in mergers and acquisitions that involved banks in different geographic markets during the 1970s has sparked a growing interest in the effect of bank mergers on statewide banking structure. While no systematic theoretical framework provides a basis for analyzing statewide banking structure, recent institutional changes and empirical evidence suggest that certain facets of state banking structure will influence bank conduct and performance. Moreover, since the operations of most banks are, to a large extent, limited to a single state, the state may be an appropriate area for considering the issue of undue or aggregate concentration.

This paper examines the levels and trends in state banking structure and analyzes statewide banking performance during the 1970s. The data are used in statistical tests to determine the relationship, if any, between (1) state banking laws and trends in structure and (2) statewide banking structure and performance.

The data on state banking structure and performance during the 1970s indicate the following:

1. Statewide concentration was substantially higher in statewide-branching states than in unit-banking states.
2. Concentration in standard metropolitan statistical areas (SMSAs) was higher in statewide-branching and limited-branching states than in unit-banking states.
3. For both states and SMSAs, concentration was higher within unit-banking and limited-branching states where the level of multibank holding company activity was high.
4. More banking organizations were located in unit-banking than in limited-branching states, and more in limited-branching than in statewide-branching states.
5. Multimarket links were relatively numerous in states with liberal branching laws and in those with a considerable amount of multibank holding company activity.

6. Population per banking office was relatively low in states with less restrictive branching laws.

7. Mergers and acquisitions were higher in states with a high degree of multibank holding company activity than in other states.

8. More new bank charters were issued in states with restrictive branching laws than in other states.

Furthermore, a statistical relationship between statewide structure and performance is evident. In view of these results, the implications of statewide banking structure for bank performance deserve attention, both analytically and empirically. Whatever is learned about bank structure and performance at the state level is likely to be relevant to banking structure at the national level should interstate banking become prevalent. □

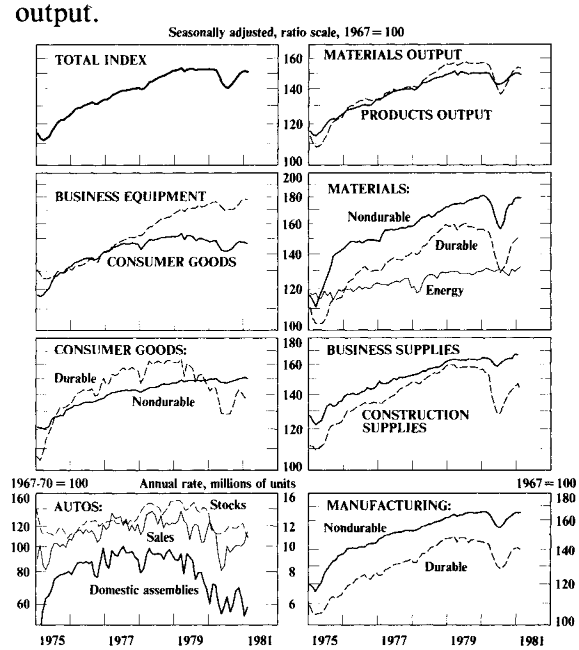
Industrial Production

Released for publication March 17

Industrial production declined an estimated 0.5 percent in February, after successively smaller monthly increases since October 1980. A rise of 0.4 percent is now estimated for January (the initial estimate of the advance, published last month, was 0.6 percent). In February, declines occurred in most major components of the index, with large decreases in durable goods for home and construction supplies. At 150.8 percent of the 1967 average, the index was fractionally below the level of December 1980 and about 1 percent below that of a year earlier.

Output of consumer goods declined 0.6 percent in February; the reduction was limited by a moderate increase in automotive products as auto assemblies increased nearly 7½ percent to an annual rate of 5.8 million units from the very low rate in January. Production of home goods declined sharply, and output of consumer nondurable goods, such as clothing and consumer staples, was reduced moderately. Production of business equipment edged down in February; a sharp rise in building and mining equipment was offset by a drop of more than 3 percent in transit equipment and small declines in other components. Output of construction supplies fell sharply, 2.6 percent, after an average rise of 1.5 percent in each of the three preceding months.

Production of materials declined 0.3 percent in February. Output of durable goods materials was reduced 0.9 percent, after large increases in earlier months; production of these materials remained almost 4 percent less than that of a year earlier. Output of nondurable materials edged down slightly. Production of energy materials increased 0.8 percent, reflecting a surge in coal output.



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

Grouping	1967 = 100		Percentage change from preceding month					Percentage change Feb. 1980 to Feb. 1981
	1981		1980			1981		
	Jan.p	Feb.e	Oct.	Nov.	Dec.	Jan.	Feb.	
Total industrial production	**151.5**	**150.8**	**1.9**	**1.7**	**1.0**	**.4**	**−.5**	**−1.2**
Products, total	150.1	149.1	1.3	1.0	.8	.1	−.7	−.7
Final products	148.3	147.6	1.3	1.2	.5	.1	−.5	−.1
Consumer goods	147.4	146.5	1.6	1.0	−.2	−.2	−.6	−1.3
Durable	138.3	137.1	5.2	2.4	−1.3	−2.0	−.9	−5.1
Nondurable	151.0	150.2	.3	.5	.2	.4	−.5	.1
Business equipment	178.3	177.7	1.1	1.3	1.7	.5	−.3	1.0
Defense and space	101.0	101.2	1.1	1.3	.9	.3	.2	4.1
Intermediate products	156.9	154.7	1.2	.7	1.7	.5	−1.4	−2.8
Construction supplies	146.9	143.1	2.3	1.6	1.3	1.5	−2.6	−7.0
Materials	153.8	153.3	2.8	2.8	1.3	.9	−.3	−2.0

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

Statements to Congress

Statement by Henry C. Wallich, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on International Finance and Monetary Policy of the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, February 17, 1981.

I am pleased to testify on S. 144, a bill that would facilitate the establishment and operation of export trading companies.

When I submitted a statement on export trading companies on behalf of the Board about 10 months ago, the United States had experienced one of the largest quarterly trade deficits in our history. At the time, this deficit was a cause of some concern and comment, even though it was recognized as a temporary bulge associated with the sharp rise in the price of imported oil. Since that time, our exports have remained strong, and as growth of imports has slowed, our trade deficit has moderated considerably—by about $3 billion in 1980 despite an increase of $20 billion in oil imports. And although we still have a sizable trade deficit—as do nearly all oil-importing countries—unlike most other industrial countries, we have the benefit of large and rising net receipts on investment income and other nontrade transactions, which more than outweigh our trade deficit. In sum, the United States is one of the few industrial countries at this time with a surplus on current account—goods, services (including investment income), and transfers. Our position stands in sharp contrast with that of continental European countries and Japan, all of which are recording deficits on current account.

Recognition of the underlying strength of the U.S. external position evidenced by this current-account surplus has been one factor contributing to the recent strength of the dollar in foreign exchange markets.

In providing this background, I mean to emphasize two points. First, it is important for the United States to continue to have a strong and expanding export sector—one that encompasses a broad range of domestic industries and firms. Second, we are not faced with a crisis in our trade position or an overall deterioration in international competitiveness, although particular industries certainly face strong foreign competition. Our present position enables us to address issues of export policy from the perspective of our long-term policy goals rather than as a reaction to a crisis situation. In that context, I believe that a number of government policies could be amended in ways that would contribute materially to the exploitation of export opportunities by the private sector. Among impediments to our exports that have been cited are environmental regulations, the absence of clear guidelines under the Foreign Corrupt Practices Act, and requirements that certain U.S. exports be shipped in American vessels.

The export trading company concept, properly circumscribed to avoid undue exposure of domestic banks, could also be useful in developing our export capacity. The bill under consideration, however, has provisions relating to bank ownership of export trading companies that the Board finds troublesome. My statement will be confined to issues involving bank ownership.

Our concern has been over the degree of bank ownership and participation in management of trading companies that can prudently be permitted, in light of the wide range of activities in which trading companies have traditionally engaged. The Board believes its concerns would be met by generally limiting banks to noncontrolling investments in trading companies. By contrast, S. 144 would permit banks to make controlling investments and to engage actively in the management of trading companies and would place on bank supervisory agencies the responsibility for developing regulations for bank-owned trading companies that would hold down the risks to banks to acceptable levels.

The issue of bank control of trading companies goes to the heart of issues that have been long-standing in legislation and policy. The separation of banking and commerce has served this nation well in promoting economic competition and a strong banking system. A breach of that traditional separation in the case of trading companies could be an important precedent for other areas. This would adversely affect not only the safety and soundness of our banks but also their role as impartial arbiters of credit.

Control of an enterprise often implies a commitment by a bank to place its full resources behind the subsidiary. This is a generally accepted corporate policy, and it is recognized in the marketplace. Although a banking organization may judge that it can operate an international commercial banking business more efficiently and safely through controlling investments in affiliates, we believe that bank control and involvement in management of nonfinancial affiliates would increase the potential financial risk to the owning banks, as I will detail later. For this reason, the Board has recommended that, as a rule, bank ownership interest be limited to less than 20 percent of the stock of an export trading company.

At the level of ownership interest of 20 percent, a bank can include in its earnings a proportionate share of the earnings of a trading company. Under this rule of equity accounting, a bank may have an incentive to push a trading company into relatively risky types of operations in the hope of realizing immediate gains for the bank's earnings. Such risky operations could increase substantially the possibility that banks would sustain losses from operation of trading companies. In the Board's view it is appropriate to hold to a minimum the incentives for banks to seek to aim at short-term profits in trading companies in which they hold investments, and we believe that this result can best be achieved by setting the level of bank ownership interest at less than 20 percent. At this lower level of ownership, a bank could take into its earnings only the dividends received from the trading company.

This recommendation is more conservative than the level of control specified in the Bank Holding Company Act and used in S. 144 because the risks to banks from investments in trading companies appear potentially much larger than the risks associated with investments in nonbanking activities that are now permissible under the Bank Holding Company Act. In particular, trading companies are likely to be highly leveraged; moreover, as commercial concerns they would operate outside the traditional financial areas where banks have developed expertise.

The risks to banks from this exposure would be especially large if particular banks became identified with, and had a significant management interest in, trading companies. The bill provides that the name of a trading company shall not be similar to that of an investing bank. This precaution would help insulate the bank from the risks that attach to the operation of trading companies, so long as the bank was similarly insulated from participation in management and the ownership interest of the bank was relatively small. Otherwise, the market would soon recognize the reality of control by the bank and would associate the trading company with the bank regardless of differences in names.

Losses that might result from failure of trading companies could be large, especially with high leveraging. One need not anticipate a loss as large as that experienced several years ago by a major Japanese bank—about $500 million—to recognize the potential threat to a single institution. If such a shock occurred in an uncertain financial environment, there could develop a general distrust of other banks engaged in similar lines of activity and a threat to the banking system as a whole. Thus, the issue of bank involvement with trading companies is related to the potential soundness of the banking system.

The bill before this subcommittee, S. 144, seeks to limit these risks by providing that controlling investments by banks be subject to prior approval by bank supervisors and to certain statutory safeguards. These provisions would inevitably involve the bank supervisors to a substantial degree in decisions regarding operations of export trading companies. Bank supervisors are not likely to be able to anticipate all future eventualities in acting on applications. Even with a high level of supervisory effort, there will always be risks that cannot be foreseen because of the broad range of activities of trading companies.

The detailed supervision of trading companies that might be called for under S. 144 would be contrary to the philosophy adopted by the Board in its recent amendments to Regulation K, which sought to reduce the need for detailed supervisory review and regulation of international bank operations. I would expect that U.S. export trading companies would be able to operate much more effectively in competing with foreign companies if they were not subject to supervisory restraints arising from the fact that they were controlled by banks. A U.S. trading company might well have difficulty in competing with foreign trading companies if the U.S. company were subject to limitations on types of activities or to capital ratios because it was controlled by a bank. Yet limitations clearly would be needed if banks owned trading companies. We can best unleash the entrepreneurial talents of our trading companies if we avoid bank involvement in their ownership and management and rely on banks to provide financing and related services.

I would stress, as I have on other occasions, that bank capital is a scarce resource. If we expect banks to play their part in financing the increased capital investment needed in this country, we will need to resist the temptation to encourage banks to divert capital from its traditional role as a support for lending activity—which in my view is the way in which bank capital can be used most productively.

I recognize that there might be room for a limited number of exceptions to this general norm. There might, for example, be instances in which an export trading company designed for a specialized purpose—for example, a particular project—might require strong bank sponsorship. In such a circumstance, the risks associated with bank control of a trading company might be outweighed by the beneficial effect for U.S. exports from trading company operations, and the public interest might be served by permitting one or more U.S. banks that have special expertise to acquire ownership interests of more than 20 percent, provided that the exposure of the trading company was reasonable in relation to its activities. I would expect that the number of exceptions would be relatively few and would not encompass large general or multipurpose export trading companies that would be capable of standing on their own feet without bank sponsorship. Nor would an exception be available to banking organizations that did not possess the requisite expertise.

In general, it would appear appropriate to structure these exceptional cases so that the investing banking organization is a bank holding company rather than a bank. This approach would be consistent with the general scheme of federal banking laws under which nonbanking activities are performed by corporate entities separate from banks.

If control of trading companies by banks were permitted only when there was a clear need, the purposes of the bill could be accomplished and at the same time the banking system would not be exposed to undue risk. □

Statement by Nancy H. Teeters, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Consumer Affairs of the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, February 18, 1981.

I am pleased to appear before you to present the views of the Board of Governors on the proposed "Cash Discount Act." Unlike the current law, the proposal provides that a discount—in whatever amount—that is offered by a seller to a customer to induce payment by cash, check, or means other than an open-end credit plan or credit card is not a disclosable finance charge under the Truth in Lending Act. The bill would also extend the current ban on the imposition of a credit-card surcharge for another three years.

The Board has testified earlier in favor of omitting these discounts from the finance charge as a way of encouraging them, and I do so again this morning. Also, as I have done previously, I must express the Board's uncertainty about the wisdom of prohibiting surcharges in view of their economic similarity to discounts. Their permissibility might in fact help assure that cash customers are not forced to subsidize credit-card users.

In our view, it is time to take a fresh look at the cash discount issue. During the six years since the Truth in Lending Act was first amended to encourage the offering of cash discounts, the Congress has repeatedly considered the discount–surcharge issue. Testimony has been delivered at length. The Federal Reserve, meanwhile, has carefully constructed regulations to carry out the statutory provisions regarding availability and notice to consumers of discounts. Despite these congressional and regulatory efforts, we have not seen merchants offering discounts—at least not to any appreciable degree. If we believe that encouraging merchants to reward cash buyers is a goal worthy of diligent pursuit, then we must try to identify the impediments that have, in fact, discouraged the concept.

Our guess is that the current limit of 5 percent on the size of the discount is not the culprit. Rather, it may, once again, be a case of government regulation creating part of the problem—regulation that is grounded on a set of well-intentioned arguments, but that introduces such friction into otherwise simple transactions that compliance is simply not worth the merchant's risk or effort.

If this analysis is correct, two features in the current regulation are probably most significant in discouraging the development of cash-paying incentive plans. First is the obvious difficulty in drawing a clear economic distinction between a permitted discount and a prohibited surcharge. Discounts and surcharges may not be as identical in practice as, say, a half-empty glass of water is to a half-full one. Nevertheless, it is difficult to quarrel with the fact that the distinction is, at best, uncertain.

If a seller wants to impose a surcharge, it could probably be done without running afoul of the surcharge prohibition. The seller could simply raise the price of an item by the amount the seller wants to impose as a surcharge, making this new price the "regular price," and then offer a lower price to cash customers as a permitted discount.

Second, the well-intentioned protections in the statute to insure equitable treatment of consumers once again have led to seemingly complicated regulatory provisions. The current statute and the proposed bill specify that any discount must be offered to "all prospective buyers." Its availability must be disclosed to all of them "clearly and conspicuously in accordance with regulations of the Board." But who are "*all* prospective buyers"? Those who present credit cards, or all those who enter the merchant's door? What signs meet the test of "clear and conspicuous" disclosure when there are several store entrances and numerous independent cash registers? How do you disclose to customers who purchase by phone? May the discount be limited to certain types of property? How about to certain branches of stores? We have sought to provide answers to these questions in our regulations.

Unfortunately, by issuing rules beyond the basic provision we have again probably made simple things so complicated that the public throws up its hands in frustration. Although in our current proposals to simplify Regulation Z we have proposed trimming back these regulations, the obvious way for any merchant to avoid regulatory burden is simply not to offer discounts. And that, apparently, is what has happened.

I therefore would recommend for subcommittee consideration a very simple rule: that one-time discounts or surcharges offered by the seller for the purpose of inducing payment by cash, check, or means other than use of an open-end credit-card plan shall not constitute a finance charge and that the availability of the discount or surcharge be disclosed to customers. This rule would leave out the specific requirement that "all" customers be notified and that any disclosure be "clear and conspicuous"—not because we favor hidden plans but because of the uncertainties this standard produces with the inevitable need for clarification.

Of course, it is possible that authorizing discounts and surcharges without calling them finance charges opens up a potential loophole in the blanket embrace of Truth in Lending. Not only are discounts essentially equivalent to surcharges but both are essentially equivalent to finance charges. They do represent a cost of using credit.

Therefore, if we are right that the 5 percent limit has not itself been the impediment to merchants offering discounts, this limit might be retained to insure that the exclusion of discounts and surcharges does not become a vehicle that could be used to defeat the basic Truth in Lending protections. In our view, the best chance of accomplishing the goals the Congress began pursuing six years ago would be to retain this limit, but to allow discounts and surcharges to be used with minimal further government interference.

Attached to my statement is an appendix discussing certain technical problems that our staff has identified with the current language of the bill.[1] Although I have not referred to these issues in my testimony, we would of course be happy to answer any questions you may have on these points.

With regard to title III, the technical amendment to the Truth in Lending Act, I have no hesitation in recommending adoption. In the course of our efforts to revise and simplify Regulation Z to conform with the Truth in Lending Simplification and Reform Act of 1980, we have received numerous questions regarding the status of the civil liability provisions. The statute gives creditors the option of complying with the new rules beginning on April 1, 1981, or waiting until April 1, 1982, when compliance becomes mandatory. However, uncertainty has arisen as to whether creditors are protected by the new civil liability provisions of the statute if they elect to follow the new rules before April 1, 1982. Title III makes it clear that the civil liability provisions take effect this April.

Without such protection, creditors will not have the incentive they otherwise would have to comply with the new regulations at an early date. This outcome would seem to be contrary to what we believe was the intent of the Congress. Both consumers and creditors will benefit from the new and simpler disclosure scheme. It would be unfortunate if a technical problem turned out to be an impediment to voluntary early compliance with the new provisions during the transition year. Thus, we wholeheartedly support this portion of the bill. □

1. The appendix to this statement is available on request from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, February 25, 1981.

I am pleased to be here to discuss with you the Monetary Policy Report of the Board of Governors that reviews economic and financial developments over the past year and sets forth appropriate ranges for growth of money and credit for 1981.[1] Because I have already reviewed recent developments with the committee, my emphasis this morning will be on the present and future concerns of monetary policy. In that connection, I would like to touch first on some more technical considerations of Federal Reserve operating techniques.

As you well know, 1980 was a tumultuous year for the economy and financial markets. While most measures of the monetary and credit aggregates grew at or very close to our target ranges for the year as a whole, considerable volatility occurred from month to month or quarter to quarter. Moreover, interest rates moved through a sharp cycle and had considerable instability over shorter time spans.

In the light of these developments, I initiated in September a detailed study by Federal Reserve staff of the operating techniques adopted by the Federal Open Market Committee in October 1979, looking, among other things, to the question of whether the particular techniques we employed contributed importantly to the observed volatility. Those techniques place emphasis in the short run on following a path of nonborrowed reserves.

The study drew upon the substantial body of staff expertise both at the Board of Governors and at the regional Federal Reserve Banks, thus providing a variety of viewpoints and analytic approaches. The Federal Open Market Committee (FOMC) has had some discussion of the findings, and we are now at a point at which the work can be made available to interested outside experts. To assure full review, Board staff will be arranging "seminars," as appropriate, with

1. See "Monetary Policy Report to Congress," pp. 195–208 of this BULLETIN.

economists having a close interest in these matters.

Among the important questions at issue is whether alternative techniques would promise significantly better short-run control over the monetary and credit aggregates and whether such techniques would imply more interest rate instability. We also examined again the significance for the economy and for basic policy objectives of monthly, quarterly, or longer deviations of monetary growth from established target ranges.

For the convenience of the committee and others, I have listed in this text some of the technical findings that may be of more general interest.

1. The work confirms that the week-to-week money supply figures are subject to a considerable amount of statistical "noise"—unpredictable short-run variations related to the inherent difficulty of computing reliable weekly seasonal adjustment factors and other random disturbances. One analysis suggests that the random element in the weekly M-1 data, as first published, is about $3 billion, plus or minus. While those variations average out over time, they could amount to $1½ billion on a monthly average basis, equivalent to a change of 4½ percent at an annual rate.

2. No clear evidence was found that, in the present institutional setting, alternative approaches to reserve (or monetary base) targeting would increase the precision of monetary control. Indeed, in current circumstances, some other approaches would appear to result in less precision in the short run. Perhaps more significant, the linkage between any reserve measure and money in the short run was loose; econometric tests seem to suggest that, even assuming absolute precision in meeting a reserve target (which is not in fact possible), *monthly* M-1 measures would be expected to deviate from the target by more than 8 to 10 percent, plus or minus (at an annual rate), one-third of the time. Those deviations should tend to average out over time, so that much closer control could be achieved over a period of three to six months, assuming no constraints on operations from interest rates or other factors. Those econometric results are consistent with the actual experience of 1980.

3. Pursuing the closest possible short-run control of the money supply by any technique entails a willingness to tolerate large changes over short periods of time in short-term interest rates—greater than were experienced in 1980. The technique actually employed, as expected, contributed to more day-to-day or week-to-week volatility than earlier procedures, but presumably not so much as other, more rigid reserve targeting approaches. Experience in 1980 also strongly suggested that short-run changes in money market rates became more highly correlated with fluctuations in long-term interest rates, which may be of more significance to investment and financial planning. The degree to which that closer association reflected uncertainty and a learning process unique to 1980 or is inherent in reserve-based targeting cannot be determined at this time.

4. Interest rate instability associated with the new techniques per se is extremely difficult to distinguish from other sources of interest rate fluctuation. However, the major swings in interest rates during the year—historic peaks in early 1980, the sharp drop in the spring, and the return to historical highs—can be traced to disturbances in the economy itself, to the imposition and removal of credit controls, to the budgetary situation, and to shifting inflationary expectations. Indeed, while much compressed in time, the broad interest rate fluctuations were, in relative magnitude, not out of keeping with earlier cyclical experience.

5. Money supply fluctuations last year over periods of a quarter or so were probably larger than might have been expected on the basis of econometric analysis of reserve control techniques. The inference from the study is that the credit control program and other external "shocks" could have been responsible. At the same time, the evidence is that the quarterly deviations in money growth from the trend for the year did not have an important influence on economic activity. If money growth had somehow been held constant, short-run interest rate variability would have been still larger.

In analyzing the results of the study and given the basic intent to control monetary and credit growth within target ranges over a period of time, the FOMC continues to believe present operating techniques are broadly appropriate. Assuming the present institutional structure, alternative reserve control approaches do not appear to promise more short-term precision. We do, however, have under consideration possible modifications and improvements. Without going into technical detail, such matters as more frequent adjustment of the discount rate, more forceful adjustments in the "path" for nonborrowed reserves when the money supply is "off course," and a return to contemporaneous reserve accounting are being actively reviewed. In each case, the possible advantages in terms of closer control of the monetary aggregates need to be weighed against other considerations, including contributing to unnecessary short-run volatility of interest rates.

As a personal observation, I would emphasize that swings in the money and credit aggregates over a month, a quarter, or even longer should not be disturbing (and indeed may in some situations be desirable), *provided* there is understanding and confidence in our intentions over more significant periods of time. A major part of the rationale of present, or other reserve-based, techniques is to assure better monetary control over time. I believe, but cannot "prove," that the money supply in 1980 was held under closer control than if our operating emphasis had remained on interest rates. I hope 1980 was instructive in demonstrating that we do take the targets seriously, as a means both of communicating our intentions to the public and of disciplining ourselves.

In that light, I would like to turn to the targets for 1981. Those targets were set with the intention of achieving further reduction in the growth of money and credit—returning such growth over time to amounts consistent with the capacity of the economy to grow at stable prices. Against the background of the strong inflationary momentum in the economy, the targets are frankly designed to be restrictive. They do imply restraint on the potential growth of the *nominal* gross national product. If inflation continues unabated or rises, real activity is likely to be squeezed. As inflation begins noticeably to abate, the stage will be set for stronger real growth. Monetary policy is, of course, designed to encourage that disinflationary process. But the success of the policy and the extent to which it can be achieved without great pressure on interest rates and stress on financial markets, already heavily strained, will also depend on other public policies and private attitudes and behavior.

Abstracting from the impact of shifts into negotiable order of withdrawal (NOW) accounts and other interest-bearing transaction accounts, growth ranges for the narrower monetary aggregates—M-1A and M-1B—have been reduced by $\frac{1}{2}$ percent to 3–5$\frac{1}{2}$ percent and 3$\frac{1}{2}$–6 percent respectively. Growth last year from the fourth quarter 1979 average to the fourth quarter 1980 average (when adjusted for shifts into NOW accounts) approximated 6$\frac{1}{4}$ percent and 6$\frac{3}{4}$ percent, just about at the top of the target range.[2] Consequently, the new target ranges imply a significant reduction in the monetary growth rates.

The FOMC did not change the targets for M-2 or M-3. In the case of M-2, the upper end of the range was exceeded by about $\frac{3}{4}$ percent in 1980, and M-2, which includes new forms of market-rate savings instruments and the popular money market mutual funds, has shown some recent tendency to grow more rapidly relative to the narrow aggregates. In the past few years, growth of M-2 has been much closer to the growth of nominal GNP than has growth of M-1. Should those conditions prevail in 1981, actual results may well lie in the upper part of the range indicated. M-3, which includes instruments such as certificates of deposit used by banks to finance marginal loan growth, is influenced, as is bank credit itself, by the amount of financing channeled through the banking system as opposed to the open market. Changes in those aggregates must be assessed in that light.

I must emphasize that both M-1 series, as actually reported, are currently distorted by the shift into interest-bearing transaction accounts. Those shifts were particularly large in January, when for the first time depository institutions in all parts of the country were permitted to offer such accounts. As the year progresses, we anticipate that the distortion will diminish as has already been the case in February. However,

2. Growth, as statistically recorded, was 5 percent for M-1A in 1980 and 7$\frac{1}{4}$ percent for M-1B. Available evidence suggests that about two-thirds of the transfer into interest-bearing checking accounts in 1980 reflected shifts from M-1A, "artificially" depressing M-1A, and about one-third reflected shifts from savings or other accounts, "artificially" raising M-1B. The data and the targets cited are calculated as if such shifts did not take place.

any estimate of the shifts into NOW-type accounts for 1981 as a whole and the source of those funds must be tentative.

Survey results and other data available to us suggest that perhaps 80 percent of the initial shifts during January into NOW and related accounts were from demand deposits included in M-1A, thus "artificially" depressing that statistic. The remaining 20 percent was apparently shifted from savings accounts (or other investment instruments), "artificially" increasing M-1B. More recent data suggest that the proportion shifting from demand deposits, while still preponderant, may be slowly falling. Making allowance for these shifts, M-1A and M-1B through mid-February of this year have remained near the average level of December. At intervals we plan to publish further estimates of the shifts in accounts and their implications for assessing actual growth relative to the targets. But I cannot emphasize too strongly the need for caution in interpreting published data over the next few months.

Once these shifts are largely completed, we plan publication of a single M-1 series. In that connection, I must note that the behavior of an M-1 series containing a large element of interest-bearing deposits, with characteristics of savings as well as transaction accounts, is likely to alter relationships between M-1 and other economic variables. For that and other reasons, the significance of trends in any monetary aggregate even over long periods of time must be analyzed carefully, and, if necessary, appropriate adjustments in targets must be made.

Those technical considerations should not obscure the basic thrust of our policy posture. Our intent is not to accommodate inflationary forces; rather, we mean to exert continuing restraint on growth in money and credit to squeeze out inflationary pressures. That posture should be reflected in further deceleration in the monetary aggregates in the years ahead and is an essential ingredient in any effective policy to restore price stability.

During 1980 despite the pressures arising from sharply higher oil prices and the strong momentum of large wage settlements and other factors, inflation did not increase. But the hard fact is that we, as a nation, have not yet decisively turned back the tide of inflation. In my judgment, until we do so prospects for strong and sustained economic growth will remain dim. In that connection, forecasts by both the administration and members of the FOMC anticipate continuing economic difficulties and high inflation during 1981.

I have emphasized on a number of occasions that we now have a rare opportunity to deal with our economic malaise in a forceful, coordinated way. As things stand, the tax burden is rising; yet, in principle the need for tax reduction—tax reduction aimed to the maximum extent at incentives to invest, to save, and to work—has come to be widely recognized. Regulatory and other government policies have tended to increase costs excessively and damage the flexibility of the economy; but realization of the need to redress the balance of costs and benefits is now widespread. Despite efforts to cut back from time to time, government spending has gained a momentum of its own; now, the possibility of attacking the problem head on presents itself. We are all conscious of the high levels of interest rates and strains in our financial system; yet, there is widespread understanding of the need for monetary restraint.

The new administration is clearly aware of these realities and has set forth a program of action. It has seized the initiative in moving from opportunity to practical policy.

I know that the case is sometimes made that monetary policy alone can deal with the inflation side of the equation. But not in the real world—not if other policies pull in other directions, feeding inflationary expectations, propelling the cost and wage structure upward, and placing enormous burdens on financial markets with large budgetary deficits into the indefinite future.

That is why it seems to me so critical—if monetary policy is to do its job without unduly straining the financial fabric—that the federal budget be brought into balance at the earliest practical time. That objective cannot be achieved in a sluggish economy. Moreover, tax reduction—emphasizing incentives—is important to help lay the base for renewed growth and productivity. For those reasons, the linchpin of any effective economic program today seems to me early, and by past standards massive, progress in cutting back the upward surge of expenditures, on and off budget.

We know the crucial importance of restraint on money and credit growth. When I am asked about the need for consistency among all the elements of economic policy—a policy that can effectively deal with inflation and lay the groundwork for growth—I must emphasize the need to combine that monetary restraint with spending control.

Cutting spending may appear to be the most painful part of the job—but I am convinced that the pain for all of us will ultimately be much greater if such cutting is not accomplished. □

Chairman Volcker gave a similar statement before the House Committee on Banking, Finance and Urban Affairs, February 26, 1981.

Statement by J. Charles Partee, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Telecommunications, Consumer Protection and Finance of the Committee on Energy and Commerce, U.S. House of Representatives, February 26, 1981.

I appreciate the opportunity to appear before this committee to discuss H.R. 1294, a bill to extend margin credit regulations to the acquisition of U.S. corporations by foreign persons using credit obtained from foreign lenders, as well as House Concurrent Resolution 59, which calls for a study by the Securities and Exchange Commission (SEC) and the Department of Commerce on the effects of such foreign acquisitions on our economy.

It is my understanding that H.R. 1294 and its companion bill in the Senate, S. 289, would make it unlawful for a foreign lender to extend credit and for a foreign national to obtain credit in excess of the margin requirements of the Federal Reserve Board when that credit would finance certain acquisitions of U.S. securities.

The Board recognizes that the purpose of H.R. 1294 is to provide for equity between domestic and foreign interests in the area of corporate acquisition financing. But our experience in margin regulation leads us to the view that the proposed legislation would create many problems and that its costs would probably be well in excess of its benefits.

At the outset, I would like to point out that the Board has been concerned with the possibilities for circumventing the margin regulations through extensions of credit abroad ever since the regulations were first imposed in the 1930s. From the beginning, however, we have faced the insolvable problem that, because of the complexity and flexibility of financial arrangements made outside the United States, it would be quite impossible to monitor this source of credit with anything like the same effectiveness expected of domestic margin regulation.

A prior attempt by the Board to regulate in the area of foreign securities credit transactions may serve to clarify some of the problems encountered, which still appear relevant in the context of the proposed legislation.

In 1963 a special study of the securities markets pointed to the problems created by the availability of credit from foreign sources. The study found that foreign credit sources were significant sources of funds for large purchases of securities. Prompted by the findings of this study, the Board subsequently took the position that when credit is used in connection with a securities purchase effected on a domestic exchange, or that otherwise had its impact in this country, then that credit came within the purview of the Board's responsibilities, and persons subject to U.S. jurisdiction could be prohibited from acting on behalf of the parties. The Board, realizing that it was nearly impossible for a securities transaction originating abroad to be executed in the United States without the help of a domestic agent, proposed to amend its margin regulations to forbid persons already subject to these regulations to perform services connected with any credit associated with the transaction unless the loan was in conformity with the applicable margin requirements. The Board stated that the so-called agency proposals were directed against excessive credit flowing into the securities markets in circumvention of the other provisions of section 7 of the Exchange Act.

Adverse public comment on this proposal generally reflected strong representations that the application of credit regulations to foreign banks could violate international law. Commentators feared that the proposed rule would be viewed abroad by foreign financial institutions as an unacceptable intrusion into their affairs and an attempt by the Board to extend its influence and jurisdiction beyond the borders of the United States.

Still another objection to the proposed agency provision was the difficulty in its application to the foreign financial community and the lack of any capability for insuring effective enforcement abroad. Critics stated that a foreign bank could not comply with a regulation having no force of law in its own country, without establishing costly controls and procedural followups as a voluntary matter. The expectation that foreign banks would do this and continue to uphold such procedures years after they were instituted was thought to be unrealistic, in the absence of any domestic supervisory authority. This is a relevant concern with respect to H.R. 1294 because the Board's margin rules apply not only when credit is initially extended, that is, when the 13D or 14D filings are made, but throughout the life of the loan.

In 1968 these considerations caused the Board to modify its agency proposals to permit domestic banks to act as agents for foreign banks in certain circumstances. The changed proposal represented an important shift of position, away from the attempt to control the flow of *all* foreign credit into the domestic securities markets to the more limited objective of preserving the integrity of the Board's margin regulations by preventing evasions on the part of U.S. persons resulting from the use of foreign credit sources.

This more limited objective was finally achieved when, in 1971, Regulation X was promulgated by the Board with the stated purpose of "preventing the infusion of unregulated credit into U.S. securities markets." The new regulation was limited to U.S. borrowers and foreign nationals who were controlled by or otherwise acting on behalf of U.S. residents, and it shifted focus from the foreign credit source—over which our jurisdiction was questionable—to the U.S. borrower or his agent, where enforcement sanctions were available.

Our experience indicates to us that the benefits derived from any wider reach of the margin rules would not be justified by the costs. I see these costs as difficult and controversial enforcement issues, antagonism from foreign financial institutions and governments, and, quite possibly, the retaliatory imposition abroad of new barriers to the free flow of capital.

I realize that corporate takeovers, both friendly and unfriendly, often generate much notoriety and controversy. All takeovers, however, should not be viewed in a negative light. In fact, such acquisitions by foreign or domestic interests are often welcomed by financially troubled American corporations and can serve the important economic purpose of revitalizing inefficient firms.

Even if it were determined that foreign takeovers were undesirable as a matter of public policy, I believe that the imposition of margin requirements on foreign credit transactions would not be the most effective vehicle in preventing such corporate activity.

First, the proposed legislation would not reach corporate takeovers in which credit is not used. Acquisitions financed with corporate earnings or through an exchange of shares are not subject to the margin regulations and would therefore remain unaffected. Also, a substantial foreign firm could usually assemble sufficient collateral or borrow on an unsecured basis to meet the rules, at least for the time it would take to file and process the required 13D or 14D statement and for the acquisition to be consummated.

Second, the proposed legislation would apply to all acquisitions of 5 percent or more of companies subject to registration under section 12—a percentage of ownership that does not necessarily indicate that the acquirer intends to control the corporation whose stock it purchases. In fact, such acquisitions often are made for investment purposes only, with no view to ultimate corporate change.

Finally, the proposed legislation would apply only to acquisitions of corporations subject to registration under section 12 of the Securities Exchange Act of 1934, and not to many important U.S. corporations that are closely held or otherwise are exempted from SEC coverage.

You have also asked for Board comment on Concurrent Resolution 59, with respect to the type of information that would throw light on the impact on the U.S. economy and on U.S. securities markets of the acquisition of U.S. companies by foreign nationals. Adequate statistical information is available on such acquisitions; we have just had the first results of a new annual reporting system developed by the Commerce Department, which provides a wealth of data on the acquisitions made by foreigners in 1979. Moreover, data have been collected for many years in connection with the preparation of the U.S. international accounts. I would doubt, therefore, that anything more needs to be done along those lines.

There are limits, however, to what can be learned from data stemming mainly from corporate accounts—balance sheets, profit and loss statements, and related records. Such information is extremely helpful in portraying the share of various aspects of the U.S. economy—production, employment, earnings, and so forth—in which foreign-owned U.S. firms, both old and new, participate. But the question of economic impact on the economy is considerably broader and goes beyond such quantitative measurements. Our national interest is concerned primarily with finding ways to make the economy work more efficiently; to be more innovative in technical and managerial techniques; and to reach into areas of industry or commerce that are falling behind economically but may be revived with an infusion of new capital, or new management, or new ideas. When we look at the impact of corporate acquisitions on the U.S. economy, whether foreign or domestic, these seem to be the most relevant factors.

What this suggests is that it might be useful to take a look at a cross section of acquisitions and attempt to develop a qualitative evaluation of the possible benefit, or possible damage, of the change in ownership and management. Such a survey could provide a valuable supplement to the quantitative material that is already available. The early history of foreign investment in the United States shows many examples of foreign initiative here that significantly influenced our own economic development; and even though the United States became the predominant exporter of industrial capital many years ago, ample room still exists for us to benefit from healthy injections of investment and ideas originating elsewhere.

On the question of the effects on U.S. securities markets, we at the Board are not aware of any generalized adverse impacts from the acquisition activities of foreign investors. Last year there was unusually active foreign interest in U.S. equity markets, with gross foreign purchases of U.S. stocks near $40 billion and net purchases of about $5 billion. In fact, however, this activity is generally welcomed as a sign of the overall attractiveness of the U.S. economy. Such purchases tend to make it easier for all U.S. corporations to obtain equity financing in the market.

A remote possibility exists that specific foreign purchases aimed at acquiring substantial interests in U.S. companies might disturb some sector of the market, but it should be recognized that any conceivable activity would still account for only a tiny share of total transactions in our markets. We are not aware of policies in foreign countries aimed at stimulating foreign acquisitions of U.S. firms. Indeed, most countries would probably envy the ability of the United States to attract sizable capital inflows, especially in the current environment, in which sharply higher oil prices have meant that almost all industrial nations are facing large current-account deficits. □

Statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Ways and Means, U.S. House of Representatives, March 3, 1981.

I am pleased to be here to discuss with you some considerations relevant to your deliberations about economic policy. The Ways and Means Committee of course carries the responsibility for originating tax legislation and has large spending programs under its immediate purview. The responsibilities of the Federal Reserve lie in the area of monetary policy. Mutual understanding of our purposes and policies seems to me critical to achieving more satisfactory economic performance and to the success of the program outlined by the President.

The economy entered 1981 on an upward trajectory, extending the recovery in activity from last year's brief but sharp recession. January saw further gains in retail sales, employment, and industrial production and—despite high interest rates—continued stability in housing starts. On the whole, the demand for goods and services has continued to prove more buoyant than most analysts had expected.

However, as we all know, unemployment and inflation remain at unacceptably high levels. There have been strong pressures in financial markets. Moreover, as things stand, the outlook is far from satisfactory. In particular, it is clear that we will be unable to have sustained economic expansion unless we are successful in bringing inflation down. Monetary policy is and will remain directed toward that priority objective. But, in my judgment, to continue to rely on monetary and credit restraint almost alone to deal with inflation would pose large and unnecessary risks—risks of financial strains and of excessive costs in terms of growth and investment.

Last year, monetary restraint was the key factor in keeping inflation from accelerating in the face of rising oil prices and other factors. Important as it was, that "holding action" was accomplished only at the expense of historically high interest rates, impinging strongly on some areas of the economy and on investment generally. In these circumstances, the monetary restraint essential to deal with inflation urgently needs to be combined with other effective actions to relieve pressures on financial markets, to reduce costs, to spur investment and productivity, and to encourage risk-taking. In the best of circumstances, it will take time to bring results, and the process of change almost inevitably will involve some pain. But, with the new President seizing the initiative, I also believe we have a virtually unparalleled opportunity to achieve a consensus for effective action in a number of directions.

As you know, I testified last week before the banking committees of the House and Senate, presenting the intentions of the Federal Reserve with respect to monetary and credit growth for 1981. Without repeating the details, those targets are consistent with further reduction in the growth of money and credit this year. Against the background of the strong inflationary momentum in the economy, the targets are frankly designed to be restrictive, as they must be if we are to look toward a winding down of the inflationary process. And, while we only look a year ahead in setting out specific growth ranges for the various money and credit aggregates, further reductions will be necessary in the years ahead to return monetary growth to amounts consistent with the capacity of the economy to grow at stable prices.

The narrow money aggregates, M-1A and M-1B, are currently distorted by rapid institutional change—the introduction of negotiable order of withdrawal (NOW) accounts and other interest-bearing transaction accounts nationwide. Abstracting from the impact of shifts into those accounts, our intentions are reflected in a reduction of targeted growth ranges by ½ percent (to 3 to 5½ percent and 3½ to 6 percent) for M-1A and M-1B respectively. Growth last year from the fourth-quarter-1979 average to the fourth-quarter-1980 average (when adjusted for shifts into NOW accounts) approximated 6¼ percent and 6¾ percent, just over the top of the target range.[1] Consequently, the new target ranges imply a significant reduction in the monetary growth rates.

The Federal Open Market Committee did not change the targets for the broader M-2 or M-3 aggregates, which include various types of savings and time deposit accounts. The relationship between M-2, M-3, and the narrower aggregates has changed over recent years and this year's targets are consistent with further restraint across the entire range of monetary measures. Indeed, because actual growth in 1980 was ¾

1. Growth, as statistically recorded and published, was 5 percent for M-1A in 1980 and 7¼ percent for M-1B. Available evidence suggests about two-thirds of the transfer into interest-bearing checking accounts in 1980 reflected shifts from M-1A, "artificially" depressing M-1A, and about one-third reflected shifts from savings or other accounts, "artificially" raising M-1B. The data and the targets cited in the text are calculated as if such shifts did not take place.

For 1981 the target ranges for growth of M-1A and M-1B *before* adjustment for these shifts are −4½ to −2 percent and 6 to 8½ percent respectively. See "Monetary Policy Report to Congress," pages 195–208 in this BULLETIN for a complete discussion of the impact on the 1981 targets of nationwide NOW account growth.

percent or more above the upper end of the indicated range, success in reaching the target range in 1981 implies significantly lower growth.

I cannot emphasize too strongly the need for care in interpreting the actual data for monetary and credit growth as the year progresses. As I indicated, both M-1 series are currently distorted by the shift into interest-bearing transaction accounts. As the year progresses, we anticipate the distortion will diminish, and from time to time we will provide estimates of the effects of the shifts on the data. But beyond that particular source of distortion, the data are subject to considerable volatility from month to month or quarter to quarter. What counts is the trend over a reasonable period of time.

Those technical considerations should not obscure the basic thrust of our policy posture. Our intent is not to accommodate inflationary forces but rather to continue the restraint on growth in money and credit that is necessary to squeeze out inflationary pressures. Whereas there can be debate about timing and degree, the need for that basic discipline is common to virtually all schools of economic thought and is, of course, recognized in the administration's program for economic recovery.

Restraint on monetary expansion does place broad limits on the potential growth of the *nominal* gross national product—that is, the combined result of changes in real output and the price level. It implies that all the demands for money and credit potentially generated by an economy *both* growing and inflating cannot be met. So long as inflation continues unabated or rises, real activity is likely to be constrained. But as inflation begins noticeably to abate, the stage will be set for stronger—and sustained—real growth. Monetary policy is, of course, designed to encourage and speed that disinflationary process. But the success of such a policy—particularly the extent to which it can be pursued without great pressure on interest rates and aggravating strains in financial markets—also will depend on other public policies and private attitudes and behavior.

I must emphasize the risks and difficulties of dealing with inflation entirely by monetary policy—of failing to bring other policies into support of that objective. If budgetary and other policies pull in the opposite direction—if those policies feed inflationary expectations, propel the cost and wage structure upward, add unnecessary regulatory costs, and fail to reduce and in time eliminate deficit financing—then the danger of a kind of collision in financial markets between public and private borrowers will be intensified.

But that risk can be minimized in the short run and the groundwork laid for renewed prosperity in the 1980s by forceful, coordinated actions. Fortunately, there appears to be broad recognition of the nature and urgency of our problems and a willingness to bring to bear a new discipline in fiscal and regulatory policy.

To that end, the new administration has set forth a sweeping new program of action encompassing an array of spending cuts and tax reductions. There will properly be debate about the specific components of that program. Estimates of its precise impact on the economy this year and next will vary, just as such estimates would be challenged for any program. The simple fact is that we have not been able to count on any economic forecasting technique to provide consistently reliable results in recent years in the face of the virtually unprecedented nature of our economic problems, severe energy shocks, and volatile expectations. In these circumstances, I personally would be cautious in interpreting the results of any economic model so far as the precise timing and magnitude of future economic developments are concerned. But that does not mean that valid judgments cannot be reached about the general shape, size, and direction of needed policy changes. Economic analysis seems to me to point clearly to the following conclusions:

1. Against the background of the federal tax burden reaching the highest level in our history, tax cuts are needed to encourage greater investment, productivity, and work effort.

2. At the same time, a continued need to finance huge budgetary deficits in congested financial markets into the indefinite future would threaten the availability of funds to private borrowers, including businesses that must undertake the needed productive investment as well as to the homebuilding industry and others heavily dependent on borrowed funds.

3. In these circumstances, the amount of tax reduction that can be prudently undertaken is dependent on cutting back the inexorable rise in

federal spending, on and off budget. The larger the spending cuts, the greater the prospects for reducing the strains in financial markets and for turning back inflation.

4. In the best of circumstances, there are limits to the amount of revenues that, in the short run, can be foregone as a result of tax cuts. Thus, from the standpoint of general economic policy, the emphasis in tax reduction should, to the maximum extent feasible, be placed on measures that promise to increase incentives to work, to invest, and to save.

5. At a time when we are fighting inflation, other government policies that increase costs, inhibit competition, and impair the flexibility of the market economy need urgent review. Costs of regulatory policies must be assessed against the benefits. Our markets must be open to competition from home and abroad to spur innovation and productivity, and government should reexamine policies that tend to place an excessively high and rising floor under certain costs and prices.

This committee is deeply involved in the crucial fiscal decisionmaking. I know that tax and spending cuts, by their very nature, involve difficult considerations of fairness as well as economic efficiency. It is not appropriate for the Federal Reserve to intrude on the details of that decisionmaking process. But I would emphasize one point central to economic policy generally and the relationship to monetary policy in particular.

To me, the linchpin of the whole economic program is early and, by past standards, massive progress in cutting back the upward surge of federal expenditures. Those spending cutbacks are necessary to clear the way for sizable tax reduction and to permit early progress toward the goal of a balanced budget.

I know the difficulties and constraints—the need to increase defense spending, to protect the truly needy, to pay interest, and to maintain strength and continuity in other essential programs. But the budget is huge and has increased by more than a third in real terms over the last decade. Surely there is ample room for cutting if there is the will, and the administration proposals for specific cuts over a broad array of programs point the way.

I must emphasize that, from the standpoint of general economic policy, *all* the risks seem to me on the side of not cutting back the rise in spending enough. Every dollar of added savings can only help head off tensions in financial markets, make room for more private investment, and provide an appropriate setting for prudent and needed tax reduction. In that connection, I would remind you that even the specific cuts proposed by the administration, large as they are, are only a kind of progress payment toward what needs to be done to bring the budget into balance in reasonably prosperous economic conditions. Further very sizable reductions are indicated in the program for fiscal 1983 and beyond. The sooner that process is started, the better will be the prospects for changing public attitudes and economic performance.

I would like to make one last point before concluding. The need to reduce inflation as part of any effective economic program is now widely recognized, and the Federal Reserve has an indispensable role to play in that process. How soon our efforts in that direction succeed, and how soon we can look forward to healthy growth and reduced unemployment, will depend in large measure on how quickly attitudes toward inflation change in the private sector, and how those new attitudes are reflected in pricing and wage decisions.

Strong upward momentum in wage contracts and pricing policies will ultimately be inconsistent with a commitment to monetary and fiscal restraint, and inimical to the interests of both the nation and the particular firms and workers involved. After years of inflation, attitudes and expectations are not likely to change easily. That is why our commitment to restraint must be strong, visible, and sustained.

I believe the monetary targets of the Federal Reserve are consistent with that need. Demonstrated progress on the fiscal side is also a necessary ingredient. And, in the end, we will need to see visible progress toward price stability—an objective that for far too long has eluded us. All of this will inevitably require harsh choices. But I know of no feasible alternatives. And I am convinced that the difficulties for all of us will ultimately be much greater if these choices are not squarely confronted now. □

Announcements

Publication of Capital Formation Study

Since the early seventies, increasing attention has been focused on the adequacy of the rate of capital formation in the United States. To improve its understanding of the economic issues underlying the discussion of capital adequacy, the Board of Governors, through its Committee on Research and Statistics, directed the staff to study the determinants of capital formation and the public policy measures that might be instituted to improve the prospects for real investment in the economy.

Public Policy and Capital Formation publishes the results of that study. It contains 19 papers that focus on the various issues involved and were prepared by members of the research staffs within the Federal Reserve System.

The heightened interest in capital formation has likely resulted from a number of recent trends and events. Productivity growth has been slow throughout the 1970s, and some have blamed this development on inadequate investment in plant and equipment. The widespread shortages, particularly of basic materials, that appeared in 1973 and 1974 raised doubts about whether the country's productive capacity was as great as had been previously thought. The rapid rise in energy prices beginning in 1973 has stirred speculation that many capital facilities are now obsolete because they use energy in what have become uneconomic quantities.

During the cyclical upswing that began in 1975, business investment has been unusually weak at the same time that the labor force has been growing rapidly, prompting questions about the ability of the economy to absorb the influx of new workers. Recurrent deficits in the balance of trade and the decline of the international value of the dollar have lent urgency to the question of capital formation particularly since the countries that have enjoyed the largest trade surpluses and currency appreciations—Germany and Japan, for example—are characterized by comparatively high rates of capital formation. Although the most apparent policy tools for influencing saving and investment are beyond the control of a central bank, the policies of the Federal Reserve can affect capital formation.

The price of the publication is $13.50 a copy. Copies may be obtained from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Supplemental Pricing Procedure

The Federal Reserve Board on February 27, 1981, announced adoption of three sets of procedures designed to implement the service pricing requirements of the Monetary Control Act of 1980. The procedures supplement the pricing principles announced by the Board on December 31, 1980, and include the following: (1) procedures for the administration of clearing balances; (2) guidelines for billing cycles, service charge statements, and payments for service charges; and (3) interim procedures for initiation and review of changes in fees and services.

The new procedures are detailed below.

Clearing Balances

The Board of Governors has authorized Federal Reserve Banks to establish clearing balances for eligible institutions with zero or small required reserve balances in order to facilitate access to Federal Reserve services.[1] Clearing balances

1. An institution may elect to settle the credits and debits arising from its use of Federal Reserve services in one of the following ways: (1) through its own account at a Reserve Bank that may consist of a reserve balance and/or a clearing balance; (2) by means of prior arrangements, through an account maintained by a correspondent at a Reserve Bank; and (3) if it maintains reserves with a passthrough correspondent and has made prior arrangements through the passthrough reserve account maintained at a Reserve Bank.

help to avoid account overdrafts and their associated costs, and will earn credits that may be used to offset charges for Federal Reserve services. Institutions that may establish a clearing balance include domestic depository institutions, U.S. branches and agencies of foreign banks, Edge Act corporations, and Federal Home Loan Banks.

Establishing and adjusting the clearing balance level. In establishing the initial clearing balance a Reserve Bank will discuss with an institution its expected use of services. These discussions will focus on both the volume of services and the type of services the institution intends to use and the need to avoid account overdrafts. For example, use of the wire transfer service results in an irrevocable transaction that may require a greater clearing balance than another higher-volume service involving revocable transactions.

Adjustments in the amount of an institution's clearing balance may result from changes in its overdraft experience or in its use of services. Satisfactory maintenance of the clearing balance with no overdrafts may, with Reserve Bank approval, enable an institution to reduce its clearing balance. Conversely, a pattern of repeated large overdrafts may be reason for a Reserve Bank to require an increase in an institution's clearing balance. Similarly, a decrease in the use of Federal Reserve services may be reason to consider decreasing an institution's clearing balances, whereas an increase in the use of services may be reason to consider increasing the clearing balance requirement. Adjustments in the clearing balance level will be discussed in advance with the financial institution. Such adjustments will be made no more than once a month and will be effective with the maintenance period beginning the first Thursday of each month.

For monetary control purposes it is important that an institution's clearing balance be maintained at its agreed-upon (required) level. The Federal Reserve has developed procedures, including financial incentives, that are designed to encourage maintenance of a clearing balance at the required level. These procedures include earnings credits, account maintenance procedures, and fees for deficiencies.

Earnings credits. Earnings credits on clearing balances may only be used to offset charges for Federal Reserve services. The average federal funds rate for the weekly maintenance period will be the basis for calculating earnings credits. This rate is published weekly in Federal Reserve statistical release H.15(519), "Selected Interest Rates."

Credits will be computed on the lesser of the required clearing balance or the actual clearing balance maintained (after adjustments and "carry-forwards"). The calculation of earnings credits will be lagged two weeks beyond the close of the weekly maintenance period so as to minimize the number of times when earnings credits must be recalculated because of "as-of" adjustments to the base.[2] If an as-of adjustment affects the level of the clearing balance held during a period more than two weeks before the date that the adjustment is made, the Reserve Bank will analyze the effect on earnings credits calculated for that period. Any correction will be made to earnings credits available in the current or a future billing cycle.

If available earnings credits exceed the Federal Reserve charges incurred during a given month, unused credits will be accumulated for use in subsequent months. Credits will be retained for a maximum of 52 weeks and will be applied against service charges using the first-in, first-out method. Earnings credits are not transferable among accounts.

Account maintenance procedures. Account maintenance procedures generally will be the same whether balances in the account are clearing or reserve balances, or both, in order to aid in account administration for both financial institutions and the Reserve Banks. Similarities between administration of reserve and clearing accounts include the following: (1) weekly maintenance period (from Thursday through Wednesday); (2) carry-forward provisions (for any excess or deficiency that does not exceed 2 percent of the required account balance); (3) provisions for "as-of" adjustments; (4) provisions for moni-

2. The term "as-of" and other similar technical terms used in this document are best explained by direct contact with the Federal Reserve office that serves the area in which an institution is located.

toring daylight overdrafts; (5) charges for overnight overdrafts (overdrafts are penalized currently by charging a fee of 10 percent per annum); (6) provisions for waiving charges for infrequent and small overdrafts.

If an institution meets its reserve requirements with either vault cash or with a passthrough relationship with a correspondent, it may establish its own account at a Reserve Bank through which it settles the debits and credits arising from its use of Federal Reserve services. Such an account would contain a clearing balance only and would be administered independently of the institution's required reserves. The account maintenance procedures will apply to the account maintained for clearing purposes, and the carry-forward provision will be 2 percent of the required clearing balance.

If a depository institution has a reserve account with a Federal Reserve office and a required clearing balance is established for the institution, both the reserve balance and the clearing balance will be administered in a single account. The depository institution will be expected to maintain a daily average balance for the week equal to the sum of its required reserve balance and its required clearing balance. At the end of each weekly maintenance period, the balance held with a Reserve office (after application of any as-of adjustment and/or carry-forward) will be allocated first to the required clearing balance and second to the required reserve balance. Thus, if the average balance held with a Reserve office during the weekly maintenance period is less than the total required balance—clearing plus required reserve—the depository institution will be considered deficient in its required reserve balance. A clearing balance deficiency will occur only when the deficiency in the average total balance exceeds the required reserve balance. If the average balance exceeds the required total balance, the institution will be considered to be holding an excess reserve balance. The carry-forward provision for excesses or deficiencies will be 2 percent of the total required balance (clearing plus reserve). Neither excess nor required reserve balances will generate earnings credits.

Of course, a depository institution that maintains its required reserves on a passthrough basis or in vault cash may obtain available Federal Reserve services directly from its Federal Reserve office without establishing a clearing balance account.

Fees for deficiencies. The notable exception between the administration of reserve and clearing balances is that a deficiency in a required clearing balance is charged for a different rate than a deficiency in a required reserve balance. A charge of 2 percent per year will apply to that portion of any clearing balance deficiency (after application of carryover) that does not exceed 20 percent of the required clearing balance. Any remaining deficiency (above the amount equal to 20 percent of the required clearing balance) will be subject to a charge at 4 percent per year.

As in reserve administration, Reserve Banks may waive the charge for infrequent clearing balance deficiencies when the charge is small and the deficiency is not the result of negligence by the depository institution. Reserve Banks will monitor the incidence of deficiencies and will meet with a depository institution that demonstrates a repeated inability to maintain the required level to discuss how to manage better its total (reserve plus clearing) balance.

Service Charges

The Federal Reserve System has developed guidelines for statements of charges incurred for Federal Reserve services and for methods of payment for those charges by the responsible Reserve Bank customer. The guidelines include the following: uniform billing cycles (the periods over which service charges are incurred), uniform procedures for applying available earnings credits to offset service charges, a standard interval between the end of the billing cycle and the debiting of charges (not offset by earnings credits) to a designated account, and minimum standards for descriptive information to be provided to customers about the services used and charges incurred.

These guidelines will be implemented with the start of the pricing of, and full access to, Federal Reserve check services now scheduled for August 1981. Until then, each Reserve Bank will use its own procedures on an interim basis.

The guidelines will provide procedural consistency among Reserve Bank Districts. However, the Reserve Banks will retain flexibility in the format of service charge statements and in the frequency of service charge notices to their customers.

Before implementation, the Reserve Banks will provide Federal Reserve customers with at least two summary statements of services used and charges incurred to test these procedures.

Uniform billing cycles. There will be twelve billing cycles per year over which charges for Federal Reserve services will be accrued. Each billing cycle will end on the last Wednesday of the calendar month and will cover either a four- or five-week period.

Minimum standards for statements of service charges. At minimum, a monthly summary statement of service charges incurred over the cycle will be provided directly or indirectly to Federal Reserve customers. The statement will be provided by the Reserve Bank no later than the Wednesday following the close of the billing cycle (that is, no later than the first Wednesday of the subsequent month).

It is the intent of the Federal Reserve System to reflect in the statement the Federal Reserve services used during the billing cycle by type of transaction with associated unit volume, unit price for the service, and total charges for the service. However, some Reserve Banks may not be immediately in a position to provide this minimum detail on the monthly statement but will be able, during the interim, to provide adequate detail in some alternative form.

Each Reserve Bank will provide its customers with a list of persons who can respond to questions about each type of service charge.

Application of earnings credits. Earnings credits available at the end of the billing cycle will be used immediately to offset service charges accrued. As of the end of the billing cycle in each calendar month, earnings credits available are defined as earnings credits imputed to clearing balances maintained through the reserve-clearing statement period ending two weeks before the end of the billing cycle. If available earnings credits exceed service charges, excess earnings credits may be carried forward for up to 52 weeks and applied to service charges incurred in subsequent billing cycles. If available earnings credits are insufficient to cover service charges, the remaining service charges will be debited to a previously designated account at a Federal Reserve Bank.

Debit of service charges to the responsible account. On the *third* Thursday following the close of each billing cycle (or on the next business day if that Thursday is a holiday), the account of the user of Federal Reserve services or the designated account of the user's correspondent will be charged for the amount by which service charges exceed available earnings credits.

Interim Procedures for Pricing Administration

The pricing of financial services supplied by the Federal Reserve System to financial institutions will have a significant impact on both the Federal Reserve and the financial community. The System has a responsibility to adopt administrative procedures for pricing that will meet the needs of Reserve Banks in adjusting to a new environment and to the needs of the financial community for advance information about changes.

In its December 31, 1980, announcement of pricing decisions, the Board of Governors outlined a procedure for pricing administration that contemplated eventually placing primary responsibility for initiation of price and service changes with the Reserve Banks and review of certain proposed changes by the Conference of First Vice Presidents. During the initial phase of pricing, however, the Board anticipated that major policy issues would arise and that the resolution of those issues could affect both Federal Reserve Banks and private suppliers of interbank services. To advise the Board on those major issues, a pricing policy committee consisting of representatives from the Board and the Reserve Banks has been established.

The procedures outlined later are intended to retain flexibility for the Reserve Banks to undertake price and service changes in response to local conditions and, simultaneously, to develop a common Systemwide framework for pricing decisions. These interim procedures will be reviewed in 1982 after the System has gained experience with pricing administration.

Role of the Board of Governors. The Monetary Control Act specifies that the Board must put into effect a set of pricing principles and a schedule of fees for Federal Reserve bank services to depository institutions. The Board's responsibilities for pricing administration are as follows: (1) to establish the initial fee structure for each service; (2) to approve proposed changes in the fee structure for each service; (3) to issue guidelines for the use of pricing techniques, such as peak-load pricing, designed to encourage efficient use of resources; (4) to determine annually the appropriateness of continuing to price automated clearinghouse services at their expected long-run average cost; (5) to approve proposed changes in services that raise major policy issues; and (6) to provide oversight of the Reserve Bank implementation of access to, and pricing of, services in accordance with the Board's pricing principles. (The pricing principles are contained in the Federal Reserve press release of December 31, 1980.)

Role of the pricing policy committee. The pricing policy committee, as the principal pricing policy advisory group to the Board of Governors, has the following three major responsibilities: (1) to advise the Board on all significant pricing issues, including operating procedures (such as billing and clearing balances), fee structures, and service structures; (2) to monitor changes in fees and services—initiated either by a Reserve Bank or through the Conference of First Vice Presidents, to ensure that the pricing principles previously announced by the Board are interpreted consistently—and to submit to the Board of Governors for its approval any change that raises a major policy issue; (3) to assist the Board of Governors in its implementation of pricing and in the oversight of progress toward meeting the System goal of matching revenues and costs for priced services.

To fulfill these responsibilities, the pricing policy committee will undertake the following specific assignments: (1) review, before announcement, the proposed 1982 fee schedules for all priced services; (2) review, before announcement, proposed significant changes in prices or services; (3) establish Reserve Bank reporting procedures necessary to provide data needed to advise the Board of Governors on pricing issues and progress in matching revenues and costs.

The pricing policy committee is an interim group that is expected to be phased out as the System gains experience with pricing. In the longer run, the Reserve Banks and the Conference of First Vice Presidents will be given primary responsibility for changes in fees and services, subject to the traditional review by the Board and its Committee on Reserve Bank Activities.

Role of the Reserve Banks and the Conference of First Vice Presidents. Changes in fees and services will be initiated by the Reserve Banks for District-priced services; for nationally priced services, changes will be reviewed by the Conference of First Vice Presidents. Although changes will be monitored by the pricing policy committee during the interim period, the Reserve Banks and the Conference will be responsible for ensuring that changes comply with the Board's pricing principles.

Announcements of changes in fees and services. The Federal Reserve intends to review all service fees at least annually and will announce adjustments to fee schedules that reflect current estimates of expenses and the private sector adjustment factor. Apart from the annual review, announcements will be made whenever new services are introduced or when significant changes are made in existing services. Some fee changes may be announced between annual reviews that are necessitated as a result of forecast errors or other unanticipated changes in either the service environment or the resources required for a service. It is the System's intent to give its customers reasonable advance notice of changes in its fees and significant changes in service arrangements. When exceptional circumstances require, however, prices or services may be changed on short notice.

Generally speaking, changes in prices and services will be announced in advance in Reserve Bank operating letters. Public comment will be solicited on important pricing issues that would have significant longer-run effects on the nation's payments system.

AMENDMENT TO REGULATION P

The Federal Reserve Board has amended Regulation P (Minimum Security Devices and Procedures for Federal Reserve Banks and State Member Banks) implementing the Bank Protection Act to eliminate several reporting requirements.

The actions lighten the regulatory reporting burden of all state member banks and are expected to be of particular benefit to small banks.

The Board amended Regulation P to eliminate a requirement calling for reports (form P-1) to be filed by state member banks concerning security devices in use at their banking office. This action had been recommended to the Board (and to other federal agencies supervising banks and thrift institutions) by the Federal Financial Institutions Examination Council. In adopting the Council's recommendation, the Board said that it has been found that regular, on-site examination of bank security by bank examiners and the generally high current level of bank security have made this report unnecessary.

Regulation P was also amended to eliminate the requirements that state member banks file with their District Reserve Bank a copy of their written security program and, when applicable, a copy of the bank's statement explaining why the bank's security program does not meet the minimum standards of the regulation.

State member banks are required to continue preparing these reports and to have them readily available for scrutiny by examiners. It has been found that examiners generally rely on bank records and not Reserve Bank records in determining compliance with the regulation.

SYSTEM MEMBERSHIP:
ADMISSION OF STATE BANK

The following bank was admitted to membership in the Federal Reserve System during the period February 11 through March 10, 1981:

Virginia

Tazewell .... Citizens Bank of Tazewell

Legal Developments

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

Orders Under Section 3 of Bank Holding Company Act

First National Boston Corporation, Boston, Massachusetts

Order Approving Acquisition of a Bank

First National Boston Corporation, Boston, Massachusetts, a bank holding company within the meaning of the Bank Holding Company Act of 1956 (the "BHC Act"), has applied for the Board's approval under section 3(a)(3) of the BHC Act (12 U.S.C. § 1842(a)(3)) to acquire 100 percent (less directors' qualifying shares) of the shares of The Country Bank, National Association, Shelburne Falls, Massachusetts ("Bank").

Notice of the application, affording an opportunity for interested persons to submit comments and views, has been given in accordance with section 3(b) of the BHC Act. The time for filing comments and views has expired and the Board has considered the application and all comments received, including those of the Massachusetts Urban Reinvestment Advisory Group, Inc., Jamaica Plain, Massachusetts, and the Rural Development Corporation of Franklin County, Greenfield, Massachusetts (collectively referred to as "Protestants"), in light of the factors set forth in section 3(c) of the BHC Act. In addition to interposing numerous objections to the proposed acquisition, Protestants have requested that the Board order a formal hearing to air the Community Reinvestment Act ("CRA")-related issues raised by this application.

With regard to Protestants' request for a hearing, neither the CRA, nor section 3(b) of the BHC Act requires the Board to hold a formal hearing concerning an application, except when the appropriate banking authority makes a timely written recommendation of denial of an application. In this case, no such recommendation has been received from the Comptroller of the Currency, and, thus, no formal hearing is required. Nevertheless, the Board could in its discretion order a formal or informal proceeding concerning the application if it determines that there are material questions of fact in dispute that can only be resolved by means of such a proceeding.

After considering the record of this application, the Board has determined that there are no material factual differences in the record which would warrant a hearing on this application. Rather, Protestants' primary arguments concern the interpretation or significance that should be accorded to certain facts in the record. Since the Board is charged by statute with making such judgments, and in view of the fact that all parties have been afforded a full and fair opportunity to present their arguments in written submissions to the record, including the opportunity to comment on one anothers' submissions, the Board has determined that a hearing would serve no useful purpose.[1] Accordingly, Protestants' request for a formal hearing is hereby denied. Thus, the Board will consider the merits of the application, including the objections raised by Protestants.

Applicant, the largest commercial banking organization in Massachusetts, controls nine domestic banking subsidiaries with aggregate deposits of $4.2 billion, representing 22.5 percent of the total commercial bank deposits in the state.[2] Acquisition of Bank, with deposits of $14.9 million, would increase Applicant's share of commercial bank deposits in Massachusetts by less than one–tenth of one percent. Thus, consummation of the proposal would not have any appreciable effect upon the concentration of banking resources in Massachusetts.

Bank, with four banking offices, is the third largest of four commercial banks in the Greenfield banking market,[3] and holds 14.8 percent of the commercial

1. In this regard, the Board notes that Protestants and Applicant have had ample opportunity to resolve any material factual differences in a hearing conducted on September 25, 1980, by the Massachusetts Board of Bank Incorporation ("Massachusetts Board") concerning issues similar to those raised by Protestants in connection with the proposed acquisition. The hearing was attended by representatives of the Federal Reserve System, and the order of the Massachusetts Board has been made a part of the record in this application. On January 20, 1981, the Massachusetts Board unanimously approved Applicant's acquisition of Bank, and has recommended approval of this application.

2. All banking data are as of June 30, 1980, unless otherwise indicated.

3. The Greenfield banking market is approximated by Franklin County, Massachusetts, excluding the towns of Warrick, Orange, New Salem, Whately, Sunderland, Leverett and Shutesbury.

bank deposits in the market. While Old Colony Bank of Hampden County, N.A., ("OCB-Hampden"), Applicant's nearest subsidiary bank, has an office located 18 road miles southeast of Bank's Conway office, OCB-Hampden operates in a separate and distinct banking market, and none of Applicant's other banking subsidiaries operates in the Greenfield banking market. Accordingly, the Board concludes that consummation of the proposal would not result in the elimination of any existing competition between Applicant and Bank. While it appears that Applicant has the financial and managerial resources to enter the Greenfield banking market de novo, based on the record the Board regards that market as unattractive for de novo entry and notes state law precludes Applicant from branching into the market. Based on the foregoing, the Board concludes that consummation of the proposal would not have any significantly adverse effects on existing or potential competition in any relevant area.

The financial and managerial resources and future prospects of Applicant, its banking subsidiaries and Bank are regarded as satisfactory. Applicant has committed to inject some additional capital into Bank upon consummation of the proposal, which would enhance Bank's future prospects. Accordingly, it is the Board's judgment that banking factors lend some weight toward approval of this application.

In considering the effects of the proposed acquisition on the convenience and needs of the community to be served, the Board has also considered the record of Applicant's banking subsidiaries in meeting the credit needs of their communities as provided in CRA (12 U.S.C. § 2901) and the Board's Regulation BB, (12 C.F.R. § 228).[4] In so doing, the Board has examined the objections of Protestants relating to Applicant's record of performance with respect to CRA factors, and particularly the record of Applicant's lead bank, First National Bank of Boston ("FNBB"), Boston, Massachusetts. Specifically, Protestants allege that Applicant engages in community disinvestment as evidenced by the decreasing percentage of loans made by FNBB in its CRA community as compared to its total domestic and international lending operations; that FNBB's efforts to ascertain community credit needs are ineffective; that FNBB's participation in community development programs has been insufficient; that FNBB has failed to meet the credit needs of small businesses and small farmers; that Applicant's subsidiary banks have failed to meet the needs of CRA communities for housing-related credit; and, that Applicant's subsidiary banks have not complied with the technical requirements of CRA or the Home Mortgage Disclosure Act of 1975 ("HMDA") (12 U.S.C. § 2803).

In support of their objections, Protestants have submitted information to the Board regarding these allegations. In addition, the proposed acquisition has been the subject of public hearings before the Massachusetts Board during which Protestants presented information concerning their allegations. The Board has examined the submissions offered by Protestants and Applicant regarding the issues raised by Protestants. The Board has also considered the conclusions of the Office of the Comptroller of the Currency, which conducted an examination of FNBB that included an assessment of FNBB's record of meeting the requirements of the CRA. Finally, the Board notes that it has recently had occasion to consider many of the same issues raised by Protestants in acting to approve an application by Applicant to acquire Southeastern Bank and Trust Company, New Bedford, Massachusetts.[5] There the Board found that, on balance, Applicant has a positive record of helping to meet the credit needs of its community, including the low- to moderate-income areas. In considering Protestants' objections to this acquisition, the Board has paid particular attention to the record of performance of FNBB and Applicant in helping to meet community credit needs since approving Applicant's acquisition of Southeastern Bank and Trust Company. Accordingly, after considering the entire record, the Board makes the following findings concerning Protestants' allegations.

With respect to Protestants' claim of community disinvestment, the Protestants assert that a large percentage of FNBB's loans are made to out-of-state commercial borrowers, and that the percentage of FNBB investments in its CRA community has declined. The Board notes, however, that between 1978 and 1979, FNBB substantially increased the number and dollar volume of residential mortgage loans to borrowers in its CRA community. In addition, during the past two years FNBB almost doubled the dollar amount of its home improvement loans to its community. Also, FNBB extended over $11 million in HELP Loans to its CRA community, Suffolk County, between January 1978 and September 1980. Moreover, the Board has stressed that the CRA was not intended to establish fixed ratios between deposits and loans in particular neighborhoods, and cannot be read to require fixed proportions of retail or commercial depos-

4. The CRA requires the Board to assess the record of Applicant's banking subsidiaries in helping to meet the credit needs of their entire communities, including low- and moderate-income neighborhoods, consistent with safe and sound operation, and to take the record of those institutions into account in its evaluation of this application.

5. 66 Federal Reserve Bulletin 162 (January 1980).

its to retail or commercial lending.[6] Accordingly the Board does not necessarily regard Applicant's role as a large internationally-oriented commercial bank as being inconsistent with helping to meet the credit needs of its local community. Thus, the Board finds the Protestants' claim unsupported by the facts.

Protestants assert that Applicant's efforts to ascertain the credit needs of its CRA community have been ineffective. In this regard, the Board notes that Applicant and FNBB had previously committed to form a number of committees composed of individuals representing broad community interests and specifically designed to help FNBB ascertain the credit needs of its community. Protestants have complained that the current members of the board of directors serving on FNBB's Community Investment Committee are not representative of the board; that FNBB has established less than half of the 15 proposed neighborhood committees; and that the neighborhood committees which have been established have not led to a resolution of community issues. It appears from the record that FNBB has within the past year taken a series of positive steps to communicate more effectively with local groups in an effort to ascertain the credit needs of its local community. The Community Investment Committee of FNBB's board of directors, which monitors FNBB compliance with CRA and reviews efforts made by FNBB to meet community credit needs, regularly reports its findings to FNBB's full board of directors. From the record, it appears that membership on FNBB's Community Investment Committee is on a rotational basis involving all members of FNBB's board of directors. With respect to the neighborhood committees, while FNBB concedes that during the past year it has not established all 15 of the proposed neighborhood committees, FNBB expects that four more committees (for a total of 10 committees) will be in operation shortly, and it has increased its efforts (including hiring additional staff) to hasten the formation of the remaining committees. Moreover, while formation of neighborhood committees has not had the immediate result of FNBB returning to particular neighborhoods in loans as much as FNBB accepts in deposits, the Board has repeatedly stressed that it is concerned more with the lender's sensitivity to the needs of each area than with the ratio of loans to deposits in a particular area. Finally, the Board notes that FNBB advertises its services through major media sources as well as in 11 local and trade newspapers, and within the past year has increased its advertising regarding the availability of residential mortgages.

6. Manufacturers Hanover Trust Co., 66 Federal Reserve Bulletin 601 (1980).

Protestants allege that Applicant's actual investment in community development programs to which it has made commitments has been minimal. However, the Board finds no evidence in the record that Applicant or FNBB are unwilling to meet these commitments and Applicant has reaffirmed to the Board its intention to fulfill all of its commitments. Moreover, from the record it appears that Applicant has taken steps to enhance its ability to participate in community development programs. For example, Applicant has recently established a subsidiary, First National Boston Mortgage Corporation, to provide a complete array of mortgage services, including V.A., F.H.A. and low-down-payment mortgages, thereby enabling FNBB to fulfill its commitment to make loans available under the Boston Urban Housing Program.

The Protestants contend that FNBB has failed to meet the credit needs of small businesses and small farmers, and based on the record, the Board finds this contention to be without merit. As of August 11, 1980, FNBB had 5,000 loans totalling $106 million under a special small business index rate, which allows loans to small businesses and nonprofit corporations at rates 1.25 percent below FNBB base rate. In addition, FNBB's Urban Marketing Department, which helps meet the needs of Boston's low income and minority entrepreneurs, has made more than $7 million in loans. Moreover, in June 1980, FNBB agreed to provide $15 million to the Neighborhood Business Revitalization Program, which is designed to provide financial assistance packages to small and medium size businesses in distressed neighborhoods. Finally, FNBB plays an important role in making low cost loans available to farmers by maintaining a multi-million dollar credit line to Farm Credit Bank of Springfield, Massachusetts, to support the Farm Credit Bank's commercial paper borrowings.

With respect to FNBB's record of residential mortgage lending, the Board recognizes that prior to 1978 FNBB was not primarily engaged in initiating residential mortgages. Nevertheless, FNBB has gradually but consistently increased its presence in the residential mortgage market. FNBB made more mortgage loans in Suffolk County during the first six months of 1980 than it had during all of 1977, and the total dollar volume of residential loans during the first six months of 1980 almost equalled the total dollar volume of 1979. In addition, there has been little difference between FNBB's acceptance rate for mortgage loans between low- and moderate-income areas and other areas. With respect to the home mortgage needs of low- and moderate-income families, within the past year FNBB has arranged for private mortgage insurance to enable it to offer mortgages with low down payments. In addition, FNBB is increasing from 50 percent to 80 percent the amount of potential rental income which may be counted toward monthly income in calculating mortgage eligibility. Moreover, FNBB's subsidiary, First National Boston Mortgage Corporation, will provide new residential mortgage products and increased housing funds through access to the secondary markets. Finally, FNBB has recently initiated a Community Mortgage Program to promote the purchase of homes by low- and moderate-income families at below market rates, as well as a Community Home Improvement Program to provide home improvement loans at reduced interest rates for low- and moderate-income residents.

Protestants have also challenged the adequacy of the CRA records for several of Applicant's other subsidiary banks, in particular, Old Colony Bank of Middlesex County ("OCB-Middlesex") and OCB-Hampden in connection with their residential lending activities. With respect to OCB-Middlesex, the Board notes that OCB-Middlesex has substantially increased the number of mortgages booked and that over 55 percent of these were in its CRA community. Moreover, both in number of loans and dollar value, OCB-Middlesex was the largest lender in Middlesex County during the first six months of 1980. As a result, OCB-Middlesex was forced to briefly freeze its mortgage lending activities, which out-paced the staff's ability to process home mortgage applications. With respect to OCB-Hampden, the Board notes that it only began residential lending during the fall of 1979. Nevertheless, between 1979 and 1980 OCB-Hampden has made a substantial number of home mortgage loans, of which 43 percent were in its CRA community. In addition, OCB-Hampden has approved more mortgages in the first six months of 1980 than it did in all of 1979. Furthermore, OCB-Hampden has granted mortgages in 75 percent of the applications received from its CRA community between 1979 and 1980. OCB-Hampden has also made its services known to its local community, which has a significant Spanish-speaking population, through the use of bilingual tellers and advertising in a Spanish-language newspaper called The Voice. After reviewing these and other facts of record, the Board finds the Protestants claim to be unsupported by the facts.

Protestants allege that certain of Applicant's subsidiary banks have not complied with technical requirements of the CRA or the HMDA. These requirements are designed to acquaint the community with each bank's lending policies and to permit members of the community to comment on those policies. In particular, Protestants assert that Old Colony Bank of Essex County had not compiled a required home mortgage disclosure statement; FNBB had one letter (unrelated to CRA) missing from its CRA public comment file; and Old Colony Bank of Norfolk County's home mortgage disclosure statement was not made readily accessible to the public. However, Protestants indicate that the Old Colony Banks of Essex County and Norfolk County have subsequently prepared HMDA statements. With respect to FNBB's public comment file, since comments from other organizations were properly placed in FNBB's comment files, the Board believes FNBB's failure to place one letter in its file was an isolated error in a generally good record of technical compliance. It is the Board's view that such isolated errors are not a substantially adverse reflection on the CRA record of FNBB or Applicant's other eight subsidiary banks. *See* e.g., AmeriTrust, 66 FEDERAL RESERVE BULLETIN 238 (1980). Thus, the Board considers that Protestants' allegations in this regard are without merit.

With respect to other convenience and needs considerations, approval of the present application will assist Bank in serving a larger number of borrowers and in extending larger loans through overline participation with Applicant's other banking affiliates. In addition, Applicant will introduce a number of new services through Bank, including 90 percent mortgages, cash management services, construction financing, and trust and investment services to both businesses and individuals. Applicant also proposes to raise the interest rate paid on passbook 90-day notice accounts and lower the minimum deposit required for these accounts. Thus, based on its review of the facts of record, including Applicant's and FNBB's performance with respect to the factors to be considered under CRA, the Board concludes that considerations relating to convenience and needs lend some weight toward approval of the application.

Based on the record, it is the Board's judgment that approval of the application would be in the public interest and that the application should be approved for the reasons summarized above. This transaction shall not be made before the thirtieth calendar day following the effective date of this Order, or later than three months from the effective date of this Order unless such period is extended for good cause by the Board or the Federal Reserve Bank of Boston, pursuant to delegated authority.

By order of the Board of Governors, effective February 25, 1981.

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

(Signed) JAMES MCAFEE,
[SEAL] *Assistant Secretary of the Board.*

Heritage Wisconsin Corporation, Wauwatosa, Wisconsin

Order Approving Acquisition of Banks

Heritage Wisconsin Corporation, Wauwatosa, Wisconsin, a bank holding company within the meaning of the Bank Holding Company Act ("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 both Southridge Bank of Greendale, Greendale, Wisconsin ("Southridge Bank"), and Northridge Bank, Milwaukee, Wisconsin ("Northridge Bank") (collectively "Banks").

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, the seventh largest banking organization in Wisconsin, controls seven commercial banks[1] with aggregate deposits of $386.4 million, representing approximately 1.9 percent of total deposits in commercial banks in the state.[2] Acquisition of Banks, with aggregate deposits of $45.2 million, would increase Applicant's share of commercial bank deposits in Wisconsin by 0.2 percent and would cause Applicant to become the sixth largest banking organization in the state. In view of the sizes of Banks, consummation of the proposal would not result in a significant increase in the concentration of commercial banking resources in the state.

Banks are currently the only subsidiary banks of Ridge Bancorporation of Wisconsin, Greendale, Wisconsin, a registered bank holding company. Northridge Bank ($21.9 million in deposits) is the 36th largest of 56 banking organizations located in the Milwaukee banking market and holds approximately 0.3 percent of total market deposits in commercial banks.[3] Southridge Bank ($23.3 million in deposits) is the 35th largest commercial banking organization located in the relevant market and holds approximately 0.4 percent of total market deposits in commercial banks. Together, Banks rank as the 19th largest commercial banking organization in the market. Applicant is the fifth largest banking organization in the Milwaukee market with 11 offices of four of its subsidiary banks holding aggregate deposits of $283.3 million, representing 4.3 percent of total deposits in commercial banks in the relevant market. Consummation of the transactions will increase Applicant's share of market deposits by 0.7 percent and would not cause Applicant's rank within the market to change. Although acquisition of Banks will eliminate some competition, the Milwaukee market is not highly concentrated and there will remain a large number of independent banks as entry vehicles for banking organizations not currently represented in the market. In view of all the facts of record including the structure of the relevant market and the size of Banks, the Board is of the view that consummation of the transactions will have only slightly adverse effects on competition in the Milwaukee market.

The financial and managerial resources of Applicant and its subsidiaries are considered generally satisfactory and its future prospects appear favorable. The financial and managerial resources of Banks are satisfactory and their future prospects as affiliates of Applicant appear favorable. Accordingly, banking factors are consistent with approval of the applications. Applicant proposes to expand banking hours at Banks and to institute a number of services not now available at Banks, including automatic transfer services, trust services, investment management, leasing, and credit-related insurance activities. In the Board's view, the benefits to the public that may be expected from consummation of the proposed transactions lend weight sufficient to outweigh any adverse effects on competition that may result from consummation of the proposals. Therefore, it is the Board's judgment that the proposed transaction 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 that date, unless such period is 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 February 23, 1981.

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

(Signed) JAMES MCAFEE,
[SEAL] *Assistant Secretary of the Board.*

1. Applicant also owns less than 25 percent of the shares of two banks with aggregate deposits of $85.1 million, representing 0.4 percent of deposits in commercial banks in Wisconsin.
2. Banking data are as of December 31, 1979, and reflect bank holding company formations and acquisitions approved as of December 31, 1980.
3. The relevant banking market is approximated by the Milwaukee Ranally Metropolitan Area.

Orders Under Section 2 of Bank Holding Company Act

Citicorp, New York, New York

Order Granting Determination Under the Bank Holding Company Act

Citicorp, New York, New York, a bank holding company within the meaning of section 2(a) of the Bank Holding Company Act of 1956, as amended (12 U.S.C. § 1841 et seq.) (the "Act"), has requested a determination pursuant to section 2(g)(3) of the Act that, with respect to the sale by Citicorp of the assets of its travel agency business to VTS Travel Enterprises, Inc., New York, New York ("VTS'), Citicorp is not in fact capable of controlling VTS notwithstanding the fact that VTS is indebted to Citicorp in connection with the sale.

Under the provisions of section 2(g)(3) of the Act, shares[1] transferred after January 1, 1966, by a bank holding company to a transferee that is indebted to the transferor are deemed to be indirectly owned or controlled by the transferor unless the Board, after opportunity for hearing, determines that the transferor is not in fact capable of controlling the transferee. No such request for a hearing has been received by the Board. Citicorp has submitted to the Board evidence to show that it is not in fact capable of controlling VTS, and the Board has received no contradictory evidence. It is hereby determined that Citicorp is not in fact capable of controlling VTS. This determination is based upon the evidence of record in this matter, including the following facts.

On May 30, 1980, Citicorp transferred its entire interest in the travel agency business, consisting of inventory, accounts receivable, licenses, suppliers' warranties, and trademark and service mark rights, to VTS, a corporation owned by former employees of Citicorp's travel agency business. Citicorp received as its consideration cash and VTS' promissory note for the remainder of the purchase price. The sale appears to have been the result of arm's length negotiations, and there is no evidence to indicate that the sale was motivated by an intent to evade the requirements of the Act. A substantial portion of the initial indebtedness has been repaid by VTS, and, based on the record, there is no evidence that VTS will be unable to repay the remaining indebtedness in accordance with the terms of the note. Moreover, the indebtedness is not secured by the property of VTS, but rather by personal guarantees of VTS' shareholders and letters of credit. Finally, the requirements of the indebtedness are of the type normally imposed on a borrower by a prudent institutional lender and are reasonably required to protect Citicorp's interest.

Although VTS will continue to provide travel services to employees of Citicorp and its subsidiary, Citibank, N.A., there is no requirement that they use the services of VTS; Citicorp has represented that all employees have been notified that they may use VTS or any other travel agency of their choice. In addition, none of the shareholders of VTS has remained an officer, director or employee of Citicorp or any of its subsidiaries, and no present officer, director or employee of Citicorp or any of its subsidiaries is an officer, director or employee of VTS.

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

By order of the Board of Governors, acting through its General Counsel, pursuant to delegated authority (12 C.F.R. § 265.2(b)(1)), effective February 5, 1981.

(Signed) JAMES MCAFEE,
[SEAL] *Assistant Secretary of the Board.*

1. Although section 2(g)(3) refers to transfers of "shares," the Board has previously taken the position that a transfer of such a significant volume of assets that the transfer may in effect constitute the disposition of a separate activity of a company is deemed to involve a transfer of "shares" of that company. 12 C.F.R. § 225.139.

Certifications Pursuant to the Bank Holding Company Tax Act of 1976

American General Corporation, Houston, Texas

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

American General Corporation ("Company"), Houston, Texas, the successor corporation to American General Insurance Company, Houston, Texas ("AG"), has requested a final certification pursuant to section 1101(e) of the Internal Revenue Code (the "Code"), as amended by section 2(a) of the Bank

Holding Company Act of 1976 (the "Tax Act"), that it has (before the expiration of the period prohibited property is permitted to be held under the Bank Holding Company Act (12 U.S.C. § 1841 et seq.) ("BHC Act") ceased to be a bank holding company.

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

1. Effective June 23, 1977, the Board issued a prior certification pursuant to section 1101(b) of the Code with respect to the proposed divestiture by AG of 2,632,042 shares of Class B nonvoting stock of Texas Commerce Bancshares, Inc. ("TCB"), then held by AG, through the pro rata distribution of such shares to the holders of common stock of AG.
2. The Board's Order certified that:
   A. AG is a qualified bank holding corporation, within the meaning of section 1103(b) of the Code, and satisfies the requirements of that subsection;
   B. The shares of TCB that AG proposes to distribute to its shareholders are all or part of the property by reason of which AG controls (within the meaning of section 2(a) of the BHC Act) a bank or bank holding company; and
   C. The distribution of such shares of TCB is necessary or appropriate to effectuate the purposes of the BHC Act.
3. Following issuance of the prior tax certification in the years 1977 through 1980, AG and Company took the following actions to divest all of the 2,632,042 shares of TCB stock:
   A. 1,328,950 TCB Class B shares were divested by AG through the conversion of debentures which had been issued in June of 1974;
   B. 1,300,483 TCB Class B shares were divested by AG through annual pro rata dividend distributions to shareholders of AG; and
   C. 2,609 TCB Class B shares were sold by Company through sales in the open market on August 8, 1980. Company does not currently hold any interest in TCB.
4. Company has committed that no director, officer, or policymaking employee of Company serves or will serve in a similar capacity with TCB or any of its subsidiaries;
5. Company has committed that no director, officer or policymaking employee of Company, or a person owning 25 percent or more of the shares of Company, or any combination of such persons, owns or controls or will own or control, directly or indirectly, 25 percent or more of the voting shares of TCB or any of its subsidiaries.
6. Company does not exercise any influence or control over TCB or any of its subsidiaries.
7. Company does not directly or indirectly own, control, or have power to vote 25 percent or more of any class of voting securities of any bank or any company that controls a bank.
8. Company does not control in any manner the election of a majority of the directors, or exercise a controlling influence over the management or policies of TCB or any bank or company that controls a bank.

On the basis of the foregoing information, it is hereby certified that Company has (before the expiration of the period prohibited property is permitted under the BHC Act to be held by a bank holding company) ceased to be a bank holding company, and has disposed of all its banking property within the meaning of section 1103(g) of the Tax Act.

This certification is based upon the representations made to the Board by Company 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 Company, or that Company has failed to disclose to the Board other material facts, it may revoke this certification.

By order of the Board of Governors, acting through its General Counsel, pursuant to delegated authority (12 C.F.R. § 265.3(b)(3)), effective February 26, 1981.

(Signed) JAMES MCAFEE,
[SEAL] *Assistant Secretary of the Board.*

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

Homewood Corporation, Columbus, Ohio

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

Homewood Corporation (formerly Franklin Corp.), Columbus, Ohio ("Homewood"), has requested a final certification pursuant to section 6158 (c)(2) of the Internal Revenue Code ("Code"), as added by section 3(a) of the Bank Holding Company Tax Act of 1976, that it has (before the expiration of the period prohibited property is permitted under the Bank Holding Company Act (12 U.S.C. § 1841 et seq.) ("BHC Act") to be held by a bank holding company) ceased to be a bank holding company.

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

1. Effective October 1, 1980, the Board issued a prior certification pursuant to section 6158(a) of the Code with respect to the proposed sale of 3,886 shares of common stock ("Bank Shares") of The Franklin Bank, Grove City, Ohio ("Bank"), to Centran Corporation, Cleveland, Ohio ("Centran"). The Board's Order certified that:

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

B. 2,545 of Bank Shares, representing 63.6 percent of the outstanding voting shares of Bank, that Homewood proposes to sell to Centran are all or part of the property by reason of which Homewood controls within the meaning of section 2(a) of the BHC Act a bank or bank holding company; and

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

2. On October 1, 1980, following prior certification of the transaction by the Board of Governors, acting through its General Counsel, Homewood Corporation sold to Centran all of its interest in Bank.

3. The prior certification issued on October 1, 1980, was granted upon the condition that no person holding an office or position (including an advisory or honorary position) as a director or officer of Homewood will serve in a similar capacity with Bank, Centran, or its subsidiaries. Effective October 1, 1980, all such interlocking relationships between Homewood and Centran and their respective subsidiaries were terminated.

4. Homewood has represented that it does not exercise a controlling influence over the management or policies of Bank, or any other bank or bank holding company.

5. Homewood has represented that it does not control in any manner the election of a majority of the directors, or own or control, directly, or indirectly, more than 5 percent of the outstanding shares of any bank or bank holding company.

On the basis of the foregoing information, it is hereby certified that Homewood has (before the expiration of the period prohibited property is permitted under the BHC Act to be held by a bank holding company) ceased to be a bank holding company.

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

By order of the Board of Governors, acting through its General Counsel pursuant to delegated authority (12 C.F.R. § 265.2(b) (3)), effective February 12, 1981.

(Signed) JAMES MCAFEE,
[SEAL] *Assistant Secretary of the Board.*

Strachan Construction Company, Inc., Fort Walton Beach, Florida

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

Strachan Construction Company, Inc., Fort Walton Beach, Florida ("Strachan"), has requested a final certification pursuant to section 1101(e) of the Internal Revenue Code ("Code"), as amended by section 2(a) of the Bank Holding Company Tax Act of 1976 ("Tax Act"), that it has (before the expiration of the period prohibited property is permitted under the Bank Holding Company Act (12 U.S.C. § 1841 et seq.) ("BHC Act") to be held by a bank holding company) ceased to be a bank holding company.

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

1. Effective October 21, 1980, the Board issued a prior certification pursuant to section 1101(b) of the Code with respect to the proposed divestiture by Strachan of 11,966 shares of First City Bank of Fort Walton Beach, Fort Walton Beach, Florida ("Bank"), then held by Strachan through the pro rata distribution of such shares to Strachan's three shareholders.

2. The Board's Order certified that:

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

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

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

B. The 11,966 shares of Bank that Strachan proposes to distribute to its shareholders are all or part of the property by reason of which Strachan controls (within the meaning of section 2(a) of the BHC Act) a bank or a bank holding company; and

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

3. On December 10, 1980, Strachan distributed to its shareholders on a pro rata basis 13,751 shares of Bank.[2]

4. Strachan has represented to the Board that it no longer owns or controls voting shares of any bank or any company that controls a bank.

5. Strachan has represented to the Board that there are no interlocking director, officer and management official positions between Strachan and Bank. Strachan has represented that it does not control in any manner the election of a majority of directors or exercise a controlling influence over the management or policies of Bank, any other bank or any company that controls a bank.

On the basis of the foregoing information, it is hereby certified that Strachan has (before the expiration of the period prohibited property is permitted under the BHC Act to be held by a bank holding company) ceased to be a bank holding company.

This certification is based upon representations and commitments made to the Board by Strachan and upon the facts set forth above. In the event the Board should hereafter determine that facts material to this certification are otherwise than as represented by Strachan or that Strachan 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 this certification.

By order of the Board of Governors, acting through its General Counsel, pursuant to delegated authority, (12 C.F.R. § 265.2(b)(3)), effective February 6, 1981.

(Signed) JAMES MCAFEE,
[SEAL] *Assistant Secretary of the Board.*

2. Subsequent to July 7, 1970, Strachan acquired shares of Bank, representing 4.1 percent of Bank's outstanding shares. Strachan did not request certification for such shares.

Order Approved Under Bank Merger Act

American Bank of Commerce, Albuquerque, New Mexico

Order Approving Merger of Bank

American Bank of Commerce, Albuquerque, New Mexico ("Applicant"), a state member bank of the Federal Reserve System, is a wholly owned subsidiary of Bank Securities, Inc., Albuquerque, New Mexico ("BSI"). Applicant has applied to the Board pursuant to the Bank Merger Act (12 U.S.C. § 1828(c)), for approval to merge with Republic Bank, Albuquerque, New Mexico ("Bank"), under the charter and title of Applicant. As an incident to the proposed merger, the existing offices of Bank would become branch offices of the resulting bank.

As required by the Bank Merger Act, notice of the proposed transaction has been published and reports on competitive factors have been requested from the Attorney General, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation. The time for filing views and comments has expired and the application and all comments received have been considered in light of the factors set forth in the Act.

Applicant's parent, BSI, is the fourth largest banking organization in New Mexico and controls eight subsidiary banks with $364 million in deposits, representing 7.7 percent of the total state bank deposits.[1] Bank is the 43rd largest bank in the state, with deposits of $33 million, representing less that 1 percent of statewide commercial bank deposits, and its acquisition by Applicant would not alter BSI's or Applicant's statewide ranking or significantly increase their share of deposits in the state. Accordingly, consummation of the proposal would not have an appreciable effect on the concentration of banking resources in New Mexico.

Two of BSI's subsidiary banks compete in the relevant banking market.[2] Applicant is the fourth largest bank in the Albuquerque banking market, with total deposits of $99.6 million, representing approximately 5.6 percent of commercial bank deposits in the market. BSI's other banking subsidiary, First State Bank, Rio Rancho, has total deposits of $33.4 million representing approximately 1.7 percent of commercial bank deposits and ranks as the 10th largest bank in the Albuquerque banking market. Therefore, BSI has aggregate deposits in the relevant market totaling $133 million, representing 7.4 percent of commercial bank deposits and ranks as the fourth largest banking organization in the Albuquerque market.

1. All banking data are as of December 31, 1979.

2. The Albuquerque banking market is the relevant market and is approximated by the Albuquerque RMA.

Bank, with total deposits of $33 million, representing 1.9 percent of the commercial bank deposits in the market, is the ninth largest of thirteen banks in the Albuquerque banking market and competes in no other markets. Upon consummation of the proposed transaction, BSI and Applicant would hold total market deposits of $166 and $133 million, respectively, representing 9.3 and 7.5 percent of the market deposits.

Approval of the proposal would eliminate some existing competition within the Albuquerque banking market. While the market shares of BSI and Applicant would increase slightly, their respective ranks within the market would be unchanged and they would remain substantially smaller in absolute size and market share than the three larger banking organizations in the Albuquerque banking market. Moreover, numerous independent banking alternatives would remain available within the market. Consequently, it appears that the effect of the merger on existing competition in the Albuquerque banking market would not be significant.

After examining information of record concerning the financial and managerial resources of Applicant, BSI and Bank, the Board concludes that the financial and managerial resources and future prospects of the institutions involved, as well as the banking factors, are consistent with approval. In fact, consummation of this merger would have a beneficial effect on Applicant and BSI. In addition, as a result of consummation of the proposed merger, the resulting bank will be able to offer increased lending limits and other expanded services to their customers. In particular, the resulting bank will offer trust services, the convenience of automatic teller machines and debit-card system, services previously unavailable from Bank. The Board believes that considerations relating to the convenience and needs of the communities to be served lend weight toward approval and are sufficient to outweigh any slightly adverse competitive effects that may be associated with this proposal. Accordingly, the Board finds that consummation of the proposal would be consistent with the public interest. On the basis of the record and for the reasons summarized above, the application to merge and, incident thereto, to establish branches, is hereby approved.

The transaction shall not be consummated 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 February 5, 1981.

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

(Signed) JAMES MCAFEE,
[SEAL] *Assistant Secretary of the Board.*

ORDERS APPROVING APPLICATIONS UNDER THE BANK HOLDING COMPANY ACT AND BANK MERGER ACT

By the Board of Governors

During February 1981 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)
First City Bancorporation of Texas, Inc. Houston, Texas	Central Park Bank, San Antonio, Texas	February 4, 1981
First City Bancorporation of Texas, Inc., Houston, Texas	Windsor Park Bank, San Antonio, Texas	February 3, 1981
First Union Bancorporation and Firstsub, Inc. St. Louis, Missouri	Columbia Union National Bank and Trust Company Kansas City, Missouri	February 2, 1981

Section 3—continued

Applicant	Bank(s)	Board action (effective date)
Metropolitan Bancorporation, Inc. Minneapolis, Minnesota	Metropolitan State Bank, Minneapolis, Minnesota	February 25, 1981
Southwest Bancshares, Inc., Houston, Texas	Texas Bank of Beaumont Beaumont, Texas	February 6, 1981

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
American City Bancorp, Inc., Tullahoma, Tennessee	American City Bank, Tullahoma, Tennessee	Atlanta	February 3, 1981
Arapahoe Financial Corp., Arapahoe, Nebraska	Citizens State Bank, Arapahoe, Nebraska	Kansas City	February 12, 1981
Avenue Bancorporation, Chicago, Illinois	Avenue Bank and Trust Company of Oak Park, Oak Park, Illinois	Chicago	February 4, 1981
BancMidwest Corporation St. Paul, Minnesota	Goodhue State Bank Goodhue, Minnesota Chisago County State Bank, Center City, Minnesota White Rock State Bank, White Rock, Minnesota	Minneapolis	February 12, 1981
Banc One Corporation, Columbus, Ohio	Lake National Bank, Painesville, Ohio	Cleveland	February 5, 1981
Benz Holding Company, Melvin, Iowa	Melvin Savings Bank, Melvin, Iowa	Chicago	February 20, 1981
Boatmen's Bancshares, Inc., St. Louis, Missouri	Plaza National Bancshares, Inc., St. Louis County, Missouri Plaza Bank of Westport St. Louis County, Missouri	St. Louis	February 3, 1981
Boelus Investment Co., Boelus, Nebraska	Boelus State Bank, Boelus, Nebraska	Kansas City	February 2, 1981
Cass County State Company, Plattsmouth, Nebraska	The Cass County Bank, Plattsmouth, Nebraska	Kansas City	February 13, 1981
Central Bancorporation, Inc., Newport, Minnesota	Blue Earth State Bank, Blue Earth, Minnesota	Minneapolis	February 11, 1981
Chittenden Corporation, Burlington, Vermont	Mountain Trust Company Stowe, Vermont	Boston	February 17, 1981
Cokato Bancshares, Inc., Cokato, Minnesota	State Bank of Cokato, Cokato, Minnesota	Minneapolis	February 2, 1981

Section 3—continued

Applicant	Bank(s)	Reserve Bank	Board action (effective date)
Commerce Southwest Inc., Dallas, Texas	The Farmers & Merchants National Bank of Kaufman, Kaufman, Texas	Dallas	February 2, 1981
Daingerfield Bancshares, Inc., Daingerfield, Texas	The National Bank of Daingerfield, Daingerfield, Texas	Dallas	January 30, 1981
Financial Growth Systems, Inc., Inverness, Florida	Citizens First National Bank of Citrus County, Inverness, Florida Citizens First National Bank of Crystal River, Crystal River, Florida Lake County Bank, Leesburg, Florida	Atlanta	January 30, 1981
Finlayson Bancshares, Inc., Finlayson, Minnesota	First State Bank of Finlayson, Finlayson, Minnesota	Minneapolis	February 12, 1981
First of Austin Bancshares, Inc., Austin, Texas	Western National Bank, Austin, Texas	Dallas	January 30, 1981
First Bancorp, Inc., Corsicana, Texas	First Greenville Bancshares, Inc., Greenville, Texas First Greenville National Bank, Greenville, Texas	Dallas	February 9, 1981
First Bancorp of War, Inc., Welch, West Virginia	The Bank of War, War, West Virginia	Richmond	January 29, 1981
First Community Bancshares, Inc., Lone Grove, Oklahoma	First Community Bank of Lone Grove, Lone Grove, Oklahoma	Kansas City	February 23, 1981
First Granbury Bancorporation, Granbury, Texas	The First National Bank of Granbury, Granbury, Texas	Dallas	January 29, 1981
First New Mexico Bankshare Corporation, Albuquerque, New Mexico	Southwest National Bank, Hobbs, New Mexico	Kansas City	February 17, 1981
First State Bancorporation, Tiptonville, Tennessee	First State Bank and Trust Company, Tiptonville, Tennessee	St. Louis	February 13, 1981
First Medicine Lodge Bancshares, Inc., Medicine Lodge, Kansas	First National Bank of Medicine Lodge, Medicine Lodge, Kansas	Kansas City	January 30, 1981
First National Financial Corp. of Martinsville, Martinsville, Indiana	First National Bank, Martinsville, Martinsville, Indiana	Chicago	February 5, 1981
First Peoples Bancorp, Inc., Jefferson City, Tennessee	First Peoples Bank of Jefferson County, Jefferson City, Tennessee	Atlanta	January 30, 1981
Geneseo Bancshares, Inc., Geneseo, Kansas	The Citizens State Bank, Geneseo, Kansas	Kansas City	February 12, 1981
Guardian Banks Financial Corp., Seminole, Florida	Guardian Bank, Seminole, Florida	Atlanta	January 30, 1981

Section 3—continued

Applicant	Bank(s)	Reserve Bank	Board action (effective date)
Gulf Coast Bancshares, Inc., Alvin, Texas	First National Bank of Alvin, Alvin, Texas	Dallas	February 19, 1981
Hawkeye Bancorporation, Des Moines, Iowa	Cedar River Bancorporation, Cedar Rapids, Iowa The United State Bank, Cedar Rapids, Iowa	Chicago	February 17, 1981
Henry County Bancorp, Inc., Cambridge, Illinois	Peoples Bank of Cambridge, Cambridge, Illinois	Chicago	February 17, 1981
Iowa-Grant Bankshares, Inc., Cobb, Wisconsin	Cobb State Bank, Cobb, Wisconsin	Chicago	February 11, 1981
Merchants Financial Corporation, Dallas, Texas	Merchants State Bank, Dallas, Texas	Dallas	February 13, 1981
Middle Georgia Corporation, Ellaville, Georgia	Bank of Ellaville, Ellaville, Georgia	Atlanta	February 9, 1981
Montfort Bancorporation, Inc., Platteville, Wisconsin	Citizens State Bank, Montfort, Wisconsin	Chicago	February 11, 1981
NBC Bancshares, Inc., Austin, Texas	National Bank of Commerce, Austin, Texas National Bank of Commerce-South Austin, Texas	Dallas	February 19, 1981
Peoples Bancshares, Inc., Colorado Springs, Colorado	Peoples Bank of Westville, Westville, Oklahoma	Kansas City	February 13, 1981
Security Bancorporation, Inc., Newport, Minnesota	Security State Bank, Ladysmith, Wisconsin	Minneapolis	February 11, 1981
Southeast Capital Corporation, Quitman, Mississippi	Southeast Mississippi Bank, Quitman, Mississippi	Atlanta	February 17, 1981
Southern Indiana Bancorp, Inc., Newburgh, Indiana	Southern Indiana Bank and Trust Company, Newburgh, Indiana	St. Louis	February 6, 1981
United Banks of Wisconsin, Inc., Madison, Wisconsin	Farmers & Citizens Bank, Sauk City, Wisconsin	Chicago	February 12, 1981
Valley Bank Holding Company, Security, Colorado	The Bank of Fountain Valley, Security, Colorado	Kansas City	February 12, 1981
Weldon Bancshares, Inc., Weldon, Illinois	Weldon State Bank, Weldon, Illinois	Chicago	February 11, 1981

Sections 3 and 4

Applicant	Bank(s)	Nonbanking company (or activity)	Reserve Bank	Effective date
First Guthrie Bancshares, Inc., Guthrie, Oklahoma	First Union Corporation, Stillwater, Oklahoma The First National Bank and Trust Company of Stillwater, Stillwater, Oklahoma	consumer finance activities and credit-related insurance sales	Kansas City	February 6, 1981
Lakeland Agency, Inc., Pequot Lakes, Minnesota	Lakeland State Bank, Pequot Lakes, Minnesota	to continue to engage in general insurance activities in Pequot Lakes, Minnesota, a town of less than 5,000 population	Minneapolis	February 10, 1981

Section 4

Applicant	Nonbanking company (or activity)	Effective date
Deposit Guaranty Corp., Jackson, Mississippi	to engage in the activity of servicing the loans and other extensions of credit acquired through an existing subsidiary	February 5, 1981
Marsall & Ilsley Corporation, Milwaukee, Wisconsin	to continue to engage in leasing activities through its subsidiary	February 7, 1981
Morrill Bancshares, Inc., Sabetha, Kansas	to engage in general insurance agency activities	February 4, 1981
Southern Bancorporation, Inc.	World Acceptance Corporation and World Finance Corporation of Georgia, Family Financial Services Inc., Fort Valley, Georgia	February 6, 1981

ORDERS APPROVED UNDER BANK MERGER ACT

By Federal Reserve Banks

Applicant	Banks	Reserve Bank	Effective date
The Carroll County Trust Company, Conway, New Hampshire	Lafayette National Bank, Littleton, New Hampshire	Boston	February 17, 1981

PENDING CASES INVOLVING THE BOARD OF GOVERNORS

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

Wilshire Oil Company of Texas v. *Board of Governors, et al.*, filed U.S.D.C. for New Jersey.

9 to 5 Organization for Women Office Workers v. *Board of Governors*, filed December 1980, U.S.D.C. for the District of Massachusetts.

Wilshire Oil Company of Texas v. *Board of Governors*, filed December 1980, U.S.C.A. for the District of Columbia.

Securities Industry Association v. *Board of Governors, et al.*, filed October 1980, U.S.D.C. for the District of Columbia.

Securities Industry Association v. *Board of Governors, et al.*, filed October 1980, U.S.C.A. for the District of Columbia.

A. G. Becker, Inc. v. *Board of Governors, et al.*, filed October 1980, U.S.D.C. for the District of Columbia.

A. G. Becker, Inc. v. *Board of Governors, et al.*, filed October 1980, U.S.C.A. for the District of Columbia.

Independent Insurance Agents of America and Independent Insurance Agents of Missouri v. *Board of Governors*, filed September 1980, U.S.C.A. for the Eighth Circuit.

Independent Insurance Agents of America and Independent Insurance Agents of Virginia v. *Board of Governors*, filed September 1980, U.S.C.A. for the Fourth Circuit.

Nebraska Bankers Association, et al. v. *Board of Governors, et al.*, filed September 1980, U.S.D.C. for the District of Nebraska.

Republic of Texas Corporation v. *Board of Governors*, filed September 1980, U.S.C.A. for the Fifth Circuit.

Consumers Union of the United States, Inc., v. *Board of Governors et al.*, filed August 1980, U.S.D.C. for the District of Columbia.

A. G. Becker Inc., v. *Board of Governors, et al.*, filed August 1980, U.S.D.C. for the District of Columbia.

Otero Savings and Loan Association v. *Board of Governors*, filed August 1980, U.S.D.C. for the District of Columbia.

Edwin F. Gordon v. *Board of Governors, et al.*, filed August 1980, U.S.C.A. for the Fifth Circuit.

Martin-Trigona v. *Board of Governors*, filed July 1980, U.S.C.A. for the District of Columbia.

U.S. League of Savings Associations v. *Depository Institutions Deregulation Committee, et al.*, filed June 1980, U.S.D.C. for the District of Columbia.

Berkovitz, et al. v. *Government of Iran, et al.*, filed June 1980, U.S.D.C. for the Northern District of California.

Mercantile Texas Corporation v. *Board of Governors*, filed May 1980, U.S.C.A. for the Fifth Circuit.

Corbin, Trustee v. *United States*, filed May 1980, United States Court of Claims.

Louis J. Roussel v. *Board of Governors*, filed April 1980, U.S.D.C. for the District of Columbia.

Ulyssess S. Crockett v. *United States et al.*, filed April 1980, U.S.D.C. for the Eastern District of North Carolina.

County National Bancorporation and TGB Co. v. *Board of Governors*, filed September 1979, U.S.C.A. for the Eighth Circuit.

Gregory v. *Board of Governors*, filed July 1979, U.S.D.C. for the District of Columbia.

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.

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.

Security Bancorp and Security National Bank v. *Board of Governors*, filed March 1978, 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 Merrill, et al. v. *Federal Open Market Committee*, filed May 1975, U.S.D.C. for the District of Columbia.

Financial and Business Statistics

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Special Tables

1.10 MONETARY AGGREGATES AND INTEREST RATES

Item	1980 Q1	1980 Q2	1980 Q3	1980 Q4	1980 Sept.	1980 Oct.	1980 Nov.	1980 Dec.	1981 Jan.
	Monetary and credit aggregates (annual rates of change, seasonally adjusted in percent)[1]								
Reserves of depository institutions									
1 Total	4.3	0.4	6.7	16.5	21.3	5.2	35.9	1.6	−1.0
2 Required	5.1	0.7	5.8	15.2	22.9	6.8	27.0	0.0	−0.7
3 Nonborrowed	3.3	7.4	12.4	7.2	0.7	5.4	13.2	13.4	8.2
4 Monetary base[2]	7.8	5.2	9.9	11.2	9.7	10.1	15.0	4.9	2.7
Concepts of money and liquid assets[3]									
5 M-1A	4.6	−4.4	11.5	8.1	12.3	9.1	6.5	−11.1	−37.4
6 M-1B	5.8	−2.6	14.6	10.8	15.8	11.8	8.7	−9.0	12.2
7 M-2	7.3	5.6	16.0	9.1	8.7	8.8	10.4	1.9[r]	5.7
8 M-3	8.0	5.8	13.0	11.6	9.6	10.8	15.2	7.3[r]	12.7
9 L	8.6	7.8	9.7	11.2	12.5	6.6[r]	14.2[r]	13.8	n.a.
Time and savings deposits									
Commercial banks									
10 Total	8.2	10.0	4.9	15.0	12.5	11.7	23.2	18.3	18.1
11 Savings[4]	−19.8	−21.7	27.5	1.7	8.8	10.0	−8.7	−40.0	−54.9
12 Small-denomination time[5]	28.9	33.1	0.7	17.1	6.6	11.3	31.6	39.6	36.3
13 Large-denomination time[6]	11.1	10.6	−7.2	23.4	22.5	14.1	38.2	39.5	49.9
14 Thrift institutions[7]	2.6	4.8	9.9	11.5	10.2	11.7	12.7	10.8[r]	−1.3
15 Total loans and securities at commercial banks[8]	9.5	−.5	7.0	14.8	14.1	13.3	16.6	12.6	16.2

Item	1980 Q1	1980 Q2	1980 Q3	1980 Q4	1980 Oct.	1980 Nov.	1980 Dec.	1981 Jan.	1981 Feb.
	Interest rates (levels, percent per annum)								
Short-term rates									
16 Federal funds[9]	15.05	12.69	9.83	15.85	12.81	15.85	18.90	19.08	15.93
17 Discount window borrowing[10]	12.51	12.45	10.35	11.78	11.00	11.47	12.87	13.00	13.00
18 Treasury bills (3-month market yield)[11]	13.35	9.62	9.15	13.61	11.62	13.73	15.49	15.02	14.79
19 Commercial paper (3-month)[11,12]	14.54	11.18	9.65	15.26	12.52	15.18	18.07	16.58	15.49
Long-term rates									
Bonds									
20 U.S. government[13]	11.78	10.58	10.95	12.23	11.75	12.44	12.49	12.29	12.98
21 State and local government[14]	8.23	7.95	8.58	9.59	9.11	9.56	10.11	9.66	10.10
22 Aaa utility (new issue)[15]	13.22	11.77	12.20	13.49	13.18	13.85	14.51	14.12	14.90
23 Conventional mortgages[16]	14.32	12.70	13.12	14.62	14.10	14.70	15.05	14.95	15.10

1. 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.

2. Includes reserve balances at Federal Reserve Banks in the current week plus vault cash held two weeks earlier used to satisfy reserve requirements at all depository institutions plus currency outside the U.S. Treasury, Federal Reserve Banks, the vaults of depository institutions, and surplus vault cash at depository institutions.

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

M-1B: M-1A plus negotiable order of withdrawal and automated transfer service accounts at banks and thrift institutions, credit union share draft accounts, and demand deposits at mutual savings banks.

M-2: M-1B plus savings and small-denomination time deposits at all depository institutions, overnight repurchase agreements at commercial banks, overnight Eurodollars held by U.S. residents other than banks at Caribbean branches of member banks, and money market mutual fund shares.

M-3: M-2 plus large-denomination time deposits at all depository institutions and term RPs at commercial banks and savings and loan associations.

L: M-3 plus other liquid assets such as term Eurodollars held by U.S. residents other than banks, bankers acceptances, commercial paper, Treasury bills and other liquid Treasury securities, and U.S. savings bonds.

4. Savings deposits exclude NOW and ATS accounts at commercial banks.

5. Small-denomination time deposits are those issued in amounts of less than $100,000.

6. Large-denomination time deposits are those issued in amounts of $100,000 or more.

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

8. Changes calculated from figures shown in table 1.23.

9. Averages of daily effective rates (average of the rates on a given date weighted by the volume of transactions at those rates).

10. Rate for the Federal Reserve Bank of New York.

11. Quoted on a bank-discount basis.

12. Beginning Nov. 1977, unweighted average of offering rates quoted by at least five dealers. Previously, most representative rate quoted by these dealers. Before Nov. 1979, data shown are for 90- to 119-day maturity.

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

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

15. 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.

16. 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.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS, RESERVE BANK CREDIT

Millions of dollars

Factors	Monthly averages of daily figures			Weekly averages of daily figures for week-ending						
	1980	1981		1981						
	Dec.	Jan.	Feb.	Jan. 14	Jan. 21	Jan. 28	Feb. 4	Feb. 11	Feb. 18	Feb. 25
SUPPLYING RESERVE FUNDS										
1 **Reserve Bank credit outstanding**	**143,250**	**142,819**	**140,373**	**143,691**	**143,002**	**140,192**	**139,632**	**139,545**	**141,281**	**140,696**
2 U.S. government securities[1]	119,074	119,362	116,509	120,543	119,952	116,988	116,737	115,857	117,348	115,262
3 Bought outright	118,548	118,795	116,509	120,543	119,753	116,988	116,737	115,857	117,348	115,262
4 Held under repurchase agreements	526	567	....	....	199	....	....	....	....	....
5 Federal agency securities	8,821	8,812	8,739	8,739	8,754	8,739	8,739	8,739	8,739	8,739
6 Bought outright	8,743	8,739	8,739	8,739	8,739	8,739	8,739	8,739	8,739	8,739
7 Held under repurchase agreements	78	73	....	....	15	....	....	....	....	....
8 Acceptances	124	68	....	....	32	....	....	....	....	....
9 Loans	1,617	1,405	1,278	1,332	1,419	1,793	1,201	1,113	1,145	1,713
10 Float	5,797	4,161	3,755	4,489	3,650	3,235	3,047	3,438	3,745	5,272
11 Other Federal Reserve assets	7,817	9,011	10,092	8,587	9,195	9,437	9,907	10,398	10,305	9,709
12 Gold stock	11,161	11,160	11,159	11,161	11,160	11,159	11,159	11,159	11,159	11,159
13 Special drawing rights certificate account	3,313	2,518	2,518	2,518	2,518	2,518	2,518	2,518	2,518	2,518
14 Treasury currency outstanding	13,422	13,465	13,465	13,431	13,438	13,446	13,638	13,460	13,465	13,474
ABSORBING RESERVE FUNDS										
15 Currency in circulation	135,676	133,443	131,846	134,479	132,811	131,370	131,139	131,721	132,431	131,989
16 Treasury cash holdings	446	440	452	440	437	443	445	445	450	450
Deposits, other than member bank reserves, with Federal Reserve Banks										
17 Treasury	2,722	3,172	3,297	3,085	3,109	3,498	3,288	3,926	2,832	3,376
18 Foreign	353	380	319	530	304	275	402	283	346	282
19 Other	403	541	401	395	672	468	501	431	366	373
20 Other Federal Reserve liabilities and capital	4,881	4,872	4,609	4,971	4,973	4,753	4,600	4,532	4,635	4,610
21 Reserve accounts[2]	26,664	27,114	26,591	26,900	27,809	26,508	26,571	25,344	27,364	26,765

Factors	End-of-month figures			Wednesday figures						
	1980	1981		1981						
	Dec.	Jan.	Feb.	Jan. 14	Jan. 21	Jan. 28	Feb. 4	Feb. 11	Feb. 18	Feb. 25
SUPPLYING RESERVE FUNDS										
22 **Reserve bank credit outstanding**	**146,383**	**139,328**	**139,199**	**145,550**	**137,992**	**138,371**	**140,417**	**143,200**	**142,868**	**143,683**
23 U.S. government securities[1]	121,328	117,169	117,621	121,571	113,812	115,138	117,179	117,146	117,913	116,622
24 Bought outright	119,299	117,169	117,621	121,571	113,812	115,138	117,179	117,146	117,913	116,622
25 Held under repurchase agreements	2,029	....	....	....	....	....	....	....	....	....
26 Federal agency securities	9,264	8,739	8,737	8,739	8,739	8,739	8,739	8,739	8,739	8,737
27 Bought outright	8,739	8,739	8,737	8,739	8,739	8,739	8,739	8,739	8,739	8,737
28 Held under repurchase agreements	525	....	....	....	....	....	....	....	....	....
29 Acceptances	776	....	....	....	....	....	....	....	....	....
30 Loans	1,809	1,304	1,249	2,539	1,349	1,553	752	1,037	875	5,192
31 Float	4,467	2,280	1,545	3,863	4,894	3,061	3,547	5,700	5,472	3,279
32 Other Federal Reserve assets	8,739	9,836	10,047	8,838	9,198	9,880	10,200	10,578	9,869	9,853
33 Gold stock	11,160	11,159	11,156	11,160	11,159	11,159	11,159	11,159	11,159	11,158
34 Special drawing rights certificate account	2,518	2,518	2,518	2,518	2,518	2,518	2,518	2,518	2,518	2,518
35 Treasury currency outstanding	13,838	13,886	13,477	13,437	13,444	13,450	13,457	13,464	13,471	13,477
ABSORBING RESERVE FUNDS										
36 Currency in circulation	137,244	131,113	131,375	134,042	132,325	131,372	131,424	132,461	132,846	132,006
37 Treasury cash holdings	437	451	460	440	440	440	441	445	450	450
Deposits, other than member bank reserves, with Federal Reserve Banks										
38 Treasury	3,062	3,038	2,284	2,814	3,013	2,974	4,069	3,468	3,729	3,433
39 Foreign	411	573	422	301	248	302	278	267	241	232
40 Other	617	515	337	370	536	439	432	424	364	397
41 Other Federal Reserve liabilities and capital	4,671	4,579	4,737	4,891	4,701	4,649	4,431	4,708	4,486	4,449
42 Reserve accounts[2]	27,456	26,621	26,734	29,807	23,850	25,323	26,476	28,568	27,900	29,869

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. Includes reserve balances of all depository institutions.

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

1.12 RESERVES AND BORROWINGS Depository Institutions

Millions of dollars

Reserve classification	1979 Dec.	1980 June	1980 July	1980 Aug.	1980 Sept.	1980 Oct.	1980 Nov.	1980 Dec.	1981 Jan.p	1981 Feb.p
	Monthly averages of daily figures									
1 Reserve balances with Reserve Banks[1]	32,473	32,125	31,384	28,923	29,164	29,976	29,215	26,664	27,114	26,591
2 Total vault cash (estimated)	....	....	....	....	....	....	15,311	18,149	19,293	17,824
3 Vault cash at institutions with required reserve balances[2]	11,344	11,141	11,287	11,262	11,811	11,678	11,876	12,602	13,587	12,187
4 Vault cash equal to required reserves at other institutions	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	439	704	700	763
5 Surplus vault cash at other institutions[3]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2,996	4,843	5,006	4,874
6 Reserve balances + total vault cash[4]	43,972	43,479	42,859	40,373	41,164	41,815	44,674	44,940	46,520	44,524
7 Reserve balances + total vault cash used to satisfy reserve requirements[4,5]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	41,678	40,097	41,514	39,650
8 Required reserves (estimated)	43,578	43,268	42,575	40,071	40,908	41,498	40,723	40,067	41,025	39,448
9 Excess reserve balances at Reserve Banks[4,6]	394	211	284	302	256	317	955	30	489	202
10 Total borrowings at Reserve Banks	1,473	380	395	659	1,311	1,335	2,156	1,617	1,405	1,278
11 Seasonal borrowings at Reserve Banks	82	12	7	10	26	67	99	116	120	148
Large commercial banks										
12 Reserves held	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	24,940	26,267	24,874
13 Required	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	25,819	26,605	25,328
14 Excess	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	−879	−338	−454
Small commercial banks										
15 Reserves held	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	13,719	13,935	13,305
16 Required	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	13,523	13,690	13,235
17 Excess	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	196	245	70
U.S. agencies and branches										
18 Reserves held	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	260	253	388
19 Required	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	230	228	366
20 Excess	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	30	25	22
All other institutions										
21 Reserves held	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	494	513	502
22 Required	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	495	502	519
23 Excess	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	−1	11	−17

Reserve classification	Dec. 24	Dec. 31	Jan. 7p	Jan. 14p	Jan. 21p	Jan. 28p	Feb. 4p	Feb. 11p	Feb. 18p	Feb. 25p
	Weekly averages of daily figures for week ending									
24 Reserve balances with Reserve Banks[1]	27,659	27,277	27,718	26,900	27,809	26,508	26,571	25,344	27,364	26,765
25 Total vault cash (estimated)	17,663	18,482	17,841	20,390	20,244	18,827	18,985	18,742	17,421	16,820
26 Vault cash at institutions with required reserve balances[2]	12,345	12,954	12,498	14,268	14,066	13,736	13,067	12,942	11,886	11,464
27 Vault cash equal to required reserves at other institutions	700	700	700	700	700	700	700	700	700	700
28 Surplus vault cash at other institutions[3]	4,618	4,828	4,643	5,422	5,478	4,391	5,218	5,100	4,835	4,656
29 Reserve balances + total vault cash[4]	45,456	45,882	45,681	47,403	48,165	45,442	45,667	44,196	44,893	43,693
30 Reserve balances + total vault cash used to satisfy reserve requirements[4,5]	40,838	41,054	41,038	41,981	42,687	41,051	40,449	39,096	40,058	39,037
31 Required reserves (estimated)	40,029	40,558	40,374	41,240	42,180	40,651	40,221	38,926	39,760	39,202
32 Excess reserve balances at Reserve Banks[4,6]	809	496	664	741	507	400	228	170	298	−165
33 Total borrowings at Reserve Banks	1,649	1,627	1,117	1,332	1,419	1,793	1,201	1,113	1,145	1,713
34 Seasonal borrowings at Reserve Banks	119	116	112	105	123	137	125	131	154	160
Large commercial banks										
35 Reserves held	25,757	25,700	25,897	26,698	27,380	25,881	25,526	24,830	25,241	23,669
36 Required	25,773	26,163	26,050	26,797	27,629	26,222	25,955	25,031	25,573	25,041
37 Excess	−16	−463	−153	−99	−249	−341	−429	−201	−332	−1,372
Small commercial banks										
38 Reserves held	13,828	13,955	13,832	13,889	14,185	13,929	13,674	13,159	13,336	13,180
39 Required	13,551	13,643	13,598	13,693	13,825	13,698	13,554	13,126	13,184	13,226
40 Excess	277	312	234	196	360	231	120	33	152	−46
U.S. agencies and branches										
41 Reserves held	261	262	271	264	252	244	226	261	465	482
42 Required	221	234	242	221	223	231	226	237	461	440
43 Excess	40	28	29	43	29	13	0	24	4	42
All other institutions										
44 Reserves held	463	527	565	529	496	473	495	479	510	485
45 Required	484	518	484	529	503	500	486	532	542	495
46 Excess	−21	9	81	0	−7	−27	9	−53	−32	−10

1. Includes all reserve balances of depository institutions.
2. Prior to Nov. 13, 1980, the figures shown reflect only the vault cash held by member banks.
3. Total vault cash at institutions without required reserve balances less vault cash equal to their required reserves.
4. 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 merged 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.
5. Reserve balances with Federal Reserve Banks plus vault cash at institutions with required reserve balances plus vault cash equal to required reserves at other institutions.
6. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements less required reserves. (This measure of excess reserves is comparable to the old excess reserve concept published historically.)

1.13 FEDERAL FUNDS AND REPURCHASE AGREEMENTS Large Member Banks[1]

Averages of daily figures, in millions of dollars

By maturity and source	1980 and 1981, week ending Wednesday								
	Dec. 31	Jan. 7	Jan. 14	Jan. 21	Jan. 28	Feb. 4	Feb. 11	Feb. 18	Feb. 25
One day and continuing contract									
1 Commercial banks in United States	45,865	50,819	52,180	48,688	44,416r	45,728	48,974	48,056	47,407
2 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies	13,846	14,516	15,309	14,602	14,227	13,884	15,093	15,244	14,672
3 Nonbank securities dealers	2,242	2,784	2,937	2,899	2,768	2,272	2,234	2,574	2,251
4 All other	14,598	16,120	17,728	17,817	17,325r	17,846	17,143	17,153	19,187
All other maturities									
5 Commercial banks in United States	5,266	4,606	4,181	3,993	4,196	4,095	4,582	4,935	3,958
6 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies	7,738	7,112	7,138	7,058	7,302r	7,553	7,539	7,530	7,339
7 Nonbank securities dealers	4,491	4,150	4,085	4,652	4,918r	5,014	4,868	4,751	4,390
8 All other	13,847	12,062	11,356	11,865r	12,377	11,740	11,924	11,564	11,011
MEMO: Federal funds and resale agreement loans in maturities of one day or continuing contract									
9 Commercial banks in United States	15,532	18,124	17,016	13,873r	11,356	13,967	14,038	17,221	14,409
10 Nonbank securities dealers	2,772	3,614	3,724r	3,032	2,547	2,869	2,686	2,918	3,066

1. Banks with assets of $1 billion or more as of December 31, 1977.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per annum

Current and previous levels

Federal Reserve Bank	Short-term adjustment credit[1]			Extended credit						Emergency credit to all others under section 13[3]		
				Seasonal credit			Special circumstances[2]					
	Rate on 2/28/81	Effective date	Previous rate	Rate on 2/28/81	Effective date	Previous rate	Rate on 2/28/81	Effective date	Previous rate	Rate on 2/28/81	Effective date	Previous rate
Boston	13	12/8/80	12	13	12/8/80	12	14	12/8/80	13	16	12/8/80	15
New York	13	12/5/80	12	13	12/5/80	12	14	12/5/80	13	16	12/5/80	15
Philadelphia	13	12/8/80	12	13	12/8/80	12	14	12/8/80	13	16	12/8/80	15
Cleveland	13	12/5/80	12	13	12/5/80	12	14	12/5/80	13	16	12/5/80	15
Richmond	13	12/5/80	12	13	12/5/80	12	14	12/5/80	13	16	12/5/80	15
Atlanta	13	12/5/80	12	13	12/5/80	12	14	12/5/80	13	16	12/5/80	15
Chicago	13	12/8/80	12	13	12/8/80	12	14	12/8/80	13	16	12/8/80	15
St. Louis	13	12/5/80	12	13	12/5/80	12	14	12/5/80	13	16	12/5/80	15
Minneapolis	13	12/5/80	12	13	12/5/80	12	14	12/5/80	13	16	12/5/80	15
Kansas City	13	12/5/80	12	13	12/5/80	12	14	12/5/80	13	16	12/5/80	15
Dallas	13	12/8/80	12	13	12/8/80	12	14	12/8/80	13	16	12/8/80	15
San Francisco	13	12/5/80	12	13	12/5/80	12	14	12/5/80	13	16	12/5/80	15

Range of rates in recent years[4,5]

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
July 2	7	7
Aug. 14	7–7½	7½
23	7½	7½

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
1974— Apr. 25	7½–8	8
30	8	8
Dec. 9	7¾–8	7¾
16	7¾	7¾
1975— Jan. 6	7¼	7¼
10	7¼	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
1976— Jan. 19	5½–6	5½
23	5½	5½
Nov. 22	5¼–5½	5¼
26	5¼	5¼
1977— Aug. 30	5¼–5¾	5¼
31	5¼–5¾	5¾
Sept. 2	5¾	5¾
Oct. 26	6	6
1978— Jan. 9	6–6½	6½
20	6½	6½
May 11	6½–7	7
12	7	7
July 3	7–7¼	7¼

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
1978— July 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
Sept. 19	10½–11	11
21	11	11
Oct. 8	11–12	12
10	12	12
1980— Feb. 15	12–13	13
19	13	13
May 29	12–13	13
30	12	12
June 13	11–12	11
16	11	11
July 28	10–11	10
29	10	10
Sept. 26	11	11
Nov. 17	12	12
Dec. 5	12–13	13
8	13	13
In effect Feb. 28, 1981	13	13

1. Effective Dec. 5, 1980, a 3 percent surcharge was applied to short-term adjustment credit borrowings by institutions with deposits of $500 million or more who borrowed in successive weeks or in more than 4 weeks in a calendar quarter.

2. Applicable to advances when exceptional circumstances or practices involve only a particular depository institution as described in section 201.3(b) (2) of Regulation A.

3. Applicable to emergency advances to individuals, partnerships, and corporations as described in section 201.3(c) of Regulation A.

4. Rates for short-term adjustment credit. 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, 1973–1977,* and *1974–1978.*

5. Twice in 1980, the Federal Reserve applied a surcharge to short-term adjustment credit borrowings by institutions with deposits of $500 million or more who had borrowed in successive weeks or in more than 4 weeks in a calendar quarter. A 3 percent surcharge was in effect from Mar. 17, 1980, through May 7, 1980. On Nov. 17, 1980, a 2 percent surcharge was adopted which was subsequently raised to 3 percent on Dec. 5, 1980.

1.15 DEPOSITORY INSTITUTIONS RESERVE REQUIREMENTS[1]

Percent of deposits

Type of deposit, and deposit interval in millions of dollars	Member bank requirements before implementation of the Monetary Control Act	
	Percent	Effective date
Net demand[2]		
0–2	7	12/30/76
2–10	9½	12/30/76
10–100	11¾	12/30/76
100–400	12¾	12/30/76
Over 400	16¼	12/30/76
Time and savings[2,3]		
Savings	3	3/16/67
Time[4]		
0–5, by maturity		
30–179 days	3	3/16/67
180 days to 4 years	2½	1/8/76
4 years or more	1	10/30/75
Over 5, by maturity		
30–179 days	6	12/12/74
180 days to 4 years	2½	1/8/76
4 years or more	1	10/30/75

Type of deposit, and deposit interval	Depository institution requirements after implementation of the Monetary Control Act[5]	
	Percent	Effective date
Net transaction accounts[6]		
\$0–\$25 million	3	11/13/80
Over \$25 million	12	11/13/80
Nonpersonal time deposits[7]		
By original maturity		
Less than 4 years	3	11/13/80
4 years or more	0	11/13/80
Eurocurrency liabilities		
All types	3	11/13/80

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. Under provisions of the Monetary Control Act, depository institutions include commercial banks, mutual savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge Act corporations.

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 as amended through 1978 specified different ranges of requirements for reserve city banks and for other banks. Reserve cities were designated under a criterion adopted effective Nov. 9, 1972, by which a bank having net demand deposits of more than $400 million was considered to have the character of business of a reserve city bank. The presence of the head office of such a bank constituted designation of that place as a reserve city. Cities in which there were Federal Reserve Banks or branches were also reserve cities. Any banks having net demand deposits of $400 million or less were considered to have the character of business of banks outside of reserve cities and were permitted to maintain reserves at ratios set for banks not in reserve cities.

(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 were subject to the same reserve requirements as deposits of member banks.

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

(b) The average reserve requirement on savings and other time deposits before implementation of the Monetary Control Act had to be at least 3 percent, the minimum specified by law.

4. (a) Effective Nov. 2, 1978, a supplementary reserve requirement of 2 percent was imposed on large time deposits of $100,000 or more, obligations of affiliates, and ineligible acceptances. This supplementary requirement was eliminated with the maintenance period beginning July 24, 1980.

(b) Effective with the reserve maintenance period beginning Oct. 25, 1979, a marginal reserve requirement of 8 percent was added to managed liabilities in excess of a base amount. This marginal requirement was increased to 10 percent beginning April 3, 1980, was decreased to 5 percent beginning June 12, 1980, and was reduced to zero beginning July 24, 1980. Managed liabilities are defined as large time deposits, Eurodollar borrowings, repurchase agreements against U.S. government and federal agency securities, federal funds borrowings from nonmember institutions, and certain other obligations. In general, the base for the marginal reserve requirement was originally the greater of (a) $100 million or (b) the average amount of the managed liabilities held by a member bank, Edge corporation, or family of U.S. branches and agencies of a foreign bank for the two statement weeks ending Sept. 26, 1979. For the computation period beginning Mar. 20, 1980, the base was lowered by (a) 7 percent or (b) the decrease in an institution's U.S. office gross loans to foreigners and gross balances due from foreign offices of other institutions between the base period (Sept. 13–26, 1979) and the week ending Mar. 12, 1980, whichever was greater. For the computation period beginning May 29, 1980, the base was increased by 7½ percent above the base used to calculate the marginal reserve in the statement week of May 14–21, 1980. In addition, beginning Mar. 19, 1980, the base was reduced to the extent that foreign loans and balances declined.

5. For existing nonmember banks and thrift institutions, there is a phase-in period ending Sept. 3, 1987. For existing member banks the phase-in period is about three years, depending on whether their new reserve requirements are greater or less than the old requirements. For existing agencies and branches of foreign banks, the phase-in ends Aug. 12, 1982. All new institutions will have a two-year phase-in beginning with the date that they open for business.

6. Transaction accounts include all deposits on which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, telephone and preauthorized transfers (in excess of three per month), for the purpose of making payments to third persons or others.

7. In general, nonpersonal time deposits are time deposits, including savings deposits, that are not transaction accounts and in which the beneficial interest is held by a depositor that is not a natural person. Also included are certain transferable time deposits held by natural persons, and certain obligations issued to depository institution offices located outside the United States. For details, see section 204.2 of Regulation D.

NOTE. Required reserves must be held in the form of deposits with Federal Reserve Banks or vault cash. After implementation of the Monetary Control Act, nonmembers may maintain reserves on a pass-through basis with certain approved institutions.

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 Feb. 28, 1981		Previous maximum		In effect Feb. 28, 1981		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	(1)
2 Negotiable order of withdrawal accounts [2]	5¼	12/31/80	5	1/1/74	5¼	12/31/80	5	1/1/74
Time accounts [3]								
Fixed ceiling rates by maturity [4]								
3 14–89 days [5]	5¼	8/1/79	5	7/1/73	(6)	....	(6)	....
4 90 days to 1 year	5¾	1/1/80	5½	7/1/73	6	1/1/80	5¾	(1)
5 1 to 2 years [7]	6	7/1/73	5½	1/21/70	6½	(1)	5¾	1/21/70
6 2 to 2½ years [7]			5¾	1/21/70			6	1/21/70
7 2½ to 4 years [7]	6½	7/1/73	5¾	1/21/70	6¾	(1)	6	1/21/70
8 4 to 6 years [8]	7¼	11/1/73	(9)	....	7½	11/1/73	(9)	....
9 6 to 8 years [8]	7½	12/23/74	7¼	11/1/73	7¾	12/23/74	7½	11/1/73
10 8 years or more [8]	7¾	6/1/78	(6)	....	8	6/1/78	(6)	....
11 Issued to governmental units (all maturities) [10]	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) [10,11]	8	6/1/78	7¾	7/6/77	8	6/1/78	7¾	7/6/77
Special variable ceiling rates by maturity								
13 6-month money market time deposits [12]	(13)	(13)	(13)	(13)	(13)	(13)	(13)	(13)
14 2½ years or more	(14)	(14)	(15)	(15)	(14)	(14)	(15)	(15)

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

2. 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, and in New Jersey on Dec. 28, 1979. Authorization to issue NOW accounts was extended to similar institutions nationwide effective Dec. 31, 1980.

3. For exceptions with respect to certain foreign time deposits see the FEDERAL RESERVE BULLETIN for October 1962 (p. 1279), August 1965 (p. 1084), and February 1968 (p. 167).

4. Effective Nov. 10, 1980, the minimum notice period for public unit accounts at savings and loan associations was decreased to 14 days and the minimum maturity period for time deposits at savings and loan associations in excess of $100,000 was decreased to 14 days. Effective Oct. 30, 1980, the minimum maturity or notice period for time deposits was decreased from 30 days to 14 days for mutual savings banks.

5. Effective Oct. 30, 1980, the minimum maturity or notice period for time deposits was decreased from 30 days to 14 days for commercial banks.

6. No separate account category.

7. 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.

8. 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.

9. Between July 1, 1973, and Oct. 31, 1973, there was no ceiling for certificates maturing in 4 years or more with minimum denominations of $1,000; however, the amount of such certificates that an institution could issue was limited to 5 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 denomination of $1,000. There is no limitation on the amount of these certificates that banks can issue.

10. Accounts subject to fixed rate ceilings. See footnote 8 for minimum denomination requirements.

11. Effective January 1, 1980, commercial banks are permitted to pay the same rate as thrifts on IRA and Keogh accounts and accounts of governmental units when such deposits are placed in the new 2½-year or more variable ceiling certificates or in 26-week money market certificates regardless of the level of the Treasury bill rate.

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

13. 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 on money market time deposits entered into before June 5, 1980, is the discount rate (auction average) on most recently issued six-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 March 15, 1979, the ¼-percentage-point interest differential is removed when the six-month Treasury bill rate is 9 percent or more. The full differential is in effect when the six-month bill rate is 8¾ percent or less. Thrift institutions may pay a maximum 9 percent when the six-month bill rate is between 8¾ and 9 percent. Also effective March 15, 1979, interest compounding was prohibited on six-month money market time deposits at all offering institutions. The maximum allowable rates in February for commercial banks and thrift institutions were as follows: Feb. 5, 13.985; Feb. 12, 14.680; Feb. 19, 15.010; Feb. 26, 13.861. Effective for all six-month money market certificates issued beginning June 5, 1980, the interest rate ceilings will be determined by the discount rate (auction average) of most recently issued six-month U.S. Treasury bills as follows:

Bill rate	*Commercial bank ceiling*	*Thrift ceiling*
8.75 and above	bill rate + ¼ percent	bill rate + ¼ percent
8.50 to 8.75	bill rate + ¼ percent	9.00
7.50 to 8.50	bill rate + ¼ percent	bill rate + ½ percent
7.25 to 7.50	7.75	bill rate + ½ percent
Below 7.25	7.75	7.75

The prohibition against compounding interest in these certificates continues.

14. Effective Jan. 1, 1980, commercial banks, savings and loan associations, and mutual savings banks were authorized to offer variable-ceiling nonnegotiable time deposits with no required minimum denomination and with maturities of 2½ years or more. The maximum rate for commercial banks is ¾ percentage point below the yield on 2½-year U.S. Treasury securities; the ceiling rate for thrift institutions is ¼ percentage point higher than that for commercial banks. Effective Mar. 1, 1980, a temporary ceiling of 11¾ percent was placed on these accounts at commercial banks; the temporary ceiling is 12 percent at savings and loan associations and mutual savings banks. Effective for all variable ceiling nonnegotiable time deposits with maturities of 2½ years or more issued beginning June 2, 1980, the ceiling rates of interest will be determined as follows:

Treasury yield	*Commercial bank ceiling*	*Thrift ceiling*
12.00 and above	11.75	12.00
9.50 to 12.00	Treasury yield – ¼ percent	Treasury yield
Below 9.50	9.25	9.50

Interest may be compounded on these time deposits. The ceiling rates of interest at which these accounts may be offered vary biweekly. The maximum allowable rates in February for commercial banks were as follows: Feb. 5, 11.75; Feb. 19, 11.75. The maximum allowable rates in February for thrift institutions were as follows: Feb. 5, 12.00; Feb. 19, 12.00.

15. Between July 1, 1979, and Dec. 31, 1979, commercial banks, savings and loan associations, and mutual savings banks were 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 was 1¼ percentage points below the yield on 4-year U.S. Treasury securities; the ceiling rate for thrift institutions was ¼ percentage point higher than that for commercial banks.

NOTE. Before Mar. 31, 1980, the maximum rates that could be paid by federally insured commercial banks, mutual savings banks, and savings and loan associations were 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. Title II of the Depository Institutions Deregulation and Monetary Control Act of 1980 (P.L. 96–221) transferred the authority of the agencies to establish maximum rates of interest payable on deposits to the Depository Institutions Deregulation Committee. 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.*

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS

Millions of dollars

Type of transaction	1978	1979	1980	1980 July	Aug.	Sept.	Oct.	Nov.	Dec.	1981 Jan.
U.S. GOVERNMENT SECURITIES										
Outright transactions (excluding matched sale-purchase transactions)										
Treasury bills										
1 Gross purchases	16,628	15,998	7,668	0	0	200	991	0	1,331	1,100
2 Gross sales	13,725	6,855	7,331	2,264	47	237	531	600	0	3,865
3 Exchange	0	0	0	0	0	0	0	0	0	0
4 Redemptions	2,033	2,900	3,389	950	0	0	700	500	49	1,000
Others within 1 year[1]										
5 Gross purchases	1,184	3,203	912	0	137	0	0	0	100	0
6 Gross sales	0	0	0	0	0	0	0	0	0	0
7 Maturity shift	−5,170	17,339	12,427	311	2,423	589	596	2,368	754	462
8 Exchange	0	−11,308	−18,251	−788	−3,134	−1,459	−420	−879	−967	0
9 Redemptions		2,600	0	0	0	0	0	0	0	0
1 to 5 years										
10 Gross purchases	4,188	2,148	2,138	0	541	0	0	0	0	0
11 Gross sales	0	0	0	0	0	0	0	0	0	0
12 Maturity shift	−178	−12,693	−8,909	−311	−720	−589	−596	−2,368	−754	−462
13 Exchange		7,508	13,412	788	1,750	1,459	420	500	967	0
5 to 10 years										
14 Gross purchases	1,526	523	703	0	236	0	0	0	0	0
15 Gross sales	0	0	0	0	0	0	0	0	0	0
16 Maturity shift	2,803	−4,646	−3,092	0	−1,703	0	0	0	0	0
17 Exchange		2,181	2,970	0	1,000	0	0	220	0	0
Over 10 years										
18 Gross purchases	1,063	454	811	0	320	0	0	0	0	0
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shift	2,545	0	−426	0	0	0	0	0	0	0
21 Exchange		1,619	1,869	0	384	0	0	159	0	0
All maturities[1]										
22 Gross purchases	24,591	22,325	12,232	0	1,234	200	991	0	1,431	1,100
23 Gross sales	13,725	6,855	7,331	2,264	47	237	531	600	0	3,865
24 Redemptions	2,033	5,500	3,389	950	0	0	700	500	49	1,000
Matched transactions										
25 Gross sales	511,126	627,350	674,000	48,370	72,315	55,766	55,787	40,944	79,754	61,427
26 Gross purchases	510,854	624,192	675,496	46,023	71,645	56,207	56,462	41,129	78,734	63,062
Repurchase agreements										
27 Gross purchases	151,618	107,051	113,902	10,719	2,783	3,203	20,145	24,169	11,534	6,108
28 Gross sales	152,436	106,968	113,040	10,110	3,016	2,743	19,808	23,924	11,381	8,137
29 Net change in U.S. government securities	7,743	6,896	3,869	−4,952	284	863	771	−670	516	−4,159
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
30 Gross purchases	301	853	668	0	0	0	0	0	0	0
31 Gross sales	173	399	0	0	0	0	0	0	0	0
32 Redemptions	235	134	145	2	*	91	21	0	22	0
Repurchase agreements										
33 Gross purchases	40,567	37,321	28,895	1,737	1,082	977	5,922	4,825	1,889	652
34 Gross sales	40,885	36,960	28,863	1,242	1,132	1,188	5,734	4,880	1,767	1,177
35 Net change in federal agency obligations	−426	681	555	492	−50	−302	167	−55	99	−525
BANKERS ACCEPTANCES										
36 Outright transactions, net	0	0	0	0	0	0	0	0	0	0
37 Repurchase agreements, net	−366	116	73	−64	−33	222	67	−43	253	−776
38 Net change in bankers acceptances	−366	116	73	−64	−33	222	67	−43	253	−776
39 Total net change in System Open Market Account	**6,951**	**7,693**	**4,497**	**−4,523**	**202**	**784**	**1,005**	**−768**	**868**	**−5,460**

1. Both gross purchases and redemptions include special certificates created when the Treasury borrows directly from the Federal Reserve, as follows (millions of dollars): March 1979, 2,600.

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

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements

Millions of dollars

Account	Wednesday					End of month		
	1981					1980	1981	
	Jan. 28	Feb. 4	Feb. 11	Feb. 18	Feb. 25	Dec.	Jan.	Feb.
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,159	11,159	11,159	11,159	11,158	11,161	11,159	11,156
2 Special drawing rights certificate account	2,518	2,518	2,518	2,518	2,518	2,518	2,518	2,518
3 Coin	447	465	477	479	486	397	468	495
Loans								
4 To depository institutions	1,553	752	1,037	875	5,192	1,809	1,304	1,249
5 Other	0	0	0	0	0	0	0	0
Acceptances								
6 Held under repurchase agreements	0	0	0	0	0	776	0	0
Federal agency obligations								
7 Bought outright	8,739	8,739	8,739	8,739	8,737	8,739	8,739	8,737
8 Held under repurchase agreements	0	0	0	0	0	525	0	0
U.S. government securities								
Bought outright								
9 Bills	39,527	41,568	41,535	42,325	41,034	43,688	41,558	42,033
10 Notes	58,718	58,718	58,718	58,370	58,370	58,718	58,718	58,370
11 Bonds	16,893	16,893	16,893	17,218	17,218	16,893	16,893	17,218
12 Total[1]	115,138	117,179	117,146	117,913	116,622	119,299	117,169	117,621
13 Held under repurchase agreements	0	0	0	0	0	2,029	0	0
14 Total U.S. government securities	115,138	117,179	117,146	117,193	116,622	121,328	117,169	117,621
15 **Total loans and securities**	**125,430**	**126,670**	**126,922**	**127,527**	**130,551**	**133,177**	**127,212**	**127,607**
16 Cash items in process of collection	8,654	9,570	11,325	14,004	9,220	12,554	7,865	7,473
17 Bank premises	458	458	458	459	461	457	458	461
Other assets								
18 Denominated in foreign currencies[2]	5,974	6,388	6,713	6,985	7,088	5,104	5,993	7,086
19 All other	3,448	3,354	3,407	2,425	2,304	3,177	3,385	2,500
20 **Total assets**	**158,088**	**160,582**	**162,979**	**165,556**	**163,786**	**168,545**	**159,058**	**159,296**
LIABILITIES								
21 Federal Reserve notes	118,808	118,873	119,919	120,304	119,465	124,241	118,147	118,854
Deposits								
22 Depository institutions	25,323	26,476	28,568	27,900	29,869	27,456	26,621	26,734
23 U.S. Treasury—General account	2,974	4,069	3,468	3,729	3,433	3,062	3,034	2,284
24 Foreign—Official accounts	302	278	267	241	232	411	573	422
25 Other	439	432	424	364	397	617	515	337
26 **Total deposits**	**29,038**	**31,255**	**32,727**	**32,234**	**33,931**	**31,546**	**30,747**	**29,777**
27 Deferred availability cash items	5,593	6,023	5,625	8,532	5,941	8,087	5,585	5,928
28 Other liabilities and accrued dividends[3]	2,017	1,878	2,038	1,811	1,755	2,265	1,957	1,958
29 **Total liabilities**	**155,456**	**158,029**	**160,309**	**162,881**	**161,092**	**166,139**	**156,436**	**156,517**
CAPITAL ACCOUNTS								
30 Capital paid in	1,208	1,209	1,210	1,212	1,221	1,203	1,208	1,222
31 Surplus	1,203	1,203	1,203	1,203	1,203	1,203	1,203	1,203
32 Other capital accounts	221	141	257	260	270	0	211	354
33 **Total liabilities and capital accounts**	**158,088**	**160,582**	**162,979**	**165,556**	**163,786**	**168,545**	**159,058**	**159,296**
34 MEMO: Marketable U.S. government securities held in custody for foreign and international account	93,027	93,081	93,445	94,084	93,977	91,795	92,756	94,658
	Federal Reserve note statement							
35 Federal Reserve notes outstanding (issued to bank)	140,843	140,767	141,028	141,128	141,361	140,184	140,717	141,297
36 Less-held by bank[4]	22,035	21,894	21,109	20,824	21,896	15,943	22,570	22,443
37 Federal Reserve notes, net	118,808	118,873	119,919	120,304	119,465	124,241	118,147	118,854
Collateral for Federal Reserve notes								
38 Gold certificate account	11,159	11,159	11,159	11,159	11,158	11,161	11,159	11,156
39 Special drawing rights certificate account	2,518	2,518	2,518	2,518	2,518	2,518	2,518	2,518
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. government and agency securities	105,131	105,196	106,242	106,627	105,789	110,562	104,470	105,180
42 **Total collateral**	**118,808**	**118,873**	**119,919**	**120,304**	**119,465**	**124,241**	**118,147**	**118,854**

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. Includes U.S. government securities held under repurchase agreement against receipt of foreign currencies and foreign currencies warehoused for the U.S. Treasury. Assets shown in this line are revalued monthly at market exchange rates.
3. Includes exchange-translation account reflecting the monthly revaluation at market exchange rates of foreign-exchange commitments.
4. Beginning September 1980, Federal Reserve notes held by the Reserve Bank are exempt from the collateral requirement.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings

Millions of dollars

Type and maturity groupings	Wednesday					End of month		
	1981					1980	1981	
	Jan. 28	Feb. 4	Feb. 11	Feb. 18	Feb. 25	Dec. 31	Jan. 31	Feb. 28
1 Loans—Total	1,553	752	1,037	875	5,192	1,809	1,304	1,249
2 Within 15 days	1,505	685	964	839	5,163	1,757	1,255	1,199
3 16 days to 90 days	48	67	73	36	29	52	49	50
4 91 days to 1 year	0	0	0	0	0	0	0	0
5 Acceptances—Total	0	0	0	0	0	776	0	0
6 Within 15 days	0	0	0	0	0	776	0	0
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—Total	115,138	117,179	117,146	117,913	116,622	121,328	117,169	117,621
10 Within 15 days[1]	4,385	4,954	6,536	6,217	5,096	4,780	2,125	3,101
11 16 days to 90 days	19,948	21,623	20,035	20,889	21,510	23,499	24,904	23,245
12 91 days to 1 year	27,943	27,741	27,715	26,916	26,125	30,187	27,279	27,385
13 Over 1 year to 5 years	34,505	34,504	34,504	34,809	34,809	34,505	34,505	34,809
14 Over 5 years to 10 years	13,355	13,355	13,354	13,755	13,755	13,355	13,354	13,754
15 Over 10 years	15,002	15,002	15,002	15,327	15,327	15,002	15,002	15,327
16 Federal agency obligations—Total	8,739	8,739	8,739	8,739	8,737	9,264	8,739	8,737
17 Within 15 days[1]	73	0	183	257	128	705	73	128
18 16 days to 90 days	550	619	436	362	439	426	550	439
19 91 days to 1 year	1,750	1,753	1,830	1,830	1,834	1,519	1,749	1,834
20 Over 1 year to 5 years	4,597	4,597	4,553	4,553	4,621	4,837	4,597	4,621
21 Over 5 years to 10 years	1,085	1,085	1,052	1,052	1,030	1,092	1,085	1,030
22 Over 10 years	684	685	685	685	685	685	685	685

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	1977	1978	1979[r]	1980				
				Aug.[r]	Sept.[r]	Oct.[r]	Nov.[r]	Dec.
	Debits to demand deposits[1] (seasonally adjusted)							
1 All commercial banks	34,322.8	40,297.8	49,775.0	65,498.2	65,258.6	65,346.7	67,621.4	69,950.2
2 Major New York City banks	13,860.6	15,008.7	18,512.7	26,708.4	26,104.7	26,035.0	26,821.8	27,352.2
3 Other banks	20,462.2	25,289.1	31,262.3	38,789.8	39,154.0	39,311.7	40,799.6	42,598.0
	Debits to savings deposits[2] (not seasonally adjusted)							
4 ATS/NOW[3]	5.5	17.1	83.3	145.5	176.3	185.5	173.4	218.3
5 Business[4]	21.7	56.7	77.3	87.4	95.8	100.1	95.6	119.2
6 Others[5]	152.3	359.7	515.2	560.3	649.0	688.2	573.7	704.2
7 All accounts	179.5	432.9	675.8	793.2	921.1	973.8	842.8	1,041.6
	Demand deposit turnover[1] (seasonally adjusted)							
8 All commercial banks	129.2	139.4	163.5	206.3	203.2	202.1	211.6	222.7
9 Major New York City banks	503.0	541.9	646.2	859.7	818.6	799.5	842.2	865.8
10 Other banks	85.9	96.8	113.3	135.4	135.3	135.2	141.8	150.8
	Savings deposit turnover[2] (not seasonally adjusted)							
11 ATS/NOW[3]	6.5	7.0	7.8	8.3	9.5	9.7	8.4	10.4
12 Business[4]	4.1	5.1	7.2	8.0	8.6	8.8	8.5	11.3
13 Others[5]	1.5	1.7	2.7	3.1	3.6	3.8	3.2	4.1
14 All accounts	1.7	1.9	3.1	3.8	4.4	4.6	4.0	5.1

1. Represents accounts of individuals, partnerships, and corporations, and of states and political subdivisions.
2. Excludes special club accounts, such as Christmas and vacation clubs.
3. Accounts authorized for negotiable orders of withdrawal (NOW) and accounts authorized for automatic transfer to demand deposits (ATS). ATS data availability starts with December 1978.
4. 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).
5. Savings accounts other than NOW; business; and, from December 1978, ATS.

NOTE. Historical data for the period 1970 through June 1977 have been estimated; these estimates are based in part on the debits series for 233 SMSAs, which were available through June 1977. Back data are available from Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. Debits and turnover data for savings deposits are not available before July 1977.

1.21 MONEY STOCK MEASURES AND COMPONENTS

Billions of dollars, averages of daily figures

Item	1977 Dec.	1978 Dec.	1979 Dec.	1980 Dec.	1980 Aug.	1980 Sept.	1980 Oct.	1980 Nov.	1980 Dec.	1981 Jan.
	Seasonally adjusted									
MEASURES[1]										
1 M-1A	328.4	351.6	369.8	384.8	379.5	383.4	386.3	388.4	384.8	372.8
2 M-1B	332.6	360.1	386.9	411.9	402.7	408.0	412.0	415.0	411.9	416.1
3 M-2	1,294.1	1,401.5	1,526.0	1,673.4[r]	1,632.5	1,644.4	1,656.5	1,670.8	1,673.4[r]	1,681.7
4 M-3	1,460.3	1,623.6	1,775.5	1,957.9[r]	1,889.5	1,904.6	1,921.8	1,946.1	1,957.9[r]	1,978.2
5 L[2]	1,720.2	1,934.9	2,151.8	2,373.5	2,282.7	2,306.5	2,319.1[r]	2,346.5	2,373.5	n.a.
COMPONENTS										
6 Currency	88.7	97.6	106.3	116.4	113.5	113.9	115.1	115.8	116.4	116.6
7 Demand deposits	239.7	253.9	263.5	268.4	266.0	269.5	271.2	272.6	268.4	256.2
8 Savings deposits	486.4	475.8	417.0	393.6[r]	408.1	412.1	414.2	407.9	393.6[r]	377.1
9 Small-denomination time deposits[3]	454.9	533.8	656.2	763.2[r]	712.6	716.4	723.6	741.6	763.2[r]	778.0
10 Large-denomination time deposits[4]	145.2	194.7	219.0	248.0[r]	223.3	226.8	229.8	238.8	248.0[r]	257.9
	Not seasonally adjusted									
MEASURES[1]										
11 M-1A	337.2	360.9	379.4	394.7	377.3	382.6	388.0	391.1	394.7	377.3
12 M-1B	341.4	369.5	396.4	421.8	400.5	407.2	413.7	417.7	421.8	420.7
13 M-2	1,295.9	1,403.6	1,527.7	1,674.8[r]	1,629.5	1,642.3	1,656.9	1,665.7	1,674.8[r]	1,685.2
14 M-3	1,464.5	1,629.2	1,780.8	1,962.8[r]	1,886.6	1,902.3	1,923.1[r]	1,942.1	1,962.8[r]	1,983.5
15 L[2]	1,723.2	1,938.3	2,154.3	2,375.0	2,278.6	2,296.2[r]	2,318.0[r]	2,344.7	2,375.0	n.a.
COMPONENTS										
16 Currency	90.3	99.4	108.3	118.5	113.7	113.7	114.9	116.6	118.5	115.8
17 Demand deposits	247.0	261.5	271.2[r]	276.2	263.6	268.9	273.1	274.5	276.2	261.5
18 Other checkable deposits[5]	4.2	8.6	17.0	27.1	23.2	24.6	25.7	26.6	27.1	43.3
19 Overnight RPs and Eurodollars[6]	18.6	23.9	25.3	32.2	31.6	32.9	32.5	32.6	32.2	32.9
20 Money market mutual funds	3.8	10.3	43.6	75.8	80.7	78.2	77.4	77.0	75.8	80.7
21 Savings deposits	483.1	472.6	414.1	390.9[r]	408.8	412.4	412.9	405.8	390.9[r]	374.7
22 Small-denomination time deposits[3]	451.3	529.8	651.2	757.4[r]	711.1	714.9	723.7	735.9	757.4[r]	779.3
23 Large-denomination time deposits[4]	147.7	198.2	222.6	251.5[r]	223.3	226.5	230.7[r]	240.0	251.5[r]	259.8

1. Composition of the money stock measures is as follows:

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

M-1B: M-1A plus negotiable order of withdrawal and automatic transfer service accounts at banks and thrift institutions, credit union share draft accounts, and demand deposits at mutual savings banks.

M-2: M-1B plus savings and small-denomination time deposits at all depository institutions, overnight repurchase agreements at commercial banks, overnight Eurodollars held by U.S. residents other than banks at Caribbean branches of member banks, and money market mutual fund shares.

M-3: M-2 plus large-denomination time deposits at all depository institutions and term RPs at commercial banks and savings and loan associations.

2. L: M-3 plus other liquid assets such as term Eurodollars held by U.S. residents other than banks, bankers acceptances, commercial paper, Treasury bills and other liquid Treasury securities, and U.S. savings bonds.

3. Small-denomination time deposits are those issued in amounts of less than $100,000.

4. Large-denomination time deposits are those issued in amounts of $100,000 or more and are net of the holdings of domestic banks, thrift institutions, the U.S. government, money market mutual funds, and foreign banks and official institutions.

5. Includes ATS and NOW balances at all institutions, credit union share draft balances, and demand deposits at mutual savings banks.

6. Overnight (and continuing contract) RPs are those issued by commercial banks to the nonbank public, and overnight Eurodollars are those issued by Caribbean branches of member banks to U.S. nonbank customers.

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.

1.22 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS[1] AND MEMBER BANK DEPOSITS

Billions of dollars, averages of daily figures

Item	1978 Dec.	1979 Dec.[r]	1980 Dec.	1980 July	1980 Aug.	1980 Sept.	1980 Oct.	1980 Nov.[2]	1980 Dec.	1981 Jan.
	Seasonally adjusted									
1 **Total reserves[3]**	**41.16**	**43.46**	**40.13**	**42.78**	**40.75**	**41.52**	**41.73**	**41.23**	**40.13**	**40.10**
2 Nonborrowed reserves	40.29	41.98	38.44	42.39	40.09	40.21	40.42	39.17	38.44	38.70
3 Required reserves	40.93	43.13	39.58	42.50	40.45	41.26	41.52	40.73	39.58	39.56
4 Monetary base[4]	142.2	153.7	159.8	158.8	158.2	159.5	160.9	160.7	159.8	160.1
5 **Member bank deposits subject to reserve requirements[5]**	**616.1**	**644.5**	**701.8**	**658.5**	**667.8**	**678.2**	**684.7**	**694.3**	**701.8**	**703.8**
6 Time and savings	428.7	451.2	485.6[r]	467.0	474.2	482.0	485.5[r]	475.4[r]	485.6[r]	517.4
Demand										
7 Private	185.1	191.5	196.0	189.1	191.5	194.5	195.6	198.1	196.0	184.1
8 U.S. government	2.2	1.8	1.9	2.5	2.1	1.8	2.4	2.2	1.9	2.3
	Not seasonally adjusted									
9 Monetary base[4]	144.6	156.2	162.5	159.6	158.0	159.0	160.6	161.5	162.5	161.0
10 **Member bank deposits subject to reserve requirements[5]**	**624.0**	**652.7**	**710.3**	**658.2**	**662.5**	**675.6**	**684.2**	**694.6**	**710.3**	**712.6**
11 Time and savings	429.6	452.1	486.5[r]	466.0	471.8	479.6	484.5[r]	474.5[r]	486.5[r]	493.4
Demand										
12 Private	191.9	198.6	203.2	190.0	189.0	193.9	196.4	199.6	203.2	189.9
13 U.S. government	2.5	2.0	2.1	2.2	1.7	2.1	2.1	1.9	2.1	2.1

1. Reserves of depository institutions series reflect actual reserve requirement percentages with no adjustment to eliminate the effect of changes in Regulations D and M. Before Nov. 13, 1980, the date of implementation of the Monetary Control Act, only the reserves of commercial banks that were members of the Federal Reserve System were included in the series. Since that date the series include the reserves of all depository institutions. In conjunction with the implementation of the act, required reserves of member banks were reduced about $4.3 billion and required reserves of other depository institutions were increased about $1.4 billion. Effective Oct. 11, 1979, an 8 percentage point marginal reserve requirement was imposed on "Managed Liabilities." This action raised required reserves about $320 million. Effective Mar. 12, 1980, the 8 percentage point marginal reserve requirement was raised to 10 percentage points. In addition the base upon which the marginal reserve requirement was calculated was reduced. This action increased required reserves about $1.7 million in the week ending Apr. 2, 1980. Effective May 29, 1980 the marginal reserve requirement was reduced from 10 to 5 percentage points and the base upon which the marginal reserve requirement was calculated was raised. This action reduced required reserves about $980 million in the week ending June 18, 1980. Effective July 24, 1980, the 5 percent marginal reserve requirement on managed liabilities and the 2 percent supplementary reserve requirement against large time deposits were removed. These actions reduced required reserves about $3.2 billion.

2. Reserve measures for November reflect increases in required reserves associated with the reduction of weekend avoidance activities of a few large banks. The reduction in these activities lead to essentially a one-time increase in the average level of required reserves that need to be held for a given level of deposits entering the money supply. In November, this increase in required reserves is estimated at $550 to $600 million.

3. Reserve balances with Federal Reserve Banks plus vault cash at institutions with required reserve balances plus vault cash equal to required reserves at other institutions.

4. Includes reserve balances at Federal Reserve Banks in the current week plus vault cash held two weeks earlier used to satisfy reserve requirements at all depository institutions plus currency outside the U.S. Treasury, Federal Reserve Banks, the vaults of depository institutions, and surplus vault cash at depository institutions.

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

NOTE. Latest monthly and weekly figures are available from the Board's H.3(502) statistical release. Back data and estimates of the impact on required reserves and changes in reserve requirements are available from the Banking Section, Division of Research and Statistics.

1.23 LOANS AND SECURITIES All Commercial Banks[1]

Billions of dollars; averages of Wednesday figures

Category	1977 Dec.	1978 Dec.	1979 Dec.	1980 Dec.	1981 Jan.	1977 Dec.	1978 Dec.	1979 Dec.	1980 Dec.	1981 Jan.
	Seasonally adjusted					Not seasonally adjusted				
1 **Total loans and securities[2]**	**891.1**	**1,014.3[3]**	**1,132.5[4]**	**1,234.1**	**1,250.8**	**899.1**	**1,023.8[3]**	**1,143.0[4]**	**1,245.7**	**1,251.1**
2 U.S. Treasury securities	99.5	93.4	93.8	109.6	112.7	100.7	94.6	95.0	111.0	113.8
3 Other securities	159.6	173.1[3]	191.5	214.3	216.5	160.2	173.9[3]	192.3	215.2	216.1
4 Total loans and leases[2]	632.1	747.8[3]	847.2[4]	910.1	921.5	638.3	755.4[3]	855.7[4]	919.5	921.2
5 Commercial and industrial loans	211.2[5]	246.5[6]	290.5[4]	323.1	327.9	212.6[5]	248.2[6]	292.4[4]	325.3	327.0
6 Real estate loans	175.2[5]	210.5	242.4[4]	260.9	262.7	175.5[5]	210.9	242.9[4]	261.4	262.7
7 Loans to individuals	138.2	163.9	185.0	175.2	174.9	139.0	164.8	186.2	176.2	174.9
8 Security loans	20.6	19.4	18.3	17.9	19.0	22.0	20.7	19.6	19.1	19.3
9 Loans to nonbank financial institutions	25.8[5]	27.1[7]	30.3[4]	30.7	31.4	26.3[5]	27.6[7]	30.8[4]	31.3	31.1
10 Agricultural loans	25.8	28.2	31.0	34.2	34.5	25.7	28.1	30.8	34.1	34.2
11 Lease financing receivables	5.8	7.4	9.5	11.1	11.5	5.8	7.4	9.5	11.1	11.5
12 All other loans	29.5	44.9[3]	40.2	56.9	59.6	31.5	47.6[3]	43.5	61.0	68.5
MEMO:										
13 **Total loans and securities plus loans sold[2,9]**	**895.9**	**1,018.1[3]**	**1,135.3[4,8]**	**1,236.8**	**1,253.5**	**903.9**	**1,027.6[3]**	**1,145.7[4,8]**	**1,248.4**	**1,253.9**
14 Total loans plus loans sold[2,9]	636.9	751.6[3]	850.00[4,8]	912.8	924.3	643.0	759.2[3]	858.4[4,8]	922.2	924.0
15 Total loans sold to affiliates[9]	4.8	3.8	2.8[8]	2.7	2.8	4.8	3.8	2.8[8]	2.7	2.8
16 Commercial and industrial loans plus loans sold[9]	213.9[5]	248.5[6,10]	292.3[4,8]	324.9	329.8	215.3[5]	250.1[6,10]	294.2[4,8]	327.1	328.8
17 Commercial and industrial loans sold[9]	2.7	1.9[10]	1.8[8]	1.8	1.9	2.7	1.9[10]	1.8[8]	1.8	1.9
18 Acceptances held	7.5	6.8	8.5	7.8	8.4	8.6	7.5	9.4	8.5	8.8
19 Other commercial and industrial loans	203.7[5]	239.7	282.0	315.3	319.5	203.9[5]	240.9	283.1	316.8	318.1
20 To U.S. addressees[11]	193.8[5]	226.6	263.2	293.5	295.6	193.7[5]	226.5	263.2	293.5	293.6
21 To non-U.S. addressees	9.9[5]	13.1	18.8	21.8	23.9	10.3[5]	14.4	19.8	23.3	24.5
22 Loans to foreign banks	13.5	21.2	18.7	24.0	24.7	14.6	23.0	20.1	25.8	25.7
23 Loans to commercial banks in the United States	54.1	57.3	77.8	n.a.	n.a.	56.9	60.3	81.9	n.a.	n.a.

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. As of Dec. 31, 1978, total loans and securities 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."
4. As of Jan. 3, 1979, as the result of reclassifications, total loans and securities 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.
5. As of Dec. 31, 1977, as the result of loan reclassifications, business loans were reduced $0.2 billion and nonbank financial loans $0.1 billion; real estate loans were increased $0.3 billion.
6. As of Dec. 31, 1978, commercial and industrial loans were reduced $0.1 billion as a result of reclassifications.
7. As of Dec. 1, 1978, nonbank financial loans were reduced $0.1 billion as the result of reclassification.
8. As of Dec. 1, 1979, loans sold to affiliates were reduced $800 million and commercial and industrial loans sold were reduced $700 million due to corrections of two banks in New York City.
9. 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.
10. 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.
11. United States includes the 50 states and the District of Columbia.

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.

1.24 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS[1]

Monthly averages, billions of dollars

Source	December outstanding			Outstanding in 1980 and 1981								
	1977	1978	1979	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
Total nondeposit funds												
1 Seasonally adjusted[2]	61.8	85.4	118.8	119.9	114.1	112.2	107.3	112.0	118.6	n.a.	n.a.	n.a.
2 Not seasonally adjusted	60.4	84.4	117.4	123.0	114.2	116.4	110.3	112.5	119.6	n.a.	n.a.	n.a.
Federal funds, RPs, and other borrowings from nonbanks												
3 Seasonally adjusted[3]	58.4	74.8	88.0	94.2	96.7	98.5	94.0	100.2	104.4	n.a.	n.a.	n.a.
4 Not seasonally adjusted	57.0	73.8	86.5	97.4	96.8	102.7	97.1	100.8	105.4	n.a.	n.a.	n.a.
5 Net Eurodollar borrowings, not seasonally adjusted	−1.3	6.8	28.1	23.0	14.6	10.9	10.3	8.9	11.5	7.5	7.0	8.7
6 Loans sold to affiliates, not seasonally adjusted[4,5]	4.8	3.8	2.8	2.6	2.8	2.8	2.9	2.9	2.8	2.6	2.7	2.8
MEMO												
7 Domestic chartered banks net positions with own foreign branches, not seasonally adjusted[6]	−12.5	−10.2	6.5	2.6	−5.4	−8.4	−10.3	−14.5	−12.9	−14.2	−14.7	−16.2
8 Gross due from balances	21.1	24.9	22.8	27.3	30.1	32.7	35.8	38.2	38.3	37.2	37.5	37.4
9 Gross due to balances	8.6	14.7	29.3	30.0	24.7	24.3	25.5	23.7	25.5	23.0	22.7	21.2
10 Foreign-related institutions net positions with directly related institutions, not seasonally adjusted[7]	11.1	17.0	21.6	20.5	19.9	19.3	20.6	23.3	24.4	21.7	21.7	24.9
11 Gross due from balances	10.3	14.2	28.9	28.4	28.5	30.8	30.9	30.3	30.8	32.3	33.7	31.2
12 Gross due to balances	21.4	31.2	50.5	48.8	48.4	50.1	51.6	53.6	55.2	54.1	55.4	56.1
13 Security RP borrowings, seasonally adjusted[8]	36.3	44.8	49.2	43.7	49.0	55.0	57.5	56.2	59.7	58.8	63.4	68.7
14 Not seasonally adjusted	35.1	43.6	47.9	46.0	48.8	54.7	59.1	58.7	59.5	60.9	61.7	65.0
15 U.S. Treasury demand balances, seasonally adjusted[9]	4.4	8.7	8.1	9.5	8.6	10.9	11.8	12.6	14.0	6.9	7.6	8.0
16 Not seasonally adjusted	5.1	10.3	9.7	8.5	10.0	9.3	9.3	14.2	12.7	6.6	9.0	7.9
17 Time deposits, $100,000 or more, seasonally adjusted[10]	162.0	213.0	227.6	242.1	237.6	234.0	234.4	238.8	241.6	249.3	257.5	268.2
18 Not seasonally adjusted	165.4	217.9	232.8	240.2	235.5	230.0	232.1	236.7	241.1	250.8	263.4	272.8

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. As of Dec. 1, 1979, loans sold to affiliates were reduced $800 million due to corrections of two New York City banks.
6. Includes averages of daily figures for member banks and quarterly call report figures for nonmember banks.
7. Includes averages of current and previous month-end data until August 1979; beginning September 1979 averages of daily data.
8. Based on daily average data reported by 122 large banks beginning February 1980 and 46 banks before February 1980.
9. Includes U.S. Treasury demand deposits and Treasury tax-and-loan notes at commercial banks. Averages of daily data.
10. Averages of Wednesday figures.

NOTE. Security RP borrowings, U.S. Treasury demand balances, and time deposits in denominations of $100,000 or more have revised to reflect benchmark adjustments to call reports.

1.25 ASSETS AND LIABILITIES OF COMMERCIAL BANKING INSTITUTIONS Last-Wednesday-of-Month Series

Billions of dollars except for number of banks

Account	1980									1981	
	Apr.r	Mayr	Juner	Julyr	Aug.r	Sept.r	Oct.r	Nov.r	Dec.r	Jan.r	Feb.
DOMESTICALLY CHARTERED COMMERCIAL BANKS[1]											
1 Loans and investments, excluding interbank	1,093.5	1,087.0	1,090.5	1,095.3	1,108.5	1,117.9	1,134.8	1,150.8	1,177.1	1,166.0	1,167.0
2 Loans, excluding interbank	801.7	792.5	793.2	793.4	801.9	809.1	821.6	832.8	851.4	840.2	839.0
3 Commercial and industrial	259.7	256.6	256.9	257.1	259.5	263.9	269.0	275.7	281.5	277.6	276.3
4 Other	541.9	535.9	536.4	536.3	542.4	545.2	552.6	557.1	569.9	562.6	562.7
5 U.S. Treasury securities	94.3	94.8	96.2	98.7	101.4	103.2	104.4	107.1	111.2	112.0	113.7
6 Other securities	197.6	199.8	201.1	203.3	205.2	205.6	208.9	210.9	214.6	213.8	214.3
7 Cash assets, total	168.5	172.7	150.6	154.3	148.8	156.6	155.9	175.6	194.2	159.3	165.9
8 Currency and coin	16.7	17.7	17.3	17.5	18.2	17.8	18.3	16.9	19.9	18.7	18.6
9 Reserves with Federal Reserve Banks	33.2	37.9	29.5	32.2	29.0	31.1	31.7	30.4	28.2	25.2	30.4
10 Balances with depository institutions	50.0	48.3	45.8	45.0	45.9	46.8	47.2	56.1	63.0	54.9	54.6
11 Cash items in process of collection	68.6	68.9	58.1	59.6	55.8	60.9	58.8	72.2	83.0	60.5	62.3
12 Other assets[2]	135.8	140.1	143.8	143.5	150.3	154.4	151.3	151.3	165.6	155.8	160.1
13 Total assets/total liabilities and capital	**1,397.8**	**1,399.8**	**1,384.9**	**1393.1**	**1,407.7**	**1,428.9**	**1,442.1**	**1,477.7**	**1,537.0**	**1,481.0**	**1,493.0**
14 Deposits	1,063.9	1,060.9	1,048.1	1,053.1	1,062.8	1,077.2	1,092.9	1,126.2	1,187.4	1,128.7	1,132.0
15 Demand	377.5	370.3	358.1	363.5	363.4	369.7	375.7	393.0	432.2	351.1	345.5
16 Savings	189.2	192.4	197.7	205.5	208.5	209.1	210.9	209.5	201.3	211.9	214.3
17 Time	497.2	498.2	492.4	484.2	490.9	498.5	506.2	523.7	553.8	565.7	572.3
18 Borrowings	144.7	152.6	151.0	157.0	158.5	163.7	161.7	157.3	156.4	156.4	163.2
19 Other liabilities	80.5	77.9	75.9	74.0	75.4	75.6	74.7	78.1	79.0	76.7	80.3
20 Residual (assets less liabilities)	108.7	108.5	109.8	109.0	111.0	112.3	112.7	116.1	114.2	119.3	117.5
MEMO:											
21 U.S. Treasury note balances included in borrowing	14.5	5.2	13.3	7.6	8.7	15.7	11.5	4.4	10.2	9.5	8.5
22 Number of banks	14,629	14,639	14,646	14,658	14,666	14,678	14,760	14,692	14,693	14,689	14,696
ALL COMMERCIAL BANKING INSTITUTIONS[3]											
23 Loans and investments, excluding interbank	1,162.8	1,154.9	1,160.9			1,195.2			1,262.3		
24 Loans, excluding interbank	867.5	856.9	860.2			882.5			932.5		
25 Commercial and industrial	302.5	298.7	297.6			308.1			330.6		
26 Other	565.0	558.3	562.5			574.4			601.9		
27 U.S. Treasury securities	96.2	96.7	98.3			105.6			113.7		
28 Other securities	199.1	201.3	202.5			207.2			216.3		
29 Cash assets, total	187.5	190.9	172.2			179.8			218.6		
30 Currency and coin	16.7	17.7	17.3			17.8			20.7		
31 Reserves with Federal Reserve Banks	34.0	38.7	30.3			31.7			28.2		
32 Balances with depository institutions	66.9	64.0	65.0	n.a.	n.a.	67.8	n.a.	n.a.	84.9	n.a.	n.a.
33 Cash items in process of collection	70.0	70.5	59.7			62.5			84.7		
34 Other assets[2]	181.3	186.6	191.0			204.1			221.7		
35 Total assets/total liabilities and capital	**1,531.7**	**1,532.4**	**1,524.2**			**1,579.2**			**1,702.7**		
36 Deposits	1,105.1	1,101.1	1,091.9			1,124.5			1,239.9		
37 Demand	396.9	388.1	379.0			390.9			453.6		
38 Savings	189.5	192.7	198.1			209.5			201.6		
39 Time	518.7	520.3	514.8			524.1			584.7		
40 Borrowings	188.5	194.7	197.6			211.0			211.5		
41 Other liabilities	127.1	125.8	123.3			129.8			135.5		
42 Residual (assets less liabilities)	111.0	110.9	111.4			113.9			115.8		
MEMO:											
43 U.S. Treasury note balances included in borrowing	14.5	5.2	13.3			15.7			10.2		
44 Number of banks	15,004	15,016	15,019			15,069			15,108		

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. Other assets include loans to U.S. commercial banks.
3. 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. They include all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries. Data for domestically chartered commercial banks are for the last Wednesday of the month; data for other banking institutions are for last Wednesday except at end of quarter, when they are for the last day of the month.

Revised data result from benchmarking to the March 1980 quarterly call. Revised data for 1979 and 1980 are available from the Banking Section of the Federal Reserve Board.

1.26 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	1980 Dec. 31	1981 Jan. 7	Jan. 14	Jan. 21	Jan. 28p	Feb. 4p	Feb. 11p	Feb. 18p	Feb. 25p	Adjustment bank, 1980
1 Cash items in process of collection	66,061	56,773	56,397	52,231	49,660	53,422	49,140	62,797	50,785	33
2 Demand deposits due from banks in the United States	21,581	21,679	19,508	20,194	20,344	19,379	19,614	22,440	19,921	90
3 All other cash and due from depository institutions	34,261	31,202	35,746	29,750	30,979	31,517	33,940	33,511	35,058	−239
4 **Total loans and securities**	**564,156**	**567,816**	**561,445**	**557,272**	**553,178**	**557,234**	**550,893**	**556,867**	**553,706**	**1,435**
Securities										
5 U.S. Treasury securities	39,604	40,659	40,449	40,325	39,769	41,122	40,209	40,572	40,816	148
6 Trading account	4,362	6,390	6,608	6,544	6,331	7,504	6,477	6,723	7,089	....
7 Investment account, by maturity	35,242	34,268	33,841	33,780	33,438	33,618	33,732	33,849	33,726	148
8 One year or less	10,269	9,591	9,353	9,331	9,178	9,342	9,442	9,192	9,207	71
9 Over one through five years	21,616	21,274	20,990	20,950	20,790	20,812	20,836	21,149	20,958	76
10 Over five years	3,357	3,403	3,498	3,500	3,469	3,463	3,453	3,508	3,561	1
11 Other securities	78,460	78,638	77,742	77,405	77,569	78,251	77,169	76,988	77,374	106
12 Trading account	3,316	3,335	2,539	2,329	2,518	3,561	2,608	2,412	2,811	....
13 Investment account	75,144	75,303	75,203	75,076	75,051	74,690	74,561	74,575	74,563	106
14 U.S. government agencies	16,229	16,348	16,214	16,132	16,124	16,143	16,125	16,165	16,111	50
15 States and political subdivision, by maturity	56,078	56,137	56,130	56,101	56,063	55,764	55,631	55,604	55,661	58
16 One year or less	7,402	7,273	7,201	7,202	7,244	7,209	7,055	7,046	7,087	11
17 Over one year	48,676	48,864	48,929	48,899	48,819	48,555	48,577	48,558	48,574	48
18 Other bonds, corporate stocks and securities	2,837	2,818	2,858	2,843	2,864	2,784	2,804	2,806	2,790	−3
Loans										
19 Federal funds sold[1]	27,842	33,997	30,181	29,004	26,781	27,663	26,273	29,636	28,341	38
20 To commercial banks	19,472	24,103	21,822	19,057	18,171	19,661	18,506	21,857	20,498	38
21 To nonbank brokers and dealers in securities	6,380	7,854	6,059	7,359	6,366	5,873	6,098	6,120	5,924	....
22 To others	1,990	2,040	2,300	2,588	2,244	2,129	1,669	1,659	1,920	....
23 Other loans, gross	430,569	426,958	425,570	423,054	421,559	422,691	419,782	422,263	419,755	1,192
24 Commercial and industrial	174,768	173,239	173,116	171,922	171,348	171,890	170,104	170,258	169,482	354
25 Bankers acceptances and commercial paper	4,206	4,218	4,632	3,957	4,191	4,213	3,566	4,171	3,691	....
26 All other	170,562	169,020	168,484	167,965	167,157	167,677	166,538	166,087	165,791	354
27 U.S. addressees	163,276	161,782	161,194	160,597	159,752	160,504	159,349	158,942	158,752	354
28 Non-U.S. addressees	7,286	7,238	7,290	7,368	7,406	7,173	7,189	7,145	7,039	....
29 Real estate	111,775	112,212	112,534	112,631	112,866	113,155	113,369	113,591	113,681	448
30 To individuals for personal expenditures	72,294	72,616	72,389	72,132	71,954	71,664	71,370	71,323	71,174	377
To financial institutions										
31 Commercial banks in the United States	5,356	4,544	4,679	4,099	4,220	3,899	4,351	4,638	4,383	−6
32 Banks in foreign countries	9,770	9,363	9,429	9,696	9,018	9,034	8,568	9,172	8,366	7
33 Sales finance, personal finance companies, etc	10,077	10,231	9,999	9,966	9,962	9,912	9,826	9,872	9,755	1
34 Other financial institutions	15,925	15,591	15,390	15,267	15,291	15,372	15,243	15,311	15,120	2
35 To nonbank brokers and dealers in securities	7,844	6,928	6,404	5,748	5,548	5,590	5,213	5,336	5,912	....
36 To others for purchasing and carrying securities[2]	2,146	2,103	2,170	2,140	2,198	2,207	2,222	2,273	2,270	....
37 To finance agricultural production	5,413	5,358	5,332	5,306	5,335	5,338	5,295	5,326	5,374	6
38 All other	15,200	14,773	14,126	14,147	13,817	14,628	14,219	15,162	14,237	3
39 LESS: Unearned income	6,662	6,696	6,767	6,772	6,752	6,647	6,666	6,692	6,661	37
40 Loan loss reserve	5,657	5,740	5,731	5,743	5,748	5,846	5,874	5,899	5,918	11
41 Other loans, net	418,250	414,522	413,072	410,539	409,060	410,198	407,242	409,672	407,176	1,143
42 Lease financing receivables	9,323	9,309	9,500	9,518	9,595	9,909	9,935	9,940	9,986	....
43 All other assets	87,692	83,667	85,436	82,246	82,035	83,736	87,436	82,848	85,057	155
44 **Total assets**	**783,074**	**770,447**	**768,033**	**751,211**	**745,791**	**755,198**	**750,959**	**768,403**	**754,513**	**1,475**
Deposits										
45 Demand deposits	228,289	206,621	202,179	191,315	185,520	191,992	188,857	201,991	183,252	391
46 Mutual savings banks	838	744	714	611	574	733	623	747	566	....
47 Individuals, partnerships, and corporations	158,408	142,108	140,293	132,325	127,902	130,316	128,010	137,783	123,719	325
48 States and political subdivisions	5,835	5,126	4,817	5,177	4,846	5,282	4,696	4,755	4,714	17
49 U.S. government	1,107	1,609	1,835	1,465	1,676	3,506	1,979	1,651	1,579	2
50 Commercial banks in the United States	41,422	39,116	37,148	34,089	34,038	34,459	34,976	37,777	35,288	9
51 Banks in foreign countries	8,991	7,739	7,558	8,350	8,047	7,177	9,901	9,487	8,434	11
52 Foreign governments and official institutions	2,459	1,658	1,475	1,822	1,457	1,783	1,546	2,292	1,591	....
53 Certified and officers' checks	9,229	8,519	8,338	7,474	6,980	8,736	7,126	7,499	7,360	26
54 Time and savings deposits	313,978	316,877	316,915	319,032	321,019	321,653	320,325	320,282	320,996	861
55 Savings	72,570	75,671	75,626	75,482	74,493	75,642	75,538	75,860	75,072	296
56 Individuals and nonprofit organizations	68,317	71,425	71,376	71,370	70,368	71,497	71,387	71,634	70,984	271
57 Partnerships and corporations operated for profit	3,594	3,537	3,555	3,451	3,473	3,454	3,461	3,491	3,416	19
58 Domestic governmental units	636	689	673	637	631	671	670	715	655	5
59 All other	23	20	22	23	21	20	19	20	18	....
60 Time	241,408	241,206	241,290	243,550	246,526	246,011	244,788	244,422	245,924	565
61 Individuals, partnerships, and corporations	205,810	206,231	206,376	208,187	210,710	210,394	209,275	208,897	209,948	479
62 States and political subdivisions	20,185	19,935	19,976	20,207	20,718	20,567	20,755	20,789	21,207	79
63 U.S. government	300	301	314	297	309	298	298	310	306	5
64 Commercial banks in the United States	8,422	8,169	8,227	8,557	8,448	8,416	8,085	8,009	8,108	2
65 Foreign governments, official institutions, and banks	6,691	6,569	6,396	6,302	6,340	6,336	6,375	6,418	6,355	....
Liabilities for borrowed money										
66 Borrowings from Federal Reserve Banks	1,055	316	1,950	582	467	119	375	202	4,412	....
67 Treasury tax-and-loan notes	6,696	2,803	2,408	4,386	6,007	1,939	1,821	2,008	5,895	....
68 All other liabilities for borrowed money[3]	119,822	133,386	134,609	125,512	121,091	126,758	126,689	130,179	124,549	29
69 Other liabilities and subordinated notes and debentures	63,016	60,147	59,729	60,148	61,217	61,773	61,984	63,008	64,685	74
70 **Total liabilities**	**732,857**	**720,149**	**717,790**	**700,975**	**695,321**	**704,235**	**700,052**	**717,670**	**703,790**	**1,354**
71 Residual (total assets minus total liabilities)[4]	50,216	50,297	50,243	50,236	50,470	50,963	50,907	50,733	50,724	120

1. Includes securities purchased under agreements to resell.
2. Other than financial institutions and brokers and dealers.
3. Includes federal funds purchased and securities sold under agreements to repurchase; for information on these liabilities at banks with assets of $1 billion or more on Dec. 31, 1977, see table 1.13.
4. This is not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.

1.27 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	1980	1981								Adjustment bank, 1980
	Dec. 31	Jan. 7	Jan. 14	Jan. 21	Jan. 28p	Feb. 4p	Feb. 11p	Feb. 18p	Feb. 25p	
1 Cash items in process of collection	62,722	54,008	53,487	49,255	47,184	50,544	46,644	59,169	48,181	33
2 Demand deposits due from banks in the United States	20,856	20,849	18,840	19,538	19,680	18,580	18,873	21,572	19,370	−19
3 All other cash and due from depository institutions	31,838	29,192	33,559	27,536	28,758	29,500	31,640	31,267	32,563	−241
4 Total loans and securities	**526,068**	**529,522**	**523,956**	**520,106**	**516,504**	**520,140**	**514,146**	**519,922**	**517,070**	**1,368**
Securities										
5 U.S. Treasury securities	36,649	37,804	37,662	37,494	36,973	38,281	37,318	37,575	37,871	146
6 Trading account	4,313	6,341	6,547	6,465	6,258	7,452	6,410	6,671	7,034	......
7 Investment account, by maturity	32,337	31,463	31,115	31,029	30,715	30,829	30,908	30,904	30,838	146
8 One year or less	9,475	8,852	8,704	8,678	8,524	8,627	8,714	8,456	8,485	69
9 Over one through five years	19,886	19,588	19,294	19,228	19,097	19,112	19,110	19,310	19,155	76
10 Over five years	2,976	3,022	3,117	3,124	3,094	3,091	3,084	3,138	3,198	1
11 Other securities	71,913	72,041	71,191	70,890	71,045	71,743	70,699	70,526	70,937	103
12 Trading account	3,234	3,234	2,469	2,260	2,435	3,503	2,554	2,365	2,761	......
13 Investment account	68,680	68,806	68,722	68,630	68,610	68,240	68,145	68,161	68,176	103
14 U.S. government agencies	14,903	14,988	14,868	14,829	14,822	14,831	14,852	14,894	14,864	50
15 States and political subdivision, by maturity	51,113	51,189	51,183	51,145	51,096	50,798	50,659	50,632	50,691	56
16 One year or less	6,592	6,489	6,407	6,404	6,442	6,416	6,272	6,264	6,316	8
17 Over one year	44,521	44,700	44,776	44,741	44,654	44,382	44,387	44,368	44,374	48
18 Other bonds, corporate stocks and securities	2,663	2,629	2,671	2,656	2,692	2,611	2,633	2,635	2,620	−3
Loans										
19 Federal funds sold[1]	24,330	30,163	26,912	25,935	24,058	24,497	23,312	26,554	25,461	37
20 To commercial banks	16,489	20,919	19,033	16,696	15,998	17,104	16,096	19,298	18,138	37
21 To nonbank brokers and dealers in securities	5,882	7,233	5,606	6,677	5,839	5,284	5,566	5,633	5,435	......
22 To others	1,959	2,011	2,273	2,563	2,221	2,108	1,650	1,623	1,889	......
23 Other loans, gross	404,526	400,974	399,711	397,322	395,953	397,138	394,380	396,882	394,406	1,128
24 Commercial and industrial	165,826	164,358	164,253	163,142	162,636	163,215	161,488	161,655	160,853	339
25 Bankers acceptances and commercial paper	4,006	4,015	4,435	3,767	4,008	4,047	3,395	4,001	3,516	......
26 All other	161,820	160,343	159,818	159,375	158,628	159,168	158,093	157,655	157,337	339
27 U.S. addressees	154,604	153,175	152,600	152,080	151,295	152,060	150,978	150,583	150,371	339
28 Non-U.S. addressees	7,216	7,167	7,218	7,295	7,333	7,108	7,116	7,072	6,966	......
29 Real estate	105,403	105,777	106,111	106,194	106,432	106,750	106,949	107,151	107,238	418
30 To individuals for personal expenditures	63,634	63,929	63,727	63,492	63,376	63,130	62,858	62,832	62,730	362
To financial institutions										
31 Commercial banks in the United States	5,226	4,425	4,561	3,995	4,103	3,788	4,217	4,534	4,269	−6
32 Banks in foreign countries	9,692	9,260	9,357	9,625	8,947	8,907	8,500	9,066	8,283	7
33 Sales finance, personal finance companies, etc	9,911	10,069	9,836	9,806	9,805	9,758	9,680	9,734	9,613	1
34 Other financial institutions	15,522	15,190	15,007	14,888	14,921	15,006	14,888	14,962	14,772	2
35 To nonbank brokers and dealers in securities	7,701	6,830	6,306	5,662	5,456	5,494	5,124	5,242	5,835	......
36 To others for purchasing and carrying securities[2]	1,909	1,866	1,944	1,902	1,965	1,977	1,991	2,047	2,050	......
37 To finance agricultural production	5,259	5,209	5,185	5,163	5,192	5,197	5,156	5,188	5,234	6
38 All other	14,443	14,061	13,424	13,454	13,120	13,915	13,527	14,471	13,530	−1
39 LESS: Unearned income	6,029	6,062	6,132	6,130	6,115	6,015	6,032	6,059	6,030	35
40 Loan loss reserve	5,322	5,398	5,387	5,406	5,410	5,504	5,531	5,556	5,575	11
41 Other loans, net	393,175	389,514	388,191	385,786	384,427	385,619	382,816	385,267	382,800	1,081
42 Lease financing receivables	9,050	9,038	9,230	9,246	9,324	9,635	9,660	9,665	9,711	......
43 All other assets	85,194	81,474	83,233	79,998	79,787	81,396	85,156	80,517	82,587	153
44 Total assets	**735,728**	**724,084**	**722,305**	**705,679**	**701,237**	**709,795**	**706,120**	**722,113**	**709,482**	**1,295**
Deposits										
45 Demand deposits	213,901	193,670	189,665	179,027	174,184	179,864	177,229	189,469	172,156	302
46 Mutual savings banks	806	712	688	581	551	700	599	716	544	......
47 Individuals, partnerships, and corporations	147,106	131,862	130,481	122,873	119,046	121,057	118,882	128,027	115,062	240
48 States and political subdivisions	5,192	4,560	4,190	4,437	4,227	4,612	4,066	4,204	4,096	15
49 U.S. government	990	1,424	1,579	1,114	1,477	3,214	1,799	1,474	1,412	2
50 Commercial banks in the United States	39,769	37,623	35,770	32,740	32,764	33,002	33,691	36,171	33,977	9
51 Banks in foreign countries	8,877	7,662	7,480	8,273	7,954	7,105	9,830	9,418	8,369	11
52 Foreign governments and official institutions	2,454	1,657	1,474	1,821	1,454	1,782	1,545	2,253	1,590	......
53 Certified and officers' checks	8,708	8,170	8,002	7,188	6,709	8,392	6,817	7,207	7,106	26
54 Time and savings deposits	293,036	295,548	295,621	297,756	299,786	300,186	298,883	298,832	299,350	774
55 Savings	67,133	69,939	69,841	69,743	68,821	69,902	69,814	70,105	69,358	238
56 Individuals and nonprofit organizations	63,227	66,030	65,921	65,959	65,034	66,081	65,991	66,206	65,588	214
57 Partnerships and corporations operated for profit	3,310	3,266	3,287	3,183	3,200	3,190	3,193	3,222	3,148	19
58 Domestic governmental units	573	622	612	578	565	611	610	656	603	5
59 All other	23	20	22	23	21	20	19	20	18	......
60 Time	225,904	225,609	225,780	228,012	230,965	230,284	229,069	228,727	229,992	536
61 Individuals, partnerships, and corporations	192,582	192,915	193,088	194,908	197,431	197,003	195,827	195,518	196,419	451
62 States and political subdivisions	18,249	17,995	18,086	18,286	18,782	18,569	18,827	18,812	19,169	79
63 U.S. government	284	285	298	282	294	283	283	294	290	5
64 Commercial banks in the United States	8,097	7,846	7,912	8,234	8,118	8,093	7,757	7,685	7,759	2
65 Foreign governments, official institutions, and banks	6,691	6,569	6,396	6,302	6,340	6,336	6,375	6,418	6,355	......
Liabilities for borrowed money										
66 Borrowings from Federal Reserve Banks	972	211	1,816	540	368	72	375	97	4,272	......
67 Treasury tax-and-loan notes	6,225	2,555	2,185	3,998	5,541	1,759	1,710	1,821	5,520	......
68 All other liabilities for borrowed money[3]	113,095	126,522	127,823	118,656	114,368	119,898	119,792	122,922	117,570	27
69 Other liabilities and subordinated notes and debentures	61,554	58,576	58,249	58,750	59,827	60,319	60,526	61,526	63,206	73
70 Total liabilities	**688,784**	**677,083**	**675,359**	**658,727**	**654,072**	**662,098**	**658,515**	**674,668**	**662,075**	**1,176**
71 Residual (total assets minus total liabilities)[4]	46,945	47,001	46,946	46,951	47,165	47,698	47,605	47,445	47,407	118

1. Includes securities purchased under agreements to resell.
2. Other than financial institutions and brokers and dealers.
3. Includes federal funds purchased and securities sold under agreement to repurchase; for information on these liabilities at banks with assets of $1 billion or more on Dec. 31, 1977, see table 1.13.
4. This is not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.

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

Millions of dollars, Wednesday figures

Account	1980	1981							
	Dec. 31	Jan. 7	Jan. 14	Jan. 21	Jan. 28p	Feb. 4p	Feb. 11p	Feb. 18p	Feb. 25p
1 Cash items in process of collection	24,782	20,614	21,628	18,696	18,644	18,772	17,906	19,549	18,827
2 Demand deposits due from banks in the United States	14,724	15,101	13,387	14,305	14,527	12,841	13,247	15,089	14,232
3 All other cash and due from depository institutions	7,742	8,286	11,388	5,904	7,178	7,712	8,378	10,642	8,419
4 **Total loans and securities**[1]	**129,586**	**129,279**	**126,775**	**125,235**	**123,296**	**124,325**	**121,931**	**125,738**	**123,490**
Securities									
5 U.S. Treasury securities[2]	....	....	....	....	....	....	....	....	....
6 Trading account[2]	....	....	....	....	....	....	....	....	....
7 Investment account, by maturity	8,418	8,238	7,990	7,990	7,985	8,004	7,975	8,266	8,120
8 One year or less	1,454	1,585	1,619	1,593	1,614	1,666	1,653	1,612	1,598
9 Over one through five years	6,412	6,113	5,817	5,848	5,834	5,809	5,807	6,085	5,952
10 Over five years	551	539	554	549	537	529	515	570	570
11 Other securities[2]	....	....	....	....	....	....	....	....	....
12 Trading account[2]	....	....	....	....	....	....	....	....	....
13 Investment account	13,676	13,752	13,698	13,702	13,675	13,617	13,525	13,532	13,561
14 U.S. government agencies	2,305	2,319	2,303	2,298	2,296	2,307	2,302	2,302	2,331
15 States and political subdivision, by maturity	10,750	10,797	10,753	10,776	10,757	10,685	10,612	10,613	10,627
16 One year or less	1,664	1,668	1,562	1,562	1,554	1,482	1,387	1,378	1,380
17 Over one year	9,087	9,129	9,190	9,214	9,203	9,202	9,225	9,234	9,247
18 Other bonds, corporate stocks and securities	620	636	642	627	622	626	611	618	602
Loans									
19 Federal funds sold[3]	7,284	9,819	7,994	7,780	7,254	6,979	6,112	8,738	7,823
20 To commercial banks	3,461	5,414	4,210	3,914	3,836	3,536	2,517	5,267	4,569
21 To nonbank brokers and dealers in securities	3,061	3,605	2,678	2,890	2,545	2,640	2,917	2,956	2,664
22 To others	762	801	1,105	976	872	802	678	515	590
23 Other loans, gross	103,141	100,435	100,084	98,762	97,385	98,709	97,327	98,230	97,030
24 Commercial and industrial	51,754	51,243	51,551	51,082	50,614	50,845	49,785	49,857	49,378
25 Bankers acceptances and commercial paper	767	790	1,183	942	1,056	1,155	680	1,037	886
26 All other	50,986	50,453	50,368	50,140	49,558	49,690	49,105	48,820	48,491
27 U.S. addressees	48,477	47,995	47,784	47,528	46,944	47,077	46,496	46,231	45,951
28 Non-U.S. addressees	2,510	2,458	2,584	2,612	2,614	2,613	2,609	2,588	2,540
29 Real estate	14,826	14,816	14,890	14,891	14,941	15,115	15,154	15,180	15,237
30 To individuals for personal expenditures	9,369	9,446	9,392	9,403	9,396	9,389	9,390	9,422	9,388
31 To financial institutions									
Commercial banks in the United States	2,081	1,502	1,660	1,268	1,280	1,163	1,359	1,643	1,430
32 Banks in foreign countries	5,072	4,689	4,686	4,918	4,326	4,387	4,160	4,592	4,051
33 Sales finance, personal finance companies, etc.	4,395	4,547	4,342	4,238	4,181	4,300	4,273	4,232	4,162
34 Other financial institutions	4,848	4,703	4,621	4,562	4,454	4,541	4,434	4,432	4,380
35 To nonbank brokers and dealers in securities	4,838	3,960	3,602	3,055	3,024	3,207	3,068	3,075	3,563
36 To others for purchasing and carrying securities[4]	405	395	431	424	472	489	489	507	504
37 To finance agricultural production	435	439	444	447	422	439	436	439	432
38 All other	5,117	4,695	4,465	4,474	4,274	4,832	4,778	4,851	4,504
39 LESS: Unearned income	1,149	1,157	1,187	1,190	1,198	1,146	1,153	1,163	1,170
40 Loan loss reserve	1,783	1,809	1,804	1,808	1,804	1,839	1,856	1,866	1,874
41 Other loans, net	100,208	97,470	97,093	95,764	94,382	95,724	94,318	95,201	93,986
42 Lease financing receivables	1,758	1,768	1,966	1,966	1,973	2,271	2,259	2,259	2,261
43 All other assets[5]	37,241	36,975	38,782	34,272	34,615	37,144	39,498	35,403	36,713
44 **Total assets**	**215,832**	**212,022**	**213,926**	**200,380**	**200,234**	**203,064**	**203,219**	**208,680**	**203,942**
Deposits									
45 Demand deposits	77,180	69,113	69,240	64,510	64,199	64,125	64,920	67,386	64,502
46 Mutual savings banks	436	383	363	307	285	362	331	381	292
47 Individuals, partnerships, and corporations	38,646	33,926	35,087	32,596	32,274	31,660	30,646	33,776	30,715
48 States and political subdivisions	578	366	467	528	525	492	424	431	425
49 U.S. government	173	350	401	291	352	831	426	306	240
50 Commercial banks in the United States	24,145	23,240	22,373	19,279	20,231	19,328	20,641	20,029	21,529
51 Banks in foreign countries	7,045	5,832	5,680	6,607	6,184	5,517	8,028	7,561	6,583
52 Foreign governments and official institutions	2,073	1,355	1,139	1,523	1,160	1,501	1,277	1,925	1,329
53 Certified and officers' checks	4,083	3,662	3,731	3,379	3,186	4,432	3,146	2,976	3,389
54 Time and savings deposits	57,318	57,961	57,590	57,962	58,096	58,201	57,318	56,444	55,707
55 Savings	9,547	9,558	9,476	9,330	9,150	9,239	9,217	9,231	9,147
56 Individuals and nonprofit organizations	9,124	9,131	9,059	8,928	8,746	8,823	8,787	8,797	8,721
57 Partnerships and corporations operated for profit	308	305	297	290	289	290	289	287	288
58 Domestic governmental units	107	115	113	104	111	122	136	144	135
59 All other	8	6	7	7	4	4	5	3	3
60 Time	47,770	48,403	48,114	48,633	48,946	48,961	48,101	47,213	46,560
61 Individuals, partnerships, and corporations	41,064	41,882	41,575	42,044	42,395	42,402	41,492	40,503	39,631
62 States and political subdivisions	1,436	1,384	1,339	1,413	1,508	1,559	1,674	1,725	1,770
63 U.S. government	14	14	22	25	24	32	37	38	36
64 Commercial banks in the United States	2,370	2,305	2,460	2,515	2,347	2,304	2,196	2,213	2,258
65 Foreign governments, official institutions, and banks	2,886	2,818	2,719	2,636	2,672	2,664	2,702	2,734	2,865
Liabilities for borrowed money									
66 Borrowings from Federal Reserve Banks	475	....	1,490	....	....	....	150	....	2,730
67 Treasury tax-and-loan notes	1,833	95	1	1	1	2	583	354	1,500
68 All other liabilities for borrowed money[6]	37,976	45,713	47,020	39,535	38,223	40,516	40,394	43,974	38,151
69 Other liabilities and subordinated notes and debentures	25,296	23,402	22,958	22,816	24,175	24,342	24,002	24,727	25,637
70 **Total liabilities**	**200,077**	**196,283**	**198,300**	**184,825**	**184,695**	**187,187**	**187,367**	**192,884**	**188,227**
71 Residual (total assets minus total liabilities)[4]	15,755	15,738	15,627	15,555	15,539	15,877	15,852	15,796	15,716

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 federal funds purchased and securities sold under agreements to repurchase
7. This is not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.

1.29 LARGE WEEKLY REPORTING COMMERCIAL BANKS Balance Sheet Memoranda

Millions of dollars, Wednesday figures

Account	1980	1981								Adjustment bank, 1980
	Dec. 31	Jan. 7	Jan. 14	Jan. 21	Jan. 28p	Feb. 4p	Feb. 11p	Feb. 18p	Feb. 25p	
BANKS WITH ASSETS OF $750 MILLION OR MORE										
1 Total loans (gross) and securities adjusted[1]	551,646	551,605	547,441	546,631	543,287	546,167	540,576	542,963	541,405	1,451
2 Total loans (gross) adjusted[1]	433,582	432,308	429,250	428,902	425,949	426,795	423,198	425,404	423,216	1,197
3 Demand deposits adjusted[2]	119,700	109,123	106,799	103,530	100,147	100,605	102,762	99,767	95,600	347
4 Time deposits in accounts of $100,000 or more	159,443	158,357	158,214	160,187	162,410	161,311	160,059	159,520	160,016	113
5 Negotiable CDs	116,374	114,827	114,303	115,864	117,693	116,453	114,752	114,292	114,208	54
6 Other time deposits	43,069	43,530	43,912	44,324	44,717	44,858	45,307	45,228	45,808	58
7 Loans sold outright to affiliates[3]	2,748	2,773	2,778	2,753	2,760	2,785	2,793	2,883	2,760	....
8 Commercial and industrial	1,800	1,862	1,865	1,833	1,850	1,878	1,884	1,977	1,846	....
9 Other	947	911	913	920	910	906	909	906	913	....
BANKS WITH ASSETS OF $1 BILLION OR MORE										
10 Total loans (gross) and securities adjusted[1]	515,704	515,638	511,882	510,951	507,928	510,767	505,397	507,706	506,268	1,382
11 Total loans (gross) adjusted[1]	407,141	405,793	403,029	402,567	399,910	400,743	397,380	399,604	397,460	1,133
12 Demand deposits adjusted[2]	110,420	100,615	98,828	95,917	92,758	93,105	95,094	92,655	88,586	258
13 Time deposits in accounts of $100,000 or more	150,394	149,306	149,236	151,237	153,504	152,239	151,030	150,508	150,840	110
14 Negotiable CDs	109,936	108,419	107,974	109,592	111,477	110,113	108,473	108,004	107,803	54
15 Other time deposits	40,458	40,888	41,262	41,645	42,026	42,125	42,556	42,504	43,038	56
16 Loans sold outright to affiliates[3]	2,711	2,733	2,738	2,708	2,725	2,748	2,756	2,849	2,724	....
17 Commercial and industrial	1,783	1,839	1,838	1,801	1,825	1,850	1,856	1,948	1,818	....
18 Other	928	893	900	907	900	898	901	900	905	....
BANKS IN NEW YORK CITY										
19 Total loans (gross) and securities adjusted[1,4]	126,976	125,329	123,896	123,052	121,183	122,610	121,063	121,857	120,534	175
20 Total loans (gross) adjusted[1]	104,883	103,338	102,208	101,360	99,522	100,988	99,563	100,058	98,854	65
21 Demand deposits adjusted[2]	28,081	24,909	24,838	26,244	24,972	25,194	25,946	27,502	23,906	−248
22 Time deposits in accounts of $100,000 or more	37,811	38,263	38,033	38,579	38,826	38,753	37,925	37,044	36,172	55
23 Negotiable CDs	28,649	29,154	28,877	29,294	29,595	29,235	28,229	27,493	26,680	....
24 Other time deposits	9,162	9,109	9,156	9,285	9,232	9,518	9,696	9,552	9,492	55

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.

1.30 LARGE WEEKLY REPORTING COMMERCIAL BANKS Domestic Classified Commercial and Industrial Loans

Millions of dollars

Industry classification	Outstanding					Net change during					Adjustment bank[1]
	1980			1981		1980			1981		
	Oct. 29	Nov. 26	Dec. 31	Jan. 28	Feb. 25p	Q3	Q4	Dec.	Jan.	Feb.p	
1 Durable goods manufacturing	23,335	24,088	24,676	24,378	24,424	783	1,164	587	−300	45	2
2 Nondurable goods manufacturing	20,273	20,804	20,503	19,359	18,937	1,195	970	−301	−1,142	−422	−1
3 Food, liquor, and tobacco	4,584	4,921	5,384	4,915	4,529	649	1,033	463	−466	−386	−3
4 Textiles, apparel, and leather	5,070	4,906	4,150	4,096	4,364	269	−1,054	−756	−54	268	....
5 Petroleum refining	3,153	3,129	3,633	3,185	2,929	−28	947	504	−448	−256	....
6 Chemicals and rubber	3,846	4,158	3,917	3,782	3,673	30	184	−241	−135	−109	....
7 Other nondurable goods	3,620	3,690	3,419	3,381	3,442	275	−140	−271	−39	61	2
8 Mining (including crude petroleum and natural gas)	14,716	15,338	16,427	16,251	15,935	199	2,471	1,089	−177	−316	....
9 Trade	26,270	27,050	26,250	25,552	25,245	350	1,300	−801	−697	−307	....
10 Commodity dealers	2,470	2,402	2,563	2,116	1,874	588	444	161	−447	−242	....
11 Other wholesale	11,876	12,182	12,306	12,057	11,707	−94	720	124	−248	−350	....
12 Retail	11,923	12,467	11,381	11,378	11,663	−144	136	−1,086	−2	285	....
13 Transportation, communication, and other public utilities	19,316	20,099	21,316	20,741	20,270	478	2,093	1,217	−573	−472	−2
14 Transportation	7,788	8,019	8,374	8,254	8,139	136	638	354	−117	−114	−2
15 Communication	3,094	3,161	3,319	3,184	3,097	154	326	158	−136	−87	....
16 Other public utilities	8,434	8,919	9,623	9,303	9,033	188	1,128	704	−320	−270	....
17 Construction	5,924	5,992	5,993	5,950	6,109	60	−37	1	−42	159	−2
18 Services	21,530	22,160	22,853	23,247	23,533	1,014	1,542	693	394	286	....
19 All other[2]	15,634	16,146	16,586	15,816	15,919	403	1,184	440	−1,111	103	341
20 **Total domestic loans**	**146,998**	**151,678**	**154,604**	**151,295**	**150,371**	**4,483**	**10,687**	**2,926**	**−3,648**	**−924**	**339**
21 MEMO: Term loans (original maturity more than 1 year) included in domestic loans	76,912	78,956	81,745	81,794	80,147	2,241	5,209	2,789	52	−1,647	−3

1. Adjustment bank amounts represent accumulated adjustments originally made to offset the cumulative effects of mergers. These adjustment amounts should be added to outstanding data for any date in the year to establish comparability with any date in the subsequent year. Changes shown have been adjusted for these amounts.

2. 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. Partly estimated historical data are available from the Banking Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C., 20551.

1.31 GROSS DEMAND DEPOSITS of Individuals, Partnerships, and Corporations[1]

Billions of dollars, estimated daily-average balances

Type of holder	1975 Dec.	1976 Dec.	1977 Dec.	1978 Dec.	1979[2] Sept.	1979[2] Dec.	1980 Mar.	1980 June	1980 Sept.	1980 Dec.
	Commercial banks									
1 **All holders—Individuals, partnerships, and corporations**	**236.9**	**250.1**	**274.4**	**294.6**	**292.4**	**302.2**	**288.4**	**288.6**	**302.0**	**316.8**
2 Financial business	20.1	22.3	25.0	27.8	26.7	27.1	28.4	27.7	29.6	29.8
3 Nonfinancial business	125.1	130.2	142.9	152.7	148.8	157.7	144.9	145.3	151.9	162.3
4 Consumer	78.0	82.6	91.0	97.4	99.2	99.2	97.6	97.9	101.8	104.0
5 Foreign	2.4	2.7	2.5	2.7	2.8	3.1	3.1	3.3	3.2	3.3
6 Other	11.3	12.4	12.9	14.1	14.9	15.1	14.4	14.4	15.5	17.4
	Weekly reporting banks									
	1975 Dec.	1976 Dec.	1977 Dec.	1978 Dec.	1979[3] Sept.	1979[3] Dec.	1980 Mar.	1980 June	1980 Sept.	1980 Dec.
7 **All holders—Individuals, partnerships, and corporations**	**124.4**	**128.5**	**139.1**	**147.0**	**132.7**	**139.3**	**133.6**	**133.9**	**140.6**	**147.4**
8 Financial business	15.6	17.5	18.5	19.8	19.7	20.1	20.1	20.2	21.2	21.6
9 Nonfinancial business	69.9	69.7	76.3	79.0	69.1	74.1	69.1	69.2	72.4	77.7
10 Consumer	29.9	31.7	34.6	38.2	33.7	34.3	34.2	33.9	36.0	36.3
11 Foreign	2.3	2.6	2.4	2.5	2.8	3.0	3.0	3.1	3.1	3.1
12 Other	6.6	7.1	7.4	7.5	7.4	7.8	7.2	7.5	7.9	8.7

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.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1977 Dec.	1978 Dec.	1979[1] Dec.	1980 Dec.	1980 July	1980 Aug.	1980 Sept.	1980 Oct.	1980 Nov.	1980 Dec.	1981 Jan.
	Commercial paper (seasonally adjusted)										
1 **All issuers**	**65,036**	**83,420**	**112,803**	**125,068**	**122,259**	**122,607**	**123,460**	**122,383**	**124,776**	**125,068**	**127,957**
Financial companies[2]											
Dealer-placed paper[3]											
2 Total	8,888	12,300	17,579	19,847	18,207	19,092	19,509	18,992	19,556	19,847	20,103
3 Bank-related	2,132	3,521	2,874	3,561	3,198	3,313	3,370	3,442	3,436	3,561	3,670
Directly placed paper[4]											
4 Total	40,612	51,755	64,931	68,083	63,777	64,550	65,542	66,628	67,345	68,083	68,318
5 Bank-related	7,102	12,314	17,598	22,382	19,239	19,909	19,692	21,146	21,939	22,382	22,570
6 Nonfinancial companies[5]	15,536	19,365	30,293	37,138	40,275	38,965	38,409	36,763	37,875	37,138	39,536
	Bankers dollar acceptances (not seasonally adjusted)										
7 **Total**	**25,450**	**33,700**	**45,321**	**54,744**	**54,334**	**54,486**	**55,774**	**56,610**	**55,226**	**54,744**	**54,465**
Holder											
8 Accepting banks	10,434	8,579	9,865	10,564	9,764	9,644	10,275	11,317	10,236	10,564	9,371
9 Own bills	8,915	7,653	8,327	8,963	8,603	8,544	9,004	9,808	8,837	8,963	7,951
10 Bills bought	1,519	927	1,538	1,601	1,161	1,100	1,270	1,509	1,399	1,601	1,420
Federal Reserve Banks											
11 Own account	954	1	704	776	310	277	499	566	523	776	0
12 Foreign correspondents	362	664	1,382	1,791	1,899	1,841	1,820	1,915	1,852	1,791	1,771
13 Others	13,700	24,456	33,370	41,614	42,361	42,724	43,179	42,813	42,616	41,614	43,323
Basis											
14. Imports into United States	6,378	8,574	10,270	11,776	12,109	11,861	11,731	12,254	11,774	11,776	11,903
15 Exports from United States	5,863	7,586	9,640	12,712	12,401	12,582	12,991	13,445	13,670	12,712	12,816
16 All other	13,209	17,540	25,411	30,257	29,824	30,043	31,052	30,911	29,782	30,257	29,746

1. A change in reporting instructions results in offsetting shifts in the dealer-placed and directly placed financial company paper in October 1979.

2. 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.

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

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

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

1.33 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
1980—Oct. 1	13.50	1980—Dec 10	20.00	1980—Jan.	15.25	1980—Aug.	11.12
17	14.00	16	21.00	Feb.	15.63	Sept.	12.23
29	14.50	19	21.50	Mar.	18.31	Oct.	13.79
Nov. 6	15.50			Apr.	19.77	Nov.	16.06
17	16.25	1981—Jan. 2	20.50	May	16.57	Dec.	20.35
21	17.00	9	20.00	June	12.63		
26	17.75	Feb. 3	19.50	July	11.48	1981—Jan.	20.16
Dec. 2	18.50	19	19.00			Feb.	19.43
5	19.00						

1.34 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, November 3–8, 1980

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)	13,100,722	729,247	549,089	562,389	1,819,646	665,483	8,774,868
2 Number of loans	131,579	92,779	16,539	9,235	10,024	1,049	1,953
3 Weighted-average maturity (months)	2.2	3.0	3.5	2.9	3.0	3.4	1.7
4 Weighted-average interest rate (percent per annum)	15.71	15.97	15.72	16.39	15.52	15.87	15.68
5 Interquartile range[1]	15.12–16.65	14.75–17.23	13.52–17.11	15.50–17.50	14.50–16.75	15.31–16.61	15.25–16.50
Percentage of amount of loans							
6 With floating rate	50.5	25.0	27.9	40.7	52.1	68.3	53.0
7 Made under commitment	45.7	25.1	22.3	35.3	46.4	65.6	48.0
8 With no stated maturity	25.2	14.9	12.0	17.4	24.3	31.0	27.1
LONG-TERM COMMERCIAL AND INDUSTRIAL LOANS							
9 Amount of loans (thousands of dollars)	3,152,110		306,233		571,615	171,411	2,102,851
10 Number of loans	17,989		15,060		2,245	245	439
11 Weighted-average maturity (months)	46.3		48.3		34.4	40.6	49.6
12 Weighted-average interest rate (percent per annum)	15.07		15.42		15.29	15.20	14.95
13 Interquartile range[1]	14.50–15.62		14.93–16.65		14.75–15.50	14.50–16.25	14.50–15.50
Percentage of amount of loans							
14 With floating rate	70.1		39.3		29.5	72.3	85.5
15 Made under commitment	58.1		29.0		25.1	70.2	70.3
CONSTRUCTION AND LAND DEVELOPMENT LOANS							
16 Amount of loans (thousands of dollars)	1,072,203	105,341	242,030	167,557	230,726	326,549	
17 Number of loans	24,383	13,527	6,586	2,637	1,413	221	
18 Weighted-average maturity (months)	13.4	9.4	5.0	19.4	10.0	18.0	
19 Weighted-average interest rate (percent per annum)	15.31	15.23	14.64	14.74	15.24	16.16	
20 Interquartile range[1]	14.00–16.65	14.04–16.99	13.10–15.50	14.00–14.75	14.00–17.00	15.50–17.00	
Percentage of amount of loans							
21 With floating rate	44.4	22.7	8.8	45.6	47.9	74.7	
22 Secured by real estate	81.9	84.3	98.2	96.7	89.8	56.0	
23 Made under commitment	60.9	48.7	60.9	21.5	78.2	73.0	
24 With no stated maturity	16.5	4.9	26.9	3.1	35.8	5.8	
Type of construction							
25 1- to 4-family	40.9	75.0	66.9	57.7	24.9	13.3	
26 Multifamily	8.2	2.2	10.0	3.6	8.9	10.7	
27 Nonresidential	50.9	22.7	23.1	38.7	66.2	76.0	

LOANS TO FARMERS	All sizes	1–9	10–24	25–49	50–99	100–249	250 and over
28 Amount of loans (thousands of dollars)	1,301,641	191,079	217,452	190,952	196,075	275,324	230,759
29 Number of loans	72,123	46,721	14,605	5,800	2,838	1,789	370
30 Weighted-average maturity (months)	7.3	6.7	7.1	5.6	6.6	10.6	5.8
31 Weighted-average interest rate (percent per annum)	15.46	15.10	15.02	15.22	15.55	15.74	15.96
32 Interquartile range[1]	14.49–16.64	14.30–15.97	14.32–15.95	14.04–16.21	15.00–16.10	14.48–16.64	14.93–17.05
By purpose of loan							
33 Feeder livestock	15.45	15.10	15.09	14.93	15.23	15.79	16.32
34 Other livestock	15.35	15.19	15.96	14.84	15.46	15.30	(2)
35 Other current operating expenses	15.44	15.17	15.14	15.33	15.88	15.97	15.21
36 Farm machinery and equipment	15.13	15.01	14.81	15.44	15.42	(2)	(2)
37 Other	15.75	14.91	13.90	16.06	15.79	15.44	17.25

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 E.2(111) statistical release.

1.35 INTEREST RATES Money and Capital Markets

Averages, percent per annum; weekly and monthly figures are averages of business day data unless otherwise noted.

Instrument	1978	1979	1980	1980		1981		1981, week ending				
				Nov.	Dec.	Jan.	Feb.	Jan. 30	Feb. 6	Feb. 13	Feb. 20	Feb. 27
MONEY MARKET RATES												
1 Federal funds[1,2]	7.93	11.19	13.36	15.85	18.90	19.08	15.93	18.12	17.19	16.51	15.81	14.96
Commercial paper[3,4]												
2 1-month	7.76	10.86	12.76	15.23	18.95	17.73	15.81	17.07	16.47	16.34	15.81	14.72
3 3-month	7.94	10.97	12.66	15.18	18.07	16.58	15.49	16.38	15.85	16.02	15.54	14.68
4 6-month	7.99	10.91	12.29	14.73	16.49	15.10	14.87	15.02	14.90	15.20	15.02	14.45
Finance paper, directly placed[3,4]												
5 1-month	7.73	10.78	12.44	14.87	17.87	16.97	15.52	16.71	16.17	16.15	15.64	14.29
6 3-month	7.80	10.47	11.49	13.14	15.00	14.49	14.45	14.80	14.67	14.77	14.69	13.80
7 6-month	7.78	10.25	11.28	13.07	14.78	14.09	14.05	14.24	14.14	14.27	14.31	13.60
Bankers acceptances[4,5]												
8 3-month	8.11	11.04	12.78	15.34	17.96	16.62	15.54	16.32	15.86	16.18	15.40	14.83
9 6-month	n.a.	n.a.	n.a.	n.a.	n.a.	14.88	14.89	14.91	14.88	15.28	14.95	14.55
Certificates of deposit, secondary market[6]												
10 1-month	7.88	11.03	12.91	15.39	19.24	17.99	16.11	17.43	16.63	16.79	16.23	14.96
11 3-month	8.22	11.22	13.07	15.68	18.65	17.19	16.14	17.03	16.38	16.71	16.31	15.31
12 6-month	8.61	11.44	12.99	15.36	17.10	15.92	16.00	15.92	15.81	16.43	16.33	15.59
13 Eurodollar deposits, 3-month[2]	8.78	11.96	14.00	16.46	19.47	18.07	17.18	18.56	17.23	17.16	18.11	16.59
U.S. Treasury bills[4]												
Secondary market[7]												
14 3-month	7.19	10.07	11.43	13.73	15.49	15.02	14.79	15.01	14.90	15.51	14.68	14.19
15 6-month	7.58	10.06	11.37	13.50	14.64	14.08	14.05	14.01	13.92	14.63	14.00	13.76
16 1-year	7.74	9.75	10.89	12.66	13.23	12.62	12.99	12.68	12.84	13.31	12.98	12.89
Auction average[8]												
17 3-month	7.221	10.041	11.506	13.888	15.661	14.724	14.905	15.199	14.657	15.397	15.464	14.103
18 6-month	7.572	10.017	11.374	13.612	14.770	13.883	14.134	14.121	13.735	14.430	14.760	13.611
19 1-year	7.678	9.817	10.748	12.219	13.261	12.554	12.801	13.033	......	......	......	12.801
CAPITAL MARKET RATES												
U.S. Treasury notes and bonds[9]												
Constant maturities[10]												
20 1-year	8.34	10.67	12.05	14.15	14.88	14.08	14.57	14.24	14.41	14.92	14.50	14.50
21 2-year	8.34	10.12	11.77	13.51	14.08	13.26	13.92	13.39	13.67	14.22	13.81	14.02
22 2½-year[11]	......	......	......	......	......	......	......	13.25	......	13.95	......	14.00
23 3-year	8.29	9.71	11.55	13.31	13.65	13.01	13.65	13.13	13.41	13.86	13.53	13.80
24 5-year	8.32	9.52	11.48	12.83	13.25	12.77	13.41	12.89	13.13	13.59	13.32	13.63
25 7-year	8.36	9.48	11.43	12.71	13.00	12.66	13.28	12.78	13.00	13.45	13.24	13.45
26 10-year	8.41	9.44	11.46	12.68	12.84	12.57	13.19	12.74	12.95	13.39	13.16	13.32
27 20-year	8.48	9.33	11.39	12.44	12.49	12.29	12.98	12.48	12.72	13.15	12.97	13.10
28 30-year	8.49	9.29	11.30	12.37	12.40	12.14	12.80	12.32	12.60	12.99	12.77	12.89
Composite[12]												
29 Over 10 years (long-term)	7.89	8.74	10.81	11.83	11.89	11.65	12.23	11.80	12.02	12.41	12.21	12.32
State and local notes and bonds												
Moody's series[13]												
30 Aaa	5.52	5.92	7.85	8.71	9.44	8.98	9.46	9.30	9.30	9.40	9.50	9.65
31 Baa	6.27	6.73	9.01	9.74	10.64	9.90	10.15	9.90	10.00	10.20	10.20	10.20
32 *Bond Buyer* series[14]	6.03	6.52	8.59	9.56	10.11	9.66	10.10	9.91	9.90	9.99	10.22	10.27
Corporate bonds												
Seasoned issues[15]												
33 All industries	9.07	10.12	12.75	13.64	14.04	13.80	14.22	13.93	14.05	14.23	14.33	14.30
34 Aaa	8.73	9.63	11.94	12.97	13.21	12.81	13.35	12.98	13.07	13.41	13.51	13.45
35 Aa	8.92	9.94	12.50	13.34	13.78	13.52	13.89	13.62	13.69	13.87	14.04	14.00
36 A	9.12	10.20	12.89	13.59	14.03	13.83	14.27	13.97	14.12	14.22	14.40	14.35
37 Baa	9.45	10.69	13.67	14.64	15.14	15.03	15.37	15.15	15.32	15.41	15.36	15.39
Aaa utility bonds[16]												
38 New issue	8.96	10.03	12.74	13.85	14.51	14.12	14.90	14.06	......	......	......	14.90
39 Recently offered issues	8.97	10.02	12.70	13.91	14.38	14.17	14.58	14.08	14.30	14.58	14.57	14.85
MEMO: Dividend/price ratio[17]												
40 Preferred stocks	8.25	9.07	10.57	11.35	11.94	11.64	11.83	11.54	11.80	11.84	11.92	11.78
41 Common stocks	5.28	5.46	5.25	4.63	4.74	4.76	5.00	4.84	5.00	5.00	5.00	5.02

1. Weekly and monthly figures are averages of all calendar days, where the rate for a weekend or holiday is taken to be the rate prevailing on the preceding business day. The daily rate is the average of the rates on a given day weighted by the volume of transactions at these rates.
2. Weekly figures are statement week averages—that is, averages for the week ending Wednesday.
3. 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. Before November 1979, maturities for data shown are 30–59 days, 90–119 days, and 120–179 days for commercial paper; and 30–59 days, 90–119 days, and 150–179 days for finance paper.
4. Yields are quoted on a bank-discount basis, rather than an investment yield basis (which would give a higher figure).
5. Dealer closing offered rates for top-rated banks. Most representative rate (which may be, but need not be, the average of the rates quoted by the dealers).
6. Unweighted average of offered rates quoted by at least five dealers early in the day.
7. Unweighted average of closing bid rates quoted by at least five dealers.
8. Rates are recorded in the week in which bills are issued.
9. Yields (not compounded) are based on closing bid prices quoted by at least five dealers.
10. Yields adjusted to constant maturities by the U.S. Treasury. That is, yields are read from a yield curve at fixed maturities. Based on only recently issued, actively traded securities.
11. Each monthly figure is an average of only five business days near the end of the month. The rate for each month was used to determine the maximum interest rate payable in the following month on small saver certificates, until June 2, 1980. Each weekly figure is calculated on a biweekly basis and is the average of five business days ending on the Monday following the calendar week. Beginning June 2, the biweekly rate is used to determine the maximum interest rate payable in the following two-week period on small saver certificates. (See table 1.16.)
12. Unweighted averages for all outstanding notes and bonds neither due nor callable in less than 10 years, including several very low yielding "flower" bonds.
13. General obligations only, based on figures for Thursday, from Moody's Investors Service.
14. General obligations only, with 20 years to maturity, issued by 20 state and local governmental units of mixed quality. Based on figures for Thursday.
15. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
16. Compilation of the Federal Reserve. 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.
17. Standard and Poor's corporate series. Preferred stock ratio based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation. Common stock ratios on the 500 stocks in the price index.

1.36 STOCK MARKET Selected Statistics

Indicator	1978	1979	1980	1980 Aug.	1980 Sept.	1980 Oct.	1980 Nov.	1980 Dec.	1981 Jan.	1981 Feb.
	Prices and trading (averages of daily figures)									
Common stock prices										
1 New York Stock Exchange (Dec. 31, 1965 = 50)	53.76	55.67	68.06	70.87	73.12	75.17	78.15	76.69	76.24	73.52
2 Industrial	58.30	61.82	78.64	82.15	84.92	88.00	92.32	90.37	89.23	85.74
3 Transportation	43.25	45.20	60.52	62.48	65.89	70.76	77.22	75.74	74.43	72.76
4 Utility	39.23	36.46	37.35	38.18	38.77	38.44	38.35	37.84	38.53	37.59
5 Finance	56.74	58.65	64.28	67.22	69.33	68.29	67.21	67.46	70.04	68.48
6 Standard & Poor's Corporation (1941–43 = 10)[1]	96.11	98.34	118.71	123.50	126.49	130.22	135.65	133.48	132.97	128.40
7 American Stock Exchange (Aug. 31, 1973 = 100)	144.56	186.56	300.94	321.87	337.01	350.08	349.97	347.56	344.21	338.28
Volume of trading (thousands of shares)										
8 New York Stock Exchange	28,591	32,233	44,867	45,984	50,397	44,860	54,895	46,620	45,500	42,963
9 American Stock Exchange	3,622	4,182	6,377	6,452	7,880	7,087	7,852	6,410	6,024	4,816
	Customer financing (end-of-period balances, in millions of dollars)									
10 Regulated margin credit at brokers/dealers[2]	**11,035**	**11,619**	**14,721**	**12,007**	**12,731**	**13,293**	**14,363**	**14,721**	**14,242**	
11 Margin stock[3]	10,830	11,450	14,500	11,800	12,520	13,080	14,140	14,500	14,020	
12 Convertible bonds	205	167	219	204	208	211	220	219	221	
13 Subscription issues	1	2	2	3	3	2	3	2	1	n.a.
Free credit balances at brokers[4]										
14 Margin-account	835	1,105	2,105[r]	1,695	1,850	1,950[c]	2,120[c]	2,105	2,065	
15 Cash-account	2,510	4,060	6,070[r]	4,925	5,680	5,500[c]	5,590[c]	6,070[r]	5,655	
	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**	**100.0**	
By equity class (in percent)[5]										
17 Under 40	33.0	16.0	14.0	11.0	13.0	13.0	13.0	14.0	20.0	
18 40–49	28.0	29.0	30.0	25.0	28.0	29.0	18.0	30.0	30.0	
19 50–59	18.0	27.0	25.0	30.0	26.0	25.0	31.0	25.0	22.0	n.a.
20 60–69	10.0	14.0	14.0	16.0	15.0	15.0	18.0	14.0	13.0	
21 70–79	6.0	8.0	9.0	10.0	10.0	10.0	11.0	9.0	8.0	
22 80 or more	5.0	7.0	8.0	8.0	8.0	8.0	9.0	8.0	7.0	
	Special miscellaneous-account balances at brokers (end of period)									
23 Total balances (millions of dollars)[6]	**13,092**	**16,150**	**21,690**	**18,350**	**19,283**	**19,929**	**21,600**	**21,690**	**21,686**	
Distribution by equity status (percent)										
24 Net credit status	41.3	44.2	47.8	48.2	49.0	46.8	46.5	47.8	47.0	n.a.
Debt status, equity of										
25 60 percent or more	45.1	47.0	44.4	44.6	43.4	46.2	46.8	44.4	43.9	
26 Less than 60 percent	13.6	8.8	7.7	7.0	7.6	7.0	6.7	7.7	9.1	

Margin requirements (percent of market value and effective date)[7]

	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 of 1934, limit the amount of credit to purchase and carry margin stocks that may be extended on securities as collateral by prescribing a maximum loan value, which is a specified percentage of the market value of the collateral at the time the credit is extended. Margin requirements are the difference between the market value (100 percent) and the maximum loan value. The term "margin stocks" is defined in the corresponding regulation.

1.37 SAVINGS INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1978	1979	1980 Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1981 Jan.p
						Savings and loan associations						
1 **Assets**	**523,542**	**578,962**	**590,725**	**592,931**	**594,397**	**596,620**	**603,295**	**609,320**	**617,773**	**623,939**	**629,829r**	**631,046**
2 Mortgages	432,808	475,688	480,032	479,956	481,042	482,839	487,036	491,895	496,495	499,973	502,812r	504,078
3 Cash and investment securities[1]	44,884	46,341	50,373	52,466	52,408	52,165	53,336	53,435	56,146	57,302	57,572r	57,383
4 Other	45,850	56,933	60,320	60,509	60,947	61,616	62,923	63,990	65,132	66,664	69,445r	69,585
5 **Liabilities and net worth**	**523,542**	**578,962**	**590,725**	**592,931**	**594,397**	**596,620**	**603,295**	**609,320**	**617,773**	**623,939**	**629,829r**	**631,046**
6 Savings capital	430,953	470,004	478,400	481,411	486,680	488,896	497,403	496,991	500,861	503,365	510,959r	512,858
7 Borrowed money	42,907	55,232	57,253	55,199	54,796	41,239	55,396	58,418	60,727	62,067	64,491r	62,674
8 FHLBB	31,990	40,441	42,724	41,529	40,613	39,882	41,005	42,547	44,325	45,505	47,045r	46,585
9 Other	10,917	14,791	14,529	13,670	14,183	13,579	14,391	15,871	16,402	16,562	17,446r	16,098
10 Loans in process	10,721	9,582	7,725	7,185	7,031	7,112	7,540	8,243	8,654	8,853	8,783r	8,321
11 Other	9,904	11,506	14,143	16,141	12,966	14,364	16,190	12,776	14,502	16,433	12,227r	14,047
12 Net worth[2]	29,057	32,638	33,204	32,995	32,924	32,787	32,766	32,892	33,029	33,221	33,319r	33,137
13 MEMO: Mortgage loan commitments outstanding[3]	18,911	16,007	14,195	13,931	15,368	18,020	20,278	20,311	19,077	17,979	16,102r	15,859
						Mutual savings banks[4]						
14 **Assets**	**158,174**	**163,405**	**165,366**	**166,340**	**166,982**	**167,959**	**168,752**	**169,409**	**170,432**	**171,126**	**171,594**	
Loans												
15 Mortgage	95,157	98,908	99,045	99,163	99,176	99,301	99,289	99,306	99,523	99,677	99,891	
16 Other	7,195	9,253	10,187	10,543	11,148	11,390	11,122	11,415	11,382	11,477	11,770	
Securities												
17 U.S. government[5]	4,959	7,658	7,548	7,527	7,483	7,796	8,079	8,434	8,622	8,715	8,891	
18 State and local government	3,333	2,930	2,791	2,727	2,706	2,702	2,709	2,728	2,754	2,736	2,379	
19 Corporate and other[6]	39,732	37,086	37,801	38,246	38,276	38,863	39,327	39,609	39,720	39,888	39,349	
20 Cash	3,665	3,156	3,405	3,588	3,561	3,260	3,456	3,153	3,592	3,717	4,330	
21 Other assets	4,131	4,412	4,588	4,547	4,631	4,648	4,770	4,764	4,839	4,916	4,983	n.a.
22 **Liabilities**	**158,174**	**163,405**	**165,366**	**166,340**	**166,982**	**167,959**	**168,752**	**169,409**	**170,432**	**171,126**	**171,594**	
23 Deposits	142,701	146,006	145,821	146,637	148,606	149,580	150,187	151,765	151,998	152,133	153,555	
24 Regular[7]	141,170	144,070	143,765	144,646	146,416	147,408	148,018	149,395	149,797	150,109	151,450	
25 Ordinary savings	71,816	61,123	54,247	54,669	56,388	57,737	58,191	58,658	57,651	56,256	53,955	
26 Time and other	69,354	82,947	89,517	89,977	90,028	89,671	89,827	90,736	92,146	93,853	97,494	
27 Other	1,531	1,936	2,056	1,990	2,190	2,172	2,169	2,370	2,200	2,042	2,105	
28 Other liabilities	4,565	5,873	7,916	8,161	6,898	6,964	7,211	6,299	7,117	7,644	6,665	
29 General reserve accounts	10,907	11,525	11,629	11,542	11,478	11,416	11,353	11,344	11,317	11,349	11,374	
30 MEMO: Mortgage loan commitments outstanding[8]	4,400	3,182	2,097	1,883	1,898	1,939	1,849	1,883	1,817	1,682	1,476	
						Life insurance companies						
31 **Assets**	**389,924**	**432,282**	**442,932**	**447,020**	**450,858**	**455,759**	**459,362**	**464,483**	**468,057**	**473,529**	**476,190**	
Securities												
32 Government	20,009	0,338	20,470	20,529	20,395	20,736	20,833	20,853	20,942	21,204	21,453	
33 United States[9]	4,822	4,888	5,059	5,107	4,990	5,325	5,386	5,361	5,390	5,568	5,753	
34 State and local	6,402	6,428	6,351	6,352	6,349	6,361	6,421	6,474	6,484	6,568	6,682	
35 Foreign[10]	8,785	9,022	9,060	9,070	9,056	9,050	9,026	9,018	9,068	9,068	9,018	
36 Business	198,105	222,332	222,175	223,556	224,874	228,645	230,477	233,652	236,115	239,150	238,048	n.a.
37 Bonds	162,587	178,371	182,750	183,356	184,329	186,385	187,839	189,586	191,229	191,753	191,090	
38 Stocks	35,518	39,757	39,425	40,200	40,545	42,260	42,638	44,066	44,886	47,397	46,958	
39 Mortgages	106,167	118,421	123,587	124,563	125,455	126,461	127,357	128,089	128,977	129,878	131,145	
40 Real estate	11,764	13,007	13,696	13,981	14,085	14,164	14,184	14,460	14,702	15,183	15,247	
41 Policy loans	30,146	34,825	38,166	38,890	39,354	39,649	39,925	40,258	40,548	40,878	41,411	
42 Other assets	23,733	27,563	24,838	25,501	26,695	26,104	26,586	27,171	26,765	27,236	28,836	
						Credit unions						
43 **Total assets/liabilities and capital**	**62,348**	**65,854**	**65,190**	**66,103**	**68,102**	**68,429**	**69,553**	**70,515**	**70,702**	**71,335**	**71,709**	**70,754**
44 Federal	34,760	35,934	35,834	36,341	37,555	37,573	38,168	39,219	39,155	39,428	39,801	39,142
45 State	27,588	29,920	29,356	29,762	30,547	30,856	31,385	31,296	31,547	31,907	31,908	31,612
46 Loans outstanding	50,269	53,125	50,344	49,469	48,172	47,829	47,884	47,211	47,221	47,299	47,774	47,309
47 Federal	27,687	28,698	27,119	26,550	25,773	25,435	25,401	25,381	25,288	25,273	25,627	25,272
48 State	22,582	24,426	23,225	22,919	22,399	22,394	22,483	21,830	21,933	22,026	22,147	22,037
49 Savings	53,517	56,232	56,338	57,197	59,310	60,574	61,403	63,728	63,957	64,304	64,399	63,874
50 Federal (shares)	29,802	35,530	30,851	31,403	32,764	33,472	33,964	35,961	36,030	36,183	36,348	35,915
51 State (shares and deposits)	23,715	25,702	25,487	25,794	26,546	27,102	27,439	27,767	27,927	28,121	28,051	27,959

For notes see bottom of page A28.

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1978	Fiscal year 1979	Fiscal year 1980	Calendar year					
				1979	1980		1980		1981
				H2	H1	H2	Nov.	Dec.	Jan.
U.S. budget									
1 Receipts[1]	401,997	465,940	520,050	233,952	270,864	262,152	39,175	48,903	52,214
2 Outlays[1,2]	450,804	493,635	579,613	263,004	289,905	310,972	48,049	56,202	59,099
3 Surplus, or deficit(−)	−48,807	−27,694	−59,563	−29,052	−19,041	−48,821	−8,874	−7,299	−6,884
4 Trust funds	12,693	18,335	8,791	9,679	4,383	−2,551	−3,049	5,661	−3,434
5 Federal funds[3]	−61,532	−46,069	−67,752	−38,773	−23,418	−46,306	−5,825	−12,960	−3,451
Off-budget entities (surplus, or deficit (−))									
6 Federal Financing Bank outlays	−10,661	−13,261	−14,549	−5,909	−7,735	−7,552	−1,358	−1,033	−960
7 Other[4]	302	793	303	765	−522	376	−466	463	−494
U.S. budget plus off-budget, including Federal Financing Bank									
8 Surplus, or deficit (−)	−59,166	−40,162	−73,808	−34,197	−27,298	−55,998	−10,698	−7,869	−8,339
Source or financing									
9 Borrowing from the public	59,106	33,641	70,515	31,320	24,435	54,764	9,231	13,667	6,772
10 Cash and monetary assets (decrease, or increase (−))[5]	−3,023	−408	−355	3,059	−3,482	−6,730	4,077	−10,485	2,252
11 Other[6]	3,083	6,929	3,648	−182	6,345	7,964	−2,610	4,686	−685
MEMO:									
12 Treasury operating balance (level, end of period)	22,444	24,176	20,990	15,924	14,092	12,305	7,226	12,305	13,917
13 Federal Reserve Banks	16,647	6,489	4,102	4,075	3,199	3,062	2,435	3,062	3,038
14 Tax and loan accounts	5,797	17,687	16,888	11,849	10,893	9,243	4,791	9,243	10,879

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. Effective Oct. 1, 1980, the Pension Benefit Guaranty Corporation was reclassified from an off-budget agency to an on-budget agency in the Department of Labor.
3. Half-year figures are calculated as a residual (total surplus/deficit less trust fund surplus/deficit).
4. Includes Postal Service Fund; Rural Electrification and Telephone Revolving Fund; and Rural Telephone Bank.
5. 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.
6. Includes accrued interest payable to the public; allocations of special drawing rights; 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 1981.*

NOTES TO TABLE 1.37

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. The NAMSB reports that, effective April 1979, balance sheet data are not strictly comparable with previous months. Beginning April 1979, data are reported on a net-of-valuation-reserves basis. Prior to that date, data were reported on a gross-of-valuation-reserves basis.
5. Beginning April 1979, includes obligations of U.S. government agencies. Before that date, this item was included in "Corporate and other."
6. Includes securities of foreign governments and international organizations and, prior to April 1979, nonguaranteed issues of U.S. government agencies.
7. Excludes checking, club, and school accounts.
8. 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.
9. Direct and guaranteed obligations. Excludes federal agency issues not guaranteed, which are shown in the table under "Business" securities.
10. Issues of foreign governments and their subdivisions and bonds of the International Bank for Reconstruction and Development.

NOTE. *Savings and loan associations:* Estimates by the FHLBB for all associations in the United States. Data are based on monthly reports of federally insured associations and annual reports of other associations. Even when revised, data for current and preceding year are subject to further revision.

Mutual savings banks: Estimates of National Association of Mutual Savings Banks for all savings banks in the United States.

Life insurance companies: Estimates of the American Council of Life Insurance for all life insurance companies in the United States. Annual figures are annual-statement asset values, with bonds carried on an amortized basis and stocks at year-end market value. Adjustments for interest due and accrued and for differences between market and book values are not made on each item separately but are included, in total, in "other assets."

Credit unions: Estimates by the National Credit Union Administration for a group of federal and state-chartered credit unions that account for about 30 percent of credit union assets. Figures are preliminary and revised annually to incorporate recent benchmark data.

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS

Millions of dollars

Source or type	Fiscal year 1978	Fiscal year 1979	Fiscal year 1980	Calendar year					
				1979	1980		1980		1981
				H2	H1	H2	Nov.	Dec.	Jan.
RECEIPTS									
1 **All sources**[1]	**401,997**	**465,955**	**520,050**	**233,952**	**270,864**	**262,152**	**39,175**	**48,903**	**52,214**
2 Individual income taxes, net	180,988	217,841	244,069	115,488	119,988	131,962	20,851	23,725	30,964
3 Withheld	165,215	195,295	223,763	105,764	110,394	120,924	20,379	22,844	20,896
4 Presidential Election Campaign Fund	39	36	39	3	34	4	1	0	1
5 Nonwithheld	47,804	56,215	63,746	12,355	49,707	14,592	673	1,150	10,121
6 Refunds[1]	32,070	33,705	43,479	2,634	40,147	3,559	201	269	54
Corporation income taxes									
7 Gross receipts	65,380	71,448	72,380	29,169	43,434	28,579	1,774	10,155	2,826
8 Refunds	5,428	5,771	7,780	3,306	4,064	4,518	771	768	667
9 Social insurance taxes and contributions, net	123,410	141,591	160,747	71,031	86,597	77,262	13,242	11,078	14,363
10 Payroll employment taxes and contributions[2]	99,626	115,041	133,042	60,562	69,077	66,831	11,189	10,268	12,533
11 Self-employment taxes and contributions[3]	4,267	5,034	5,723	417	5,535	188	0	0	426
12 Unemployment insurance	13,850	15,387	15,336	6,899	8,690	6,742	1,499	224	773
13 Other net receipts[4]	5,668	6,130	6,646	3,149	3,294	3,502	554	586	631
14 Excise taxes	18,376	18,745	24,329	9,675	11,383	15,332	2,080	2,391	2,523
15 Customs deposits	6,573	7,439	7,174	3,741	3,443	3,717	546	632	635
16 Estate and gift taxes	5,285	5,411	6,389	2,900	3,091	3,499	543	517	535
17 Miscellaneous receipts[5]	7,413	9,252	12,741	5,254	6,993	6,318	909	1,174	1,035
OUTLAYS									
18 **All types**[1,6]	**450,804**	**493,635**	**579,613**	**263,004**	**289,905**	**310,972**	**48,049**	**56,202**	**59,099**
19 National defense	105,186	117,681	135,856	62,002	69,132	72,457	11,812	12,605	12,682
20 International affairs	5,922	6,091	10,733	4,617	4,602	5,430	674	1,249	396
21 General science, space, and technology	4,742	5,041	5,722	3,299	3,150	3,205	549	618	440
22 Energy	5,861	6,856	6,313	3,281	3,126	3,997	627	845	915
23 Natural resources and environment	10,925	12,091	13,812	7,350	6,668	7,722	1,086	1,325	1,134
24 Agriculture	7,731	6,238	4,762	1,709	3,193	1,892	878	1,355	2,984
25 Commerce and housing credit	3,324	2,565	7,782	3,002	3,878	3,163	−357	1,051	988
26 Transportation	15,445	17,459	21,120	10,298	9,582	11,547	1,808	1,870	3,810
27 Community and regional development	11,039	9,482	10,068	4,855	5,302	5,370	847	872	867
28 Education, training, employment, social services	26,463	29,685	30,767	14,579	16,686	15,221	2,223	2,461	3,029
29 Health	43,676	49,614	58,165	26,492	29,299	31,263	4,891	5,716	5,510
30 Income security[1,6]	146,180	160,159	193,100	85,967	94,605	107,912	17,216	18,944	19,299
31 Veterans benefits and services	18,974	19,928	21,183	10,113	9,758	11,731	719	3,032	1,923
32 Administration of justice	3,802	4,153	4,570	2,174	2,291	2,299	348	382	383
33 General government	3,737	4,153	4,505	2,103	2,422	2,432	356	464	356
34 General-purpose fiscal assistance	9,601	8,372	8,584	4,286	3,940	4,191	210	26	1,293
35 Interest[7]	43,966	52,556	64,504	29,045	32,658	35,909	5,338	10,805	3,822
36 Undistributed offsetting receipts[7,8]	−15,772	−18,489	−21,933	−12,164	−10,387	−14,769	−1,285	−7,400	−732

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 Oct. 1, 1980, the Pension Benefit Guaranty Corporation was reclassified from an off-budget agency to an on-budget agency in the Department of Labor.
7. Effective September 1976, "Interest" and "Undistributed offsetting receipts" reflect the accounting conversion from an accrual basis to a cash basis for the interest on special issues for U.S. government accounts.
8. 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 1981.*

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1978	1979				1980			
	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
1 **Federal debt outstanding**	**797.7**	**804.6**	**812.2**	**833.8**	**852.2**	**870.4**	**884.4**	**914.3**	**936.7**
2 Public debt securities	789.2	796.8	804.9	826.5	845.1	863.5	877.6	907.7	930.2
3 Held by public	619.2	630.5	626.4	638.8	658.0	677.1	682.7	710.0	737.7
4 Held by agencies	170.0	166.3	178.5	187.7	187.1	186.3	194.9	197.7	192.5
5 Agency securities	8.5	7.8	7.3	7.2	7.1	7.0	6.8	6.6	6.5
6 Held by public	7.0	6.3	5.9	5.8	5.6	5.5	5.3	5.1	5.0
7 Held by agencies	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
8 **Debt subject to statutory limit**	**790.3**	**797.9**	**806.0**	**827.6**	**846.2**	**864.5**	**878.7**	**908.7**	**931.2**
9 Public debt securities	788.6	796.2	804.3	825.9	844.5	862.8	877.0	907.1	929.6
10 Other debt[1]	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.6	1.6
11 MEMO: Statutory debt limit	798.0	798.0	830.0	830.0	879.0	879.0	925.0	925.0	935.1

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).

1.41 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership

Billions of dollars, end of period

Type and holder	1976	1977	1978	1979	1980			1981	
					Oct.	Nov.	Dec.	Jan.	Feb.
1 **Total gross public debt**	**653.5**	**718.9**	**789.0r**	**845.0r**	**908.2**	**913.8**	**930.2**	**934.1**	**950.5**
By type									
2 Interest-bearing debt	652.5	715.2	782.4	844.0	906.9	909.4	928.9	929.8	946.5
3 Marketable	421.3	459.9	487.5	530.7	599.4	605.4	623.2	628.5	642.9
4 Bills	164.0	161.1	161.7	172.6	202.3	208.7	216.1	220.4	229.0
5 Notes	216.7	251.8	265.8	283.4	311.9	311.1	321.6	321.2	324.5
6 Bonds	40.6	47.0	60.0	74.7	85.2	85.5	85.4	86.9	89.4
7 Nonmarketable[1]	231.2	255.3	294.8	313.2	307.5	304.0	305.7	301.3	303.5
8 Convertible bonds[2]	2.3	2.2	2.2	2.2	....	....	....	....	....
9 State and local government series	4.5	13.9	24.3	24.6	23.9	24.0	23.8	23.7	23.6
10 Foreign issues[3]	22.3	22.2	29.6	28.8	24.8	24.5	24.0	23.8	24.0
11 Government	20.8r	21.0r	28.0	23.6	18.4	18.1	17.6	17.5	17.5
12 Public	1.5r	1.2r	1.6	5.3	6.4	6.4	6.4	6.4	6.4
13 Savings bonds and notes	72.3	77.0	80.9	79.9	73.0	72.8	72.5	71.4	70.7
14 Government account series[4]	129.7	139.8	157.5	177.5	185.7	182.4	185.1	182.2	185.0
15 Non-interest-bearing debt	1.1	3.7	6.8	1.2	1.2r	4.4	1.3	4.2	4.0
By holder[5]									
16 U.S. government agencies and trust funds	147.1	154.8	170.0	187.1	193.4	189.7	192.5		
17 Federal Reserve Banks	97.0	102.8r	110.6r	117.5	121.5	120.4	121.3		
18 Private investors	409.5	461.3	508.6	540.5	593.3	603.2	616.4		
19 Commercial banks	103.8	101.4	94.7r	97.0	103.4	101.8	104.7		
20 Mutual savings banks	5.9	5.9	5.0	4.2r	5.5	5.6	5.8		
21 Insurance companies	12.7	15.5	14.9	14.4	15.3	15.4	15.2		
22 Other companies	27.7	22.7	20.5r	23.9	25.3	24.8	24.6	n.a.	n.a.
23 State and local governments	41.6	54.8	70.1r	68.2r	73.1	74.6	74.7		
Individuals									
24 Savings bonds	72.0	76.7	80.7	79.9	73.0	72.5	72.5		
25 Other securities	28.8	28.6	30.1r	34.2	49.9	52.1r	56.7		
26 Foreign and international[6]	78.1	109.6	137.8	123.8	127.7r	132.6	134.3		
27 Other miscellaneous investors[7]	38.9	45.9r	58.2	94.8r	120.1r	123.4	127.9		

1. Includes (not shown separately): Securities issued to the Rural Electrification Administration, depository 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 (line 5).
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 investments of foreign balances and international accounts in the United States. Beginning with July 1974, the figures exclude non-interest-bearing notes issued to the International Monetary Fund.
7. Includes savings and loan associations, nonprofit institutions, corporate pension trust funds, dealers and brokers, certain government deposit accounts, and government sponsored agencies.

NOTE. Gross public debt excludes guaranteed agency securities and, beginning in July 1974, includes Federal Financing Bank security issues.
Data by type of security from *Monthly Statement of the Public Debt of the United States* (U.S. Treasury Department); data by holder from *Treasury Bulletin*.

1.42 U.S. GOVERNMENT MARKETABLE SECURITIES Ownership, by maturity

Par value; millions of dollars, end of period

Type of holder	1978	1979	1980 Nov.	1980 Dec.	1978	1979	1980 Nov.	1980 Dec.
	All maturities				1 to 5 years			
1 **All holders**	**487,546**	**530,731**	**605,381**	**623,186**	**162,886**	**164,198**	**191,614**	**197,409**
2 U.S. government agencies and trust funds	12,695	11,047	9,569	9,564	3,310	2,555	1,990	1,990
3 Federal Reserve Banks	109,616	117,458	120,447	121,328	31,283	28,469	35,190	35,835
4 Private investors	365,235	402,226	475,365	492,294	128,293	133,173	154,434	159,585
5 Commercial banks	68,890	69,076	75,691	77,868	38,390	38,346	43,659	44,482
6 Mutual savings banks	3,499	3,204	3,803	3,917	1,918	1,668	1,912	1,925
7 Insurance companies	11,635	11,496	12,095	11,930	4,664	4,518	4,693	4,504
8 Nonfinancial corporations	8,272	8,433	7,880	7,758	3,635	2,844	2,705	2,213
9 Savings and loan associations	3,835	3,209	4,061	4,225	2,255	1,763	2,147	2,289
10 State and local governments	18,815	15,735	21,203	21,058	3,997	3,487	5,286	4,595
11 All others	250,288	291,072	350,633	365,539	73,433	80,546	94,032	99,577
	Total, within 1 year				5 to 10 years			
12 **All holders**	**228,516**	**255,252**	**288,481**	**297,385**	**50,400**	**50,440**	**52,893**	**56,037**
13 U.S. government agencies and trust funds	1,488	1,629	834	830	1,989	871	1,404	1,404
14 Federal Reserve Banks	52,801	63,219	56,660	56,858	14,809	12,977	13,468	13,458
15 Private investors	174,227	190,403	230,987	239,697	33,601	36,592	38,021	41,175
16 Commercial banks	20,608	20,171	23,614	25,197	7,490	8,086	5,915	5,793
17 Mutual savings banks	817	836	1,172	1,246	496	459	437	455
18 Insurance companies	1,838	2,016	1,949	1,940	2,899	2,815	3,000	3,037
19 Nonfinancial corporations	4,048	4,933	3,916	4,281	369	308	382	357
20 Savings and loan associations	1,414	1,301	1,769	1,646	89	69	75	216
21 State and local governments	8,194	5,607	7,218	7,750	1,588	1,540	1,999	2,030
22 All others	137,309	155,539	191,350	197,636	20,671	23,314	26,212	29,287
	Bills, within 1 year				10 to 20 years			
23 **All holders**	**161,747**	**172,644**	**208,721**	**216,104**	**19,800**	**27,588**	**36,893**	**36,854**
24 U.S. government agencies and trust funds	2	0	*	1	3,876	4,520	3,686	3,686
25 Federal Reserve Banks	42,397	45,337	44,057	43,971	2,088	3,272	5,941	5,919
26 Private investors	119,348	127,306	164,663	172,132	13,836	19,796	27,266	27,250
27 Commercial banks	5,707	5,938	8,651	9,856	956	993	1,122	1,071
28 Mutual savings banks	150	262	337	394	143	127	181	181
29 Insurance companies	753	473	549	672	1,460	1,305	1,744	1,718
30 Nonfinancial corporations	12	2,793	1,812	2,363	86	218	428	431
31 Savings and loan associations	262	219	822	818	60	58	57	52
32 State and local governments	5,524	3,100	5,126	5,413	1,420	1,762	3,651	3,597
33 All others	105,161	114,522	147,366	152,616	9,711	15,332	20,083	20,200
	Other, within 1 year				Over 20 years			
34 **All holders**	**66,769**	**82,608**	**79,760**	**81,281**	**25,944**	**33,254**	**35,500**	**35,500**
35 U.S. government agencies and trust funds	1,487	1,629	834	829	1,031	1,472	1,656	1,656
36 Federal Reserve Banks	10,404	17,882	12,602	12,888	8,635	9,520	9,188	9,258
37 Private investors	54,879	63,097	66,324	67,565	15,278	22,262	24,657	24,587
38 Commercial banks	14,901	14,233	14,963	15,341	1,446	1,470	1,382	1,325
39 Mutual savings banks	667	574	834	852	126	113	100	110
40 Insurance companies	1,084	1,543	1,401	1,268	774	842	708	730
41 Nonfinancial corporations	2,256	2,140	2,104	1,918	135	130	449	476
42 Savings and loan associations	1,152	1,081	947	828	17	19	13	21
43 State and local governments	2,670	2,508	2,091	2,337	3,616	3,339	3,049	3,086
44 All others	32,149	41,017	43,984	45,020	9,164	16,340	18,956	18,838

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 Dec. 31, 1980: (1) 5,354 commercial banks, 460 mutual savings banks, and 723 insurance companies, each about 80 percent; (2) 413 nonfinancial corporations and 478 savings and loan associations, each about 50 percent; and (3) 491 state and local governments, about 40 percent.

"All others," a residual, includes holdings of all those not reporting in the Treasury Survey, including investor groups not listed separately.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Transactions

Par value; averages of daily figures, in millions of dollars

Item	1977	1978	1979	1980			1980, week ending Wednesday					
				Oct.	Nov.	Dec.	Oct. 22	Oct. 29	Nov. 5	Nov. 12	Nov. 19	Nov. 26
1 **U.S. government securities**	**10,838**	**10,285**	**13,183**	**17,464**	**21,716**	**21,576**	**16,068**	**16,823**	**18,541**	**25,386**	**22,277**	**20,769**
By maturity												
2 Bills	6,746	6,173	7,915	11,543	13,768	13,840	11,155	10,515	13,100	14,207	14,343	13,520
3 Other within 1 year	237	392	454	350	442	464	430	373	332	302	636	432
4 1–5 years	2,320	1,889	2,417	2,745	3,699	3,461	2,256	3,339	2,541	4,691	3,494	3,942
5 5–10 years	1,148	965	1,121	1,060	1,640	1,806	798	988	960	3,189	1,594	943
6 Over 10 years	388	867	1,276	1,766	2,167	2,005	1,428	1,608	1,608	2,997	2,211	1,933
By type of customer												
7 U.S. government securities dealers	1,268	1,135	1,448	1,296	1,745	1,807	992	1,066	1,669	1,640	1,687	2,096
8 U.S. government securities brokers	3,709	3,838	5,170	7,664	9,536	8,382	7,298	7,998	8,043	11,513	9,773	8,872
9 Commercial banks	2,294	1,804	1,904	2,019	2,366	2,661	1,708	1,969	2,158	2,807	2,547	2,007
10 All others[1]	3,567	3,508	4,660	6,485	8,069	8,726	6,070	5,790	6,671	9,427	8,271	7,795
11 **Federal agency securities**	**1,729**	**1,894**	**2,723**	**3,277**	**3,074**	**2,789**	**2,947**	**3,194**	**3,140**	**3,141**	**3,656**	**2,751**

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.

1.44 U.S. GOVERNMENT SECURITIES DEALERS Positions and Sources of Financing

Par value; averages of daily figures, in millions of dollars

Item	1977	1978	1979	1980			1980, week ending Wednesday					
				Oct.	Nov.	Dec.	Sept. 24	Oct. 1	Oct. 8	Oct. 15	Oct. 22	Oct. 29
	Positions[1]											
1 **U.S. government securities**	**5,172**	**2,656**	**3,223**	**2,701**	**3,279**	**4,042**	**2,921**	**2,164**	**2,018**	**2,984**	**2,517**	**3,299**
2 Bills	4,772	2,452	3,813	2,557	3,132	4,081	3,184	2,683	2,126	2,818	2,569	2,566
3 Other within 1 year	99	260	−325	−1,082	−792	−1,394	−1,788	−1,425	−1,369	−1,502	−995	−712
4 1–5 years	60	−92	−455	755	−123	−43	970	908	1,097	853	229	970
5 5–10 years	92	40	160	−221	−13	104	−69	−359	−155	−69	−187	−342
6 Over 10 years	149	−4	30	692	1,075	1,294	624	356	318	884	902	818
7 **Federal agency securities**	**693**	**606**	**1,471**	**979**	**357**	**643**	**435**	**486**	**858**	**947**	**1,188**	**1,066**
	Financing[2]											
Reverse repurchase agreement[3]												
8 Overnight and continuing				7,239			7,382	8,285	7,061	6,731	7,009	7,106
9 Term agreements				23,088			22,883	21,188	23,322	23,118	23,610	24,203
Repurchase agreements[4]	n.a.	n.a.	n.a.		n.a.	n.a.						
10 Overnight and continuing				21,835			19,899	23,391	20,543	20,783	22,376	22,080
11 Term agreements				19,699			19,537	17,550	20,467	19,280	20,791	20,408

1. Net amounts (in terms of par values) of securities owned by nonbank dealer firms and dealer departments of commercial banks on a commitment, that is, trade-date basis, including any such securities that have been sold under agreements to repurchase. The maturities of some repurchase agreements are sufficiently long, however, to suggest that the securities involved are not available for trading purposes. Securities owned, and hence dealer positions, do not include securities purchased under agreement to resell.
2. Figures cover financing involving U.S. government and federal agency securities, negotiable CDs, bankers acceptances, and commercial paper.
3. Includes all reverse agreements, including those that have been arranged to make delivery on sales and those for which the securities obtained have been used as collateral on borrowings.
4. Includes both repurchase agreements undertaken to finance positions and "matched book" repurchase agreements.

NOTE. Data for positions are averages of daily figures, based on the number of trading days in the period. Data for financing are based only on Wednesday figures.

1.45 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt outstanding

Millions of dollars, end of period

Agency	1976	1977	1978	1980					
				July	Aug.	Sept.	Oct.	Nov.	Dec.
1 **Federal and federally sponsored agencies**[1]	**103,848**	**112,472**	**137,063**	**180,119**	**179,545**	**182,713**	**188,076**	**188,743**	**193,229**
2 Federal agencies	22,419	22,760	23,488	26,810	26,930	27,618	27,797	27,941	28,606
3 Defense Department[2]	1,113	983	968	661	651	641	636	631	610
4 Export-Import Bank[3,4]	8,574	8,671	8,711	10,248	10,232	10,728	10,715	10,696	11,250
5 Federal Housing Administration[5]	575	581	588	516	508	495	490	486	477
6 Government National Mortgage Association participation certificates[6]	4,120	3,743	3,141	2,842	2,842	2,842	2,842	2,842	2,817
7 Postal Service[7]	2,998	2,431	2,364	1,770	1,770	1,770	1,770	1,770	1,770
8 Tennessee Valley Authority	4,935	6,015	7,460	10,300	10,445	10,660	10,835	11,010	11,190
9 United States Railway Association[7]	104	336	356	473	482	482	509	506	492
10 Federally sponsored agencies[1]	81,429	89,712	113,575	153,309	152,615	155,095	160,279	160,802	164,623
11 Federal Home Loan Banks	16,811	18,345	27,563	36,039	35,690	36,710	38,819	39,380	41,258
12 Federal Home Loan Mortgage Corporation	1,690	1,686	2,262	2,634	2,634	2,537	2,537	2,537	2,536
13 Federal National Mortgage Association	30,565	31,890	41,080	52,114	52,001	52,382	53,889	53,643	55,185
14 Federal Land Banks	17,127	19,118	20,360	12,765	12,765	12,765	12,365	12,365	12,365
15 Federal Intermediate Credit Banks	10,494	11,174	11,469	1,821	1,821	1,821	1,821	1,821	1,821
16 Banks for Cooperatives	4,330	4,434	4,843	584	584	584	584	584	584
17 Farm Credit Banks[1]	....	2,548	5,081	45,111	44,824	45,950	47,888	48,021	48,153
18 Student Loan Marketing Association[8]	410	515	915	2,240	2,295	2,345	2,375	2,450	2,720
19 Other	2	2	2	1	1	1	1	1	1
MEMO:									
20 **Federal Financing Bank debt**[7,9]	**28,711**	**38,580**	**51,298**	**78,870**	**80,024**	**82,559**	**83,903**	**85,440**	**87,460**
Lending to federal and federally sponsored agencies									
21 Export-Import Bank[4]	5,208	5,834	6,898	9,558	9,558	10,067	10,067	10,067	10,654
22 Postal Service[7]	2,748	2,181	2,114	1,520	1,520	1,520	1,520	1,520	1,520
23 Student Loan Marketing Association[8]	410	515	915	2,240	2,295	2,345	2,375	2,450	2,720
24 Tennessee Valley Authority	3,110	4,190	5,635	8,575	8,720	8,935	9,110	9,285	9,465
25 United States Railway Association[7]	104	336	356	473	482	482	509	506	492
Other Lending[10]									
26 Farmers Home Administration	10,750	16,095	23,825	36,715	37,403	37,961	38,466	39,431	39,431
27 Rural Electrification Administration	1,415	2,647	4,604	8,084	8,233	8,425	8,646	8,760	9,196
28 Other	4,966	6,782	6,951	11,705	11,813	12,824	13,210	13,421	13,982

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 mortgages 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.

1.46 NEW SECURITY ISSUES of State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1977	1978	1979	1980 June	July	Aug.	Sept.	Oct.	Nov.
1 **All issues, new and refunding**[1]	**46,769**	**48,607**	**43,490**	**6,063**	**4,907**	**3,809**	**4,255**	**4,425**	**2,806**
Type of issue									
2 General obligation	18,042	17,854	12,109	1,924	1,396	804	1,344	988	705
3 Revenue	28,655	30,658	31,256	4,136	3,506	2,995	2,902	3,418	2,090
4 Housing Assistance Administration[2]	....	....	....	....	....	....	....	....	....
5 U.S. government loans	72	95	125	3	5	10	9	19	11
Type of issuer									
6 State	6,354	6,632	4,314	897	185	304	640	195	323
7 Special district and statutory authority	21,717	24,156	23,434	3,440	3,157	2,212	2,603	2,547	1,569
8 Municipalities, counties, townships, school districts	18,623	17,718	15,617	1,724	1,558	1,283	1,003	1,666	902
9 **Issues for new capital, total**	**36,189**	**37,629**	**41,505**	**5,986**	**4,539**	**3,783**	**3,639**	**4,265**	**2,599**
Use of proceeds									
10 Education	5,076	5,003	5,130	753	631	266	422	767	202
11 Transportation	2,951	3,460	2,441	344	151	95	425	279	255
12 Utilities and conservation	8,119	9,026	8,594	625	1,260	1,176	716	764	367
13 Social welfare	8,274	10,494	15,968	3,007	1,695	1,424	1,198	1,095	1,023
14 Industrial aid	4,676	3,526	3,836	367	188	341	331	531	369
15 Other purposes	7,093	6,120	5,536	930	614	481	547	829	383

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.

1.47 NEW SECURITY ISSUES of Corporations

Millions of dollars

Type of issue or issuer, or use	1977	1978	1979	1980 May	June	July	Aug.	Sept.	Oct.	Nov.
1 **All issues**[1]	**53,792**	**47,230**	**51,464**	**9,067**	**9,511**	**7,941**	**5,371**	**4,922**	**5,728**	**3,827**
2 **Bonds**	**42,015**	**36,872**	**40,139**	**7,335**	**8,148**	**6,567**	**4,147**	**2,813**	**3,275**	**2,055**
Type of offering										
3 Public	24,072	19,815	25,814	6,810	7,548	5,354	3,843	2,421	2,756	1,405
4 Private placement	17,943	17,057	14,325	525	600	1,213	304	392	519	650
Industry group										
5 Manufacturing	12,204	9,572	9,667	2,400	2,318	2,851	1,499	509	614	88
6 Commercial and miscellaneous	6,234	5,246	3,941	560	1,629	999	203	357	312	432
7 Transportation	1,996	2,007	3,102	364	385	329	338	401	236	86
8 Public utility	8,262	7,092	8,118	723	1,412	316	971	555	754	565
9 Communication	3,063	3,373	4,219	1,171	209	787	580	517	791	163
10 Real estate and financial	10,258	9,586	11,095	2,116	2,195	1,284	556	472	568	722
11 **Stocks**	**11,777**	**10,358**	**11,325**	**1,732**	**1,363**	**1,374**	**1,224**	**2,109**	**2,453**	**1,772**
Type										
12 Preferred	3,916	2,832	3,574	202	382	360	101	392	535	256
13 Common	7,861	7,526	7,751	1,530	981	1,014	1,123	1,717	1,918	1,516
Industry group										
14 Manufacturing	1,189	1,241	1,679	215	127	165	293	502	848	418
15 Commercial and miscellaneous	1,834	1,816	2,623	512	202	390	238	569	321	509
16 Transportation	456	263	255	27	9	....	32	54	117	53
17 Public utility	5,865	5,140	5,171	615	494	714	463	633	526	227
18 Communication	1,379	264	303	25	126	....	46	6	67	113
19 Real estate and financial	1,049	1,631	1,293	338	406	104	152	345	574	452

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.

1.48 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

Item	1979	1980	1980							1981
			June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
INVESTMENT COMPANIES[1]										
1 Sales of own shares[2]	7,495	15,266r	1,772	1,890	1,507	1,405	1,523	1,289	1,242r	1,675
2 Redemptions of own shares[3]	8,393	12,012	775	863	1,019	1,228	1,362	1,086	1,720	1,193
3 Net sales	−898	3,254r	997	1,027	488	177	161	203	−478r	482
4 Assets[4]	49,277	58,400	52,946	54,406	54,941	55,779	56,156	60,329	58,400	56,160
5 Cash position[5]	4,983	5,321	6,495	5,629	5,619	5,481	5,460	5,467	5,321	4,636
6 Other	44,294	53,079	46,451	48,777	49,322	50,298	50,696	54,862	53,079	51,524

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.

1.49 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Account	1977	1978	1979	1979				1980		
				Q1	Q2	Q3	Q4	Q1	Q2	Q3
1 **Profits before tax**	**192.6**	**223.3**	**255.4**	**253.1**	**250.9**	**262.0**	**255.4**	**277.1**	**217.9**	**237.6**
2 Profits tax liability	72.6	83.0	87.6	88.5	86.4	88.4	87.2	94.2	71.5	78.5
3 Profits after tax	120.0	140.3	167.7	164.6	164.5	173.6	168.2	182.9	146.4	159.1
4 Dividends	38.7	43.1	48.6	47.5	48.3	48.6	50.1	52.4	54.2	55.1
5 Undistributed profits	81.3	97.2	119.1	117.1	116.2	125.0	118.1	130.5	92.2	104.0
6 Capital consumption allowances	110.4	122.9	139.5	131.9	137.2	142.6	146.4	151.7	155.4	160.5
7 Net cash flow	191.7	220.1	258.6	249.0	253.4	267.6	264.5	282.2	247.6	264.5

SOURCE. *Survey of Current Business* (U.S. Department of Commerce).

1.50 NONFINANCIAL CORPORATIONS Current Assets and Liabilities

Billions of dollars, except for ratio

Account	1975	1976	1977	1978	1979			1980		
					Q2	Q3	Q4	Q1	Q2	Q3
1 **Current assets**	**759.0**	**826.8**	**902.1**	**1,030.0**	**1,108.2**	**1,169.5**	**1,200.9**	**1,235.2**	**1,233.8**	**1,255.8**
2 Cash	82.1	88.2	95.8	104.5	100.1	103.7	116.1	110.2	111.5	113.2
3 U.S. government securities	19.0	23.4	17.6	16.3	18.6	15.8	15.6	15.1	13.8	16.3
4 Notes and accounts receivable	272.1	292.8	324.7	383.8	421.1	453.0	456.8	471.2	464.2	479.2
5 Inventories	315.9	342.4	374.8	426.9	465.2	489.4	501.7	519.5	525.7	525.1
6 Other	69.9	80.1	89.2	98.5	103.2	107.7	110.8	119.3	118.7	122.0
7 **Current liabilities**	**451.6**	**494.7**	**549.4**	**665.5**	**724.7**	**777.8**	**809.1**	**838.3**	**828.1**	**852.1**
8 Notes and accounts payable	264.2	281.9	313.2	373.7	406.4	438.8	456.3	467.9	463.1	477.3
9 Other	187.4	212.8	236.2	291.7	318.3	339.0	352.8	370.4	364.9	374.8
10 **Net working capital**	**307.4**	**332.2**	**352.7**	**364.6**	**383.5**	**391.7**	**391.8**	**397.0**	**405.7**	**403.7**
11 MEMO: Current ratio [1]	1.681	1.672	1.642	1.548	1.529	1.504	1.484	1.474	1.490	1.474

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 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.

1.51 TOTAL NONFARM BUSINESS EXPENDITURES on New Plant and Equipment

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Industry	1979	1980[2]	1979		1980				1981	
			Q3	Q4	Q1	Q2	Q3	Q4[2]	Q1[2]	Q2[2]
1 **Total nonfarm business**	**270.46**	**294.30**	**273.15**	**284.30**	**291.89**	**294.36**	**296.23**	**294.95**	**310.59**	**323.84**
Manufacturing										
2 Durable goods industries	51.07	58.25	52.13	55.03	58.28	59.38	58.19	57.42	60.23	65.36
3 Nondurable goods industries	47.61	56.65	47.97	51.55	53.49	56.32	58.21	57.96	62.46	65.21
Nonmanufacturing										
4 Mining	11.38	13.50	11.40	11.86	11.89	12.81	13.86	15.25	16.07	18.02
Transportation										
5 Railroad	4.03	4.17	4.13	4.24	4.46	4.06	3.98	4.22	3.62	4.07
6 Air	4.01	3.97	3.95	4.55	3.90	4.27	4.06	3.59	4.04	3.41
7 Other	4.31	3.84	4.60	4.41	4.11	3.76	4.18	3.44	3.83	4.13
Public utilities										
8 Electric	27.65	27.44	28.71	27.16	28.98	27.91	28.14	25.05	27.99	27.93
9 Gas and other	6.31	7.18	6.35	6.92	7.28	7.12	7.44	6.90	8.79	8.29
10 Trade and services	79.26	82.28	78.86	82.69	82.17	81.07	81.19	84.87	84.09	87.43
11 Communication and other[1]	34.83	37.02	35.05	35.90	37.34	37.66	36.97	36.26	39.48	40.01

1. "Other" consists of construction; social services and membership organization; and forestry, fisheries, and agricultural services.

2. Anticipated by business.

SOURCE. *Survey of Current Business* (U.S. Dept. of Commerce).

1.52 DOMESTIC FINANCE COMPANIES Assets and Liabilities

Billions of dollars, end of period

Account	1974	1975	1976	1977	1978	1979	1980 Q1	1980 Q2	1980 Q3	1980 Q4
ASSETS										
Accounts receivable, gross										
1 Consumer	36.1	36.0	38.6	44.0	52.6	65.7	67.7	70.2	71.7	73.6
2 Business	37.2	39.3	44.7	55.2	63.3	70.3	70.6	70.3	66.9	72.3
3 Total	73.3	75.3	83.4	99.2	116.0	136.0	138.4	140.4	138.6	145.9
4 LESS: Reserves for unearned income and losses	9.0	9.4	10.5	12.7	15.6	20.0	20.4	21.4	22.3	23.3
5 Accounts receivable, net	64.2	65.9	72.9	86.5	100.4	116.0	118.0	119.0	116.3	122.6
6 Cash and bank deposits	3.0	2.9	2.6	2.6	3.5					
7 Securities	.4	1.0	1.1	.9	1.3	24.9[1]	23.7	26.1	28.3	27.5
8 All other	12.0	11.8	12.6	14.3	17.3					
9 **Total assets**	**79.6**	**81.6**	**89.2**	**104.3**	**122.4**	**140.9**	**141.7**	**145.1**	**144.7**	**150.1**
LIABILITIES										
10 Bank loans	9.7	8.0	6.3	5.9	6.5	8.5	9.7	10.1	10.1	13.2
11 Commercial paper	20.7	22.2	23.7	29.6	34.5	43.3	40.8	40.7	40.5	43.4
Debt										
12 Short-term, n.e.c.	4.9	4.5	5.4	6.2	8.1	8.2	7.4	7.9	7.7	7.5
13 Long-term n.e.c.	26.5	27.6	32.3	36.0	43.6	46.7	48.9	50.5	52.0	52.4
14 Other	5.5	6.8	8.1	11.5	12.6	14.2	15.7	16.0	14.6	14.3
15 Capital, surplus, and undivided profits	12.4	12.5	13.4	15.1	17.2	19.9	19.2	19.9	19.8	19.4
16 **Total liabilities and capital**	**79.6**	**81.6**	**89.2**	**104.3**	**122.4**	**140.9**	**141.7**	**145.1**	**144.7**	**150.1**

1. Beginning Q1 1979, asset items on lines 6, 7, and 8 are combined.

NOTE. Components may not add to totals due to rounding.

1.53 DOMESTIC FINANCE COMPANIES Business Credit

Millions of dollars, seasonally adjusted except as noted

Type	Accounts receivable outstanding Nov. 30, 1980[1]	Accounts receivable outstanding Dec. 31, 1980[1]	Changes in accounts receivable 1980 Oct.	Changes Nov.	Changes Dec.	Extensions 1980 Oct.	Extensions Nov.	Extensions Dec.	Repayments 1980 Oct.	Repayments Nov.	Repayments Dec.
1 **Total**	**69,742**	**72,337**	**647**	**410**	**1,982**	**16,781**	**15,681**	**18,308**	**16,134**	**15,271**	**16,326**
2 Retail automotive (commercial vehicles)	12,469	12,455	−128	−169	−151	969	908	923	1,097	1,077	1,074
3 Wholesale automotive	11,169	12,182	62	299	434	5,223	5,455	5,564	5,161	5,156	5,130
4 Retail paper on business, industrial and farm equipment	22,589	23,465	16	149	876	1,460	1,612	1,562	1,444	1,463	686
5 Loans on commercial accounts receivable and factored commercial accounts receivable	6,014	7,416	408	−261	1,195	6,756	5,455	7,827	6,348	5,716	6,632
6 All other business credit	17,501	16,819	289	392	−372	2,373	2,251	2,432	2,084	1,859	2,804

1. Not seasonally adjusted.

1.54 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

Item	1978	1979	1980	1980						1981
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Conventional mortgages on new homes										
Terms[1]										
1 Purchase price (thousands of dollars)	62.6	74.4	83.5	89.0	88.6	83.7	84.0	77.1	97.0	89.8
2 Amount of loan (thousands of dollars)	45.9	53.3	59.3	63.7	61.5	58.7	61.3	56.1	63.0	65.1
3 Loan/price ratio (percent)	75.3	73.9	73.3	73.5	71.2	72.2	75.0	75.2	72.9	75.6
4 Maturity (years)	28.0	28.5	28.2	28.9	27.7	27.6	28.2	27.6	28.2	29.0
5 Fees and charges (percent of loan amount)[2]	1.39	1.66	2.10	2.13	2.12	2.10	2.16	2.15	2.40	2.60
6 Contract rate (percent per annum)	9.30	10.48	12.25	12.11	11.84	11.95	12.20	12.62	12.80	13.02
Yield (percent per annum)										
7 FHLBB series[3]	9.54	10.77	12.65	12.51	12.25	12.35	12.60	13.04	13.26	13.54
8 HUD series[4]	9.68	11.15	13.95	12.45	13.25	13.70	14.10	14.70	15.05	14.95
SECONDARY MARKETS										
Yield (percent per annum)										
9 FHA mortgages (HUD series)[5]	9.70	10.87	13.42	12.39	13.54	14.26	14.38	14.47	14.08	14.23
10 GNMA securities[6]	8.98	10.22	12.55	11.53	12.34	12.84	12.91	13.55	13.62	13.50
FNMA auctions[7]										
11 Government-underwritten loans	9.77	11.17	14.11	12.65	13.92	14.77	14.94	15.53	15.21	14.27
12 Conventional loans	10.01	11.77	14.43	12.80	13.66	14.45	14.70	15.30	15.54	14.95
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
13 Total	43,311	51,091	51,327	55,362	55,361	55,632	56,188	56,619	57,327	57,380
14 FHA-insured	15,511	18,886	33,417[8]	31,751	31,741	31,997	32,493	32,839	33,417	33,417
15 VA-guaranteed	10,544	10,496								
16 Conventional	11,524	16,106	18,358	18,034	18,049	18,074	18,148	18,239	18,358	18,435
Mortgage transactions (during period)										
17 Purchases	12,303	10,805	8,100	100	167	500	771	579	855	185
18 Sales	9	0	0	0	0	0	0	0	0	0
Mortgage commitments[9]										
19 Contracted (during period)	18,959	10,179	8,044	734	1,180	1,070	514	472	403	241
20 Outstanding (end of period)	9,185	6,409	3,278	4,230	4,545	4,789	4,399	3,963	3,278	3,063
Auction of 4-month commitments to buy										
Government-underwritten loans										
21 Offered	12,978	8,860	8,605	1,055.6	1,063.3	907.0	427.8	252.0	242.1	210.7
22 Accepted	6,747.2	3,921	4,002	430.3	628.10	538.0	257.7	135.6	110.8	93.0
Conventional loans										
23 Offered	9,933.0	4,495	3,639	228.7	430.4	347.7	107.6	81.6	84.8	32.0
24 Accepted	5,111	2,344	1,749	140.9	218.8	209.8	93.9	68.8	54.1	30.3
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[10]										
25 Total	3,064	4,035	5,067	4,151	4,295	4,543	4,727	4,843	5,067	5,039
26 FHA/VA	1,243	1,102	1,033	1,066	1,058	1,050	1,044	1,038	1,033	1,029
27 Conventional	1,165	1,957	2,830	3,085	3,237	3,492	3,629	3,715	2,830	2,825
Mortgage transactions (during period)										
28 Purchases	6,525	5,717	3,722	440	495	521	398	231	285	152
29 Sales	6,211	4,544	2,526	288	320	275	187	94	48	168
Mortgage commitments[11]										
30 Contracted (during period)	7,451	5,542	3,859	708	476	218	222	180	126	203
31 Outstanding (end of period)	1,410	797	447	1,386	1,300	934	726	653	447	487

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. Beginning March 1980, FHA-insured and VA-guaranteed mortgage holdings in lines 14 and 15 are combined.
9. 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.
10. Includes participation as well as whole loans.
11. Includes conventional and government-underwritten loans.

1.55 MORTGAGE DEBT OUTSTANDING

Millions of dollars, end of period

Type of holder, and type of property	1978	1979	1980	1979	1980			
				Q4	Q1	Q2	Q3	Q4
1 **All holders**	**1,168,486**	**1,324,856**	**1,449,633**	**1,333,550**	**1,355,402**	**1,378,414**	**1,412,515**	**1,449,633**
2 1- to 4-family	764,246	875,874	956,475	872,068	894,980	908,119	931,232	956,475
3 Multifamily	121,285	129,261	137,859	130,713	130,800	132,430	134,856	137,859
4 Commercial	211,749	237,205	258,799	238,412	242,709	246,861	252,783	258,799
5 Farm	71,206	82,516	96,500	92,357	86,913	91,004	93,644	96,500
6 Major financial institutions	848,177	938,676	998,025	939,487	951,402	958,892	977,454	998,025
7 Commercial banks[1]	214,045	245,187	264,602	245,998	250,702	253,103	258,003	264,602
8 1- to 4-family	129,167	149,460	160,746	145,975	152,553	153,753	156,737	160,746
9 Multifamily	10,266	11,180	12,304	12,546	11,557	11,764	11,997	12,304
10 Commercial	66,115	75,957	82,688	77,096	77,993	79,110	80,626	82,688
11 Farm	8,497	8,590	8,864	10,381	8,599	8,476	8,643	8,864
12 Mutual savings banks	95,157	98,908	99,827	98,908	99,151	99,150	99,306	99,827
13 1- to 4-family	62,252	64,706	65,307	64,706	64,865	64,864	64,966	65,307
14 Multifamily	16,529	17,180	17,340	17,180	17,223	17,223	17,249	17,340
15 Commercial	16,319	16,963	17,120	16,963	17,004	17,004	17,031	17,120
16 Farm	57	59	60	59	59	59	60	60
17 Savings and loan associations	432,808	475,797	502,718	475,797	479,078	481,184	492,068	502,718
18 1- to 4-family	356,114	394,436	417,759	394,436	398,114	398,864	408,908	417,759
19 Multifamily	36,053	37,588	39,011	37,588	37,224	37,340	38,185	39,011
20 Commercial	40,641	43,773	45,948	43,773	43,740	43,980	44,975	45,948
21 Life insurance companies	106,167	118,784	130,878	118,784	122,471	125,455	128,077	130,878
22 1- to 4-family	14,436	16,193	18,420	16,193	16,850	17,796	17,996	18,420
23 Multifamily	19,000	19,274	19,813	19,274	19,590	19,284	19,357	19,813
24 Commercial	62,232	71,137	79,843	71,137	73,618	75,693	77,995	79,843
25 Farm	10,499	12,180	12,802	12,180	12,413	12,682	12,729	12,802
26 Federal and related agencies	81,853	97,293	114,325	97,293	104,133	108,742	110,695	114,325
27 Government National Mortgage Association	3,509	3,852	4,453	3,852	3,919	4,466	4,389	4,453
28 1- to 4-family	877	763	709	763	749	736	719	709
29 Multifamily	2,632	3,089	3,744	3,089	3,170	3,730	3,670	3,744
30 Farmers Home Administration	926	1,274	3,725	1,274	2,845	3,375	3,525	3,725
31 1- to 4-family	288	417	1,033	417	1,139	1,383	978	1,033
32 Multifamily	320	71	818	71	408	636	774	818
33 Commercial	101	174	391	174	409	402	370	391
34 Farm	217	612	1,483	612	889	954	1,403	1,483
35 Federal Housing and Veterans Administration	5,419	5,764	5,824	5,764	5,833	5,894	5,769	5,824
36 1- to 4-family	1,641	1,863	1,879	1,863	1,908	1,953	1,826	1,879
37 Multifamily	3,778	3,901	3,945	3,901	3,925	3,941	3,943	3,945
38 Federal National Mortgage Association	43,311	51,091	57,327	51,091	53,990	55,419	55,632	57,327
39 1- to 4-family	37,579	5,488	51,775	45,488	48,394	49,837	50,071	51,775
40 Multifamily	5,732	5,603	5,552	5,603	5,596	5,582	5,561	5,552
41 Federal Land Banks	25,624	31,277	38,131	31,277	33,311	35,574	36,837	38,131
42 1- to 4-family	927	1,552	2,099	1,552	1,708	1,893	1,985	2,099
43 Farm	24,697	29,725	36,032	29,725	31,603	33,681	34,852	36,032
44 Federal Home Loan Mortgage Corporation	3,064	4,035	4,865	4,035	4,235	4,014	4,543	4,865
45 1- to 4-family	2,407	3,059	3,710	3,059	3,210	3,037	3,459	3,710
46 Multifamily	657	976	1,155	976	1,025	977	1,084	1,155
47 Mortgage pools or trusts[2]	88,633	119,278	142,498	119,278	124,632	129,647	136,583	142,498
48 Government National Mortgage Association	54,347	76,401	93,874	76,401	80,843	84,282	89,452	93,874
49 1- to 4-family	52,732	74,546	91,602	74,546	78,872	82,208	87,276	91,602
50 Multifamily	1,615	1,855	2,272	1,855	1,971	2,074	2,176	2,272
51 Federal Home Loan Mortgage Corporation	11,892	15,180	16,952	15,180	15,454	16,120	16,659	16,952
52 1- to 4-family	9,657	12,149	13,397	12,149	12,359	12,886	13,318	13,397
53 Multifamily	2,235	3,031	3,555	3,031	3,095	3,234	3,341	3,555
54 Farmers Home Administration	22,394	27,697	31,672	27,697	28,335	29,245	30,472	31,672
55 1- to 4-family	13,400	14,884	16,865	14,884	14,926	15,224	16,226	16,865
56 Multifamily	1,116	2,163	2,323	2,163	2,159	2,159	2,235	2,323
57 Commercial	3,560	4,328	5,258	4,328	4,495	4,763	5,059	5,258
58 Farm	4,318	6,322	7,226	6,322	6,755	7,099	6,952	7,226
59 Individual and others[3]	149,823	169,609	194,785	177,492	175,235	181,133	187,783	194,785
60 1- to 4-family	82,769	96,358	111,174	96,037	99,333	102,685	106,767	111,174
61 Multifamily	21,352	23,350	26,027	23,436	23,857	24,486	25,284	26,027
62 Commercial	22,781	24,873	27,551	24,941	25,450	25,909	26,727	27,551
63 Farm	22,921	25,028	30,033	33,078	26,595	28,053	29,005	30,033

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 governmental 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.

1.56 CONSUMER INSTALLMENT CREDIT[1] Total Outstanding, and Net Change

Millions of dollars

Holder, and type of credit	1977	1978	1979	1980						1981
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
	Amounts outstanding (end of period)									
1 **Total**	**230,564**	**273,645**	**312,024**	**303,853**	**305,763**	**306,926**	**307,222**	**308,051**	**313,435**	**310,554**
By major holder										
2 Commercial banks	112,373	136,016	154,177	146,555	146,548	146,362	145,895	145,147	145,765	143,749
3 Finance companies	44,868	54,298	68,318	73,909	74,433	74,823	74,985	75,690	76,756	77,131
4 Credit unions	37,605	44,334	46,517	42,644	43,347	43,562	43,518	43,606	44,041	43,601
5 Retailers[2]	23,490	25,987	28,119	24,620	24,918	25,301	25,703	26,469	29,410	28,300
6 Savings and loans	7,089	7,097	8,424	8,991	9,141	9,266	9,611	9,687	9,911	10,023
7 Gasoline companies	2,963	3,220	3,729	4,500	4,710	4,872	4,736	4,662	4,717	4,929
8 Mutual savings banks	2,176	2,693	2,740	2,634	2,666	2,740	2,774	2,790	2,835	2,821
By major type of credit										
9 Automobile	82,911	101,647	116,362	116,125	116,868	116,781	116,657	116,517	116,327	115,262
10 Commercial banks	49,577	60,510	67,367	63,344	63,177	62,734	62,350	61,848	61,025	59,608
11 Indirect paper	27,379	33,850	38,338	36,233	36,047	35,768	35,572	35,284	34,857	33,947
12 Direct loans	22,198	26,660	29,029	27,111	27,130	26,966	26,778	26,564	26,168	25,661
13 Credit unions	18,099	21,200	22,244	20,392	20,728	20,831	20,810	20,852	21,060	20,850
14 Finance companies	15,235	19,937	26,751	32,389	32,963	33,216	33,497	33,817	34,242	34,804
15 Revolving	39,274	48,309	56,937	53,036	53,771	54,406	54,598	55,304	59,862	58,985
16 Commercial banks	18,374	24,341	29,862	28,073	28,305	28,403	28,331	28,360	30,001	29,952
17 Retailers	17,937	20,748	23,346	20,463	20,756	21,131	21,531	22,282	25,144	24,104
18 Gasoline companies	2,963	3,220	3,729	4,500	4,710	4,872	4,736	4,662	4,717	4,929
19 Mobile home	14,945	15,235	16,838	17,004	17,068	17,113	17,276	17,293	17,327	17,244
20 Commercial banks	9,124	9,545	10,647	10,568	10,564	10,538	10,502	10,452	10,376	10,271
21 Finance companies	3,077	3,152	3,390	3,546	3,566	3,601	3,657	3,702	3,745	3,741
22 Savings and loans	2,342	2,067	2,307	2,437	2,477	2,511	2,654	2,675	2,737	2,768
23 Credit unions	402	471	494	453	461	463	463	464	469	464
24 Other	93,434	108,454	121,887	117,688	118,056	118,626	118,691	118,937	119,919	119,063
25 Commercial banks	35,298	41,620	46,301	44,570	44,502	44,687	44,712	44,487	44,363	43,918
26 Finance companies	26,556	31,209	38,177	37,974	37,904	38,006	37,831	38,171	38,769	38,586
27 Credit unions	19,104	22,663	23,779	21,799	22,158	22,268	22,245	22,290	22,512	22,287
28 Retailers	5,553	5,239	4,773	4,157	4,162	4,170	4,172	4,187	4,266	4,196
29 Savings and loans	4,747	5,030	6,117	6,554	6,664	6,755	6,957	7,012	7,174	7,255
30 Mutual savings banks	2,176	2,693	2,740	2,634	2,666	2,740	2,774	2,790	2,835	2,821
	Net change (during period)[3]									
31 **Total**	**35,462**	**43,079**	**38,381**	**−1,199**	**489**	**1,055**	**702**	**839**	**1,619**	**869**
By major holder										
32 Commercial banks	18,645	23,641	18,161	−1,749	−682	−265	−336	−120	−276	−1,357
33 Finance companies	5,949	9,430	14,020	439	387	613	454	594	860	1,113
34 Credit unions	6,436	6,729	2,185	−270	465	36	63	218	378	288
35 Retailers[2]	2,654	2,497	2,132	89	160	456	134	52	316	409
36 Savings and loans	1,309	7	1,327	155	5	93	246	−14	190	232
37 Gasoline companies	132	257	509	132	136	90	98	72	83	106
38 Mutual savings banks	337	518	47	5	18	32	43	37	68	78
By major type of credit										
39 Automobile	15,204	18,736	14,715	−717	355	84	201	245	302	−63
40 Commercial banks	9,956	10,933	6,857	−1,083	−344	−362	−348	−138	−491	−1,253
41 Indirect paper	5,307	6,471	4,488	−784	−286	−282	−170	−44	−181	−839
42 Direct loans	4,649	4,462	2,369	−299	−58	−80	−178	−94	−310	−414
43 Credit unions	2,861	3,101	1,044	−108	215	10	18	101	174	206
44 Finance companies	2,387	4,702	6,814	474	484	436	531	282	619	984
45 Revolving	6,248	9,035	8,628	38	281	478	273	265	616	557
46 Commercial banks	4,015	5,967	5,521	−259	−24	−81	−19	121	211	59
47 Retailers	2,101	2,811	2,598	165	169	469	194	72	322	392
48 Gasoline companies	132	257	509	132	136	90	98	72	83	106
49 Mobile home	371	286	1,603	14	33	43	141	24	66	−24
50 Commercial banks	387	419	1,102	−23	−8	−22	−21	−33	−34	−85
51 Finance companies	−187	74	238	−2	14	30	42	44	48	15
52 Savings and loans	101	−276	240	45	21	35	120	11	47	46
53 Credit unions	70	69	23	−6	6	0	0	2	5	0
54 Other	13,639	15,022	13,435	−534	−180	450	87	305	635	399
55 Commercial banks	4,287	6,322	4,681	−384	−306	200	52	−70	38	−78
56 Finance companies	3,749	4,654	6,968	−33	−111	147	−119	268	193	114
57 Credit unions	3,505	3,559	1,118	−156	244	26	45	115	199	82
58 Retailers	553	−314	−466	−76	−9	−13	−60	−20	−6	17
59 Savings and loans	1,208	283	1,087	110	−16	58	126	−25	143	186
60 Mutual savings banks	337	518	47	5	18	32	43	37	68	78

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 credit); figures for all months are seasonally adjusted.

1.57 CONSUMER INSTALLMENT CREDIT Extensions and Liquidations

Millions of dollars; monthly data are seasonally adjusted.

Holder, and type of credit	1977	1978	1979	1980						1981
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
	Extensions									
1 **Total**	**257,600**	**297,668**	**324,777**	**23,997**	**26,176**	**27,064**	**27,365**	**25,991**	**27,149**	**27,059**
By major holder										
2 Commercial banks	117,896	142,433	154,733	10,098	11,107	11,671	11,977	11,432	11,484	10,397
3 Finance companies	41,989	50,505	61,518	4,809	5,155	5,355	5,323	4,852	5,185	5,904
4 Credit unions	34,028	38,111	34,926	2,305	3,085	2,752	2,872	2,795	3,035	2,994
5 Retailers[1]	42,183	44,571	47,676	4,148	4,263	4,596	4,291	4,250	4,497	4,673
6 Savings and loans	4,978	3,724	5,901	582	454	539	695	444	658	715
7 Gasoline companies	14,617	16,017	18,005	1,902	1,941	1,965	2,009	2,024	2,061	2,130
8 Mutual savings banks	1,909	2,307	2,018	153	171	186	198	194	229	246
By major type of credit										
9 Automobile	75,641	87,981	93,901	6,068	7,400	7,518	7,544	7,117	7,234	7,237
10 Commercial banks	46,363	52,969	53,554	2,771	3,606	3,713	3,791	3,552	3,271	2,598
11 Indirect paper	25,149	29,342	29,623	1,329	1,866	2,035	2,135	1,962	1,857	1,230
12 Direct loans	21,214	23,627	23,931	1,442	1,740	1,678	1,656	1,590	1,414	1,368
13 Credit unions	16,616	18,539	17,397	1,197	1,570	1,455	1,457	1,402	1,538	1,598
14 Finance companies	12,662	16,473	22,950	2,100	2,224	2,350	2,296	2,163	2,425	3,047
15 Revolving	87,596	105,125	120,174	10,679	10,700	11,143	11,124	10,953	11,614	11,483
16 Commercial banks	38,256	51,333	61,048	5,059	4,989	5,067	5,264	5,155	5,554	5,185
17 Retailers	34,723	37,775	41,121	3,718	3,770	4,111	3,851	3,774	3,999	4,168
18 Gasoline companies	14,617	16,017	18,005	1,902	1,941	1,965	2,009	2,024	2,061	2,130
19 Mobile home	5,712	5,412	6,471	377	415	442	513	424	479	383
20 Commercial banks	3,466	3,697	4,542	226	263	250	257	243	254	171
21 Finance companies	644	886	797	52	56	84	89	93	89	81
22 Savings and loans	1,406	609	948	95	78	95	159	74	119	119
23 Credit unions	196	220	184	4	18	13	8	14	17	12
24 Other	88,651	99,150	104,231	6,873	7,661	7,961	8,184	7,497	7,822	7,956
25 Commercial banks	29,811	34,434	35,589	2,042	2,249	2,641	2,665	2,482	2,405	2,443
26 Finance companies	28,683	33,146	37,771	2,657	2,875	2,921	2,938	2,596	2,671	2,776
27 Credit unions	17,216	19,352	17,345	1,104	1,497	1,284	1,407	1,379	1,480	1,390
28 Retailers	7,460	6,796	6,555	430	493	485	440	476	498	505
29 Savings and loans	3,572	3,115	4,953	487	376	444	536	370	539	596
30 Mutual savings banks	1,909	2,307	2,018	153	171	186	198	194	229	246
	Liquidations									
31 **Total**	**222,138**	**254,589**	**286,396**	**25,196**	**25,687**	**26,009**	**26,663**	**25,152**	**25,530**	**26,190**
By major holder										
32 Commercial banks	99,251	118,792	136,572	11,847	11,789	11,936	12,313	11,552	11,760	11,754
33 Finance companies	36,040	41,075	47,498	4,370	4,768	4,742	4,869	4,258	4,325	4,791
34 Credit unions	27,592	31,382	32,741	2,575	2,620	2,716	2,809	2,577	2,657	2,706
35 Retailers[1]	39,529	42,074	45,544	4,059	4,103	4,140	4,157	4,198	4,181	4,264
36 Savings and loans	3,669	3,717	4,574	427	449	446	449	458	468	483
37 Gasoline companies	14,485	15,760	17,496	1,770	1,805	1,875	1,911	1,952	1,978	2,024
38 Mutual savings banks	1,572	1,789	1,971	148	153	154	155	157	161	168
By major type of credit										
39 Automobile	60,437	69,245	79,186	6,785	7,045	7,434	7,343	6,872	6,932	7,300
40 Commercial banks	36,407	42,036	46,697	3,854	3,950	4,075	4,139	3,690	3,762	3,851
41 Indirect paper	19,842	22,871	25,135	2,113	2,152	2,317	2,305	2,006	2,038	2,069
42 Direct loans	16,565	19,165	21,562	1,741	1,798	1,758	1,834	1,684	1,724	1,782
43 Credit unions	13,755	15,438	16,353	1,305	1,355	1,445	1,439	1,301	1,364	1,386
44 Finance companies	10,275	11,771	16,136	1,626	1,740	1,914	1,765	1,881	1,806	2,063
45 Revolving	81,348	96,090	111,546	10,641	10,419	10,665	10,851	10,688	10,998	10,926
46 Commercial banks	34,241	45,366	55,527	5,318	5,013	5,148	5,283	5,034	5,343	5,126
47 Retailers	32,622	34,964	38,523	3,553	3,601	3,642	3,657	3,702	3,677	3,776
48 Gasoline companies	14,485	15,760	17,496	1,770	1,805	1,875	1,911	1,952	1,978	2,024
49 Mobile home	5,341	5,126	4,868	363	382	399	372	400	413	407
50 Commercial banks	3,079	3,278	3,440	249	271	272	278	276	288	256
51 Finance companies	831	812	559	54	42	54	47	49	41	66
52 Savings and loans	1,305	885	708	50	57	60	39	63	72	73
53 Credit unions	126	151	161	10	12	13	8	12	12	12
54 Other	75,012	84,128	90,796	7,407	7,841	7,511	8,097	7,192	7,187	7,557
55 Commercial banks	25,524	28,112	30,908	2,426	2,555	2,441	2,613	2,552	2,367	2,521
56 Finance companies	24,934	28,492	30,803	2,690	2,986	2,774	3,057	2,328	2,478	2,662
57 Credit unions	13,711	15,793	16,227	1,260	1,253	1,258	1,362	1,264	1,281	1,308
58 Retailers	6,907	7,110	7,021	506	502	498	500	496	504	488
59 Savings and loans	2,364	2,832	3,866	377	392	386	410	395	396	410
60 Mutual savings banks	1,572	1,789	1,971	148	153	154	155	157	161	168

1. Includes auto dealers and excludes 30-day charge credit held by travel and entertainment companies.

1.58 FUNDS RAISED IN U.S. CREDIT MARKETS

Billions of dollars; half-yearly data are at seasonally adjusted annual rates.

Transaction category, sector	1975	1976	1977	1978	1979	1980	1978		1979		1980	
							H1	H2	H1	H2	H1	H2
	Nonfinancial sectors											
1 **Total funds raised**	**210.8**	**271.9**	**338.5**	**400.4**	**394.9**	**363.3**	**384.8**	**416.0**	**380.5**	**408.2**	**321.1**	**405.6**
2 Excluding equities	200.7	261.0	335.3	398.3	390.6	349.8	387.4	409.2	377.7	402.3	313.0	386.5
By sector and instrument												
3 U.S. government	85.4	69.0	56.8	53.7	37.4	79.2	61.4	46.0	28.6	46.1	64.5	93.8
4 Treasury securities	85.8	69.1	57.6	55.1	38.8	79.8	62.3	47.9	30.9	46.6	65.2	94.4
5 Agency issues and mortgages	−.4	−.1	−.9	−1.4	−1.4	−.6	−.9	−1.9	−2.3	−.5	−.6	−.6
6 All other nonfinancial sectors	125.4	202.8	281.7	346.7	357.6	284.1	323.4	370.0	351.9	362.1	256.5	311.7
7 Corporate equities	10.1	10.8	3.1	2.1	4.3	13.6	−2.6	6.8	2.8	5.9	8.0	19.1
8 Debt instruments	115.3	192.0	278.6	344.6	353.2	270.6	326.0	363.2	349.1	356.2	248.5	292.7
9 Private domestic nonfinancial sectors	112.1	182.0	267.8	314.4	336.4	254.2	302.8	326.1	338.6	333.0	227.0	281.5
10 Corporate equities	9.9	10.5	2.7	2.6	3.5	11.4	−1.8	7.0	2.8	4.1	6.0	16.8
11 Debt instruments	102.2	171.5	265.1	311.8	333.0	242.8	304.6	319.1	335.8	328.9	221.0	264.7
12 Debt capital instruments	98.4	123.5	175.6	196.6	199.9	175.6	188.3	205.0	198.8	201.1	169.1	182.1
13 State and local obligations	16.1	15.7	23.7	28.3	18.9	22.2	27.8	28.7	16.0	21.8	18.0	26.4
14 Corporate bonds	27.2	22.8	21.0	20.1	21.2	27.6	20.6	19.6	22.4	19.9	33.4	21.9
Mortgages												
15 Home	39.5	63.6	96.3	104.6	109.1	81.5	100.1	109.1	109.8	108.5	73.6	89.3
16 Multifamily residential	*	1.8	7.4	10.2	8.9	8.7	9.3	11.2	8.1	9.7	6.5	11.0
17 Commercial	11.0	13.4	18.4	23.3	25.7	21.6	21.2	25.4	26.0	25.4	22.1	21.1
18 Farm	4.6	6.1	8.8	10.2	16.2	14.0	9.3	11.1	16.6	15.9	15.5	12.4
19 Other debt instruments	3.8	48.0	89.5	115.2	133.0	67.2	116.3	114.1	137.0	127.8	51.9	82.5
20 Consumer credit	9.7	25.6	40.6	50.6	44.2	3.1	50.1	51.0	48.3	39.0	−6.4	12.5
21 Bank loans n.e.c.	−12.3	4.0	27.0	37.3	50.6	37.9	43.1	31.4	48.2	52.9	9.6	66.1
22 Open market paper	−2.6	4.0	2.9	5.2	10.9	5.8	5.3	5.1	12.0	9.7	29.7	−18.1
23 Other	9.0	14.4	19.0	22.2	27.3	20.4	17.8	26.5	28.4	26.2	18.9	22.0
24 By borrowing sector	112.1	182.0	267.8	314.4	336.4	254.2	302.8	326.1	338.6	333.0	227.0	281.5
25 State and local governments	13.7	15.2	20.4	23.6	15.5	20.7	21.0	26.1	13.0	18.0	16.2	25.3
26 Households	49.7	90.5	139.9	162.6	164.9	100.8	156.1	169.1	167.6	161.2	89.8	111.9
27 Farm	8.8	10.9	14.7	18.1	25.8	19.0	15.3	20.8	23.5	28.1	21.1	16.9
28 Nonfarm noncorporate	2.0	4.7	12.9	15.4	15.9	12.5	16.4	14.4	15.5	15.9	9.0	16.0
29 Corporate	37.9	60.7	79.9	94.8	114.3	101.1	93.9	95.7	118.9	109.7	90.9	111.3
30 Foreign	13.3	20.8	13.9	32.3	21.2	29.9	20.6	43.9	13.3	29.1	29.5	30.3
31 Corporate equities	.2	.3	.4	−.5	.9	2.2	−.8	−.2	*	1.7	2.1	2.3
32 Debt instruments	13.2	20.5	13.5	32.8	20.3	27.7	21.4	44.1	13.3	27.3	27.5	28.0
33 Bonds	6.2	8.6	5.1	4.0	3.9	.8	5.0	3.0	3.0	4.7	2.0	−.4
34 Bank loans n.e.c.	3.9	6.8	3.1	18.3	2.3	11.8	9.3	27.3	1.0	3.5	4.4	19.3
35 Open market paper	.3	1.9	2.4	6.6	11.2	10.1	3.6	9.6	6.1	16.3	15.7	4.5
36 U.S. government loans	2.8	3.3	3.0	3.9	3.0	5.0	3.6	4.2	3.1	2.8	5.4	4.6
	Financial sectors											
37 **Total funds raised**	**12.7**	**24.1**	**54.0**	**81.4**	**88.5**	**70.8**	**80.7**	**82.1**	**86.3**	**90.7**	**54.0**	**87.6**
By instrument												
38 U.S. government related	13.5	18.6	26.3	41.4	52.4	47.5	38.5	44.3	45.8	59.0	45.8	49.2
39 Sponsored credit agency securities	2.3	3.3	7.0	23.1	24.3	24.3	21.9	24.3	21.5	27.0	25.1	23.5
40 Mortgage pool securities	10.3	15.7	20.5	18.3	28.1	23.2	16.6	20.1	24.2	32.0	20.7	25.7
41 Loans from U.S. government	.9	−.4	−1.2	-	-	-	-	-	-	-	-	-
42 Private financial sectors	−.8	5.5	27.7	40.0	36.1	23.3	42.2	37.8	40.5	31.7	8.1	38.4
43 Corporate equities	.6	1.0	.9	1.7	2.3	3.4	2.2	1.1	2.0	2.5	3.1	3.8
44 Debt instruments	−1.4	4.4	26.9	38.3	33.8	19.8	40.0	36.7	38.4	29.2	5.1	34.6
45 Corporate bonds	2.9	5.8	10.1	7.5	7.8	7.2	8.5	6.4	8.7	7.0	10.3	4.0
46 Mortgages	2.3	2.1	3.1	.9	−1.2	−.9	2.1	−.3	−.5	−1.9	−6.8	5.0
47 Bank loans n.e.c.	−3.7	−3.7	−.3	2.8	−.4	1.0	2.5	3.1	−.7	−.2	1.1	1.0
48 Open market paper and repurchase agreements	1.1	2.2	9.6	14.6	18.4	5.4	13.5	15.7	23.0	13.8	−3.6	14.4
49 Loans from Federal Home Loan Banks	−4.0	−2.0	4.3	12.5	9.2	7.1	13.2	11.8	7.8	10.5	4.1	10.2
By sector												
50 Sponsored credit agencies	3.2	2.9	5.8	23.1	24.3	24.3	21.9	24.3	21.5	27.0	25.1	23.5
51 Mortgage pools	10.3	15.7	20.5	18.3	28.1	23.2	16.6	20.1	24.2	32.0	20.7	25.7
52 Private financial sectors	−.8	5.5	27.7	40.0	36.1	23.3	42.2	37.8	40.5	31.7	8.1	38.4
53 Commercial banks	1.2	2.3	1.1	1.3	1.6	.6	1.5	1.1	1.3	1.8	.8	.3
54 Bank affiliates	.3	−.8	1.3	6.7	4.5	5.6	5.8	7.6	6.2	2.9	4.5	6.6
55 Savings and loan associations	−2.3	.1	9.9	14.3	11.4	6.4	16.4	12.2	9.9	12.9	−4.7	17.6
56 Other insurance companies	1.0	.9	.9	1.1	1.0	.8	1.0	1.1	1.0	.9	.8	.7
57 Finance companies	.5	6.4	17.6	18.6	18.9	8.8	18.9	18.2	23.5	14.3	6.8	10.8
58 REITs	−1.4	−2.4	−2.2	−1.0	−.4	−.9	−1.0	−1.0	−.6	−.1	−1.4	−.3
59 Open-end investment companies	−.1	−1.0	−.9	−1.0	−1.0	2.0	−.5	−1.5	−1.0	−.9	1.4	2.7
	All sectors											
60 **Total funds raised, by instrument**	**223.6**	**295.9**	**392.5**	**481.8**	**483.4**	**434.1**	**465.5**	**498.1**	**466.7**	**498.9**	**375.0**	**493.2**
61 Investment company shares	−.1	−1.0	−.9	−1.0	−1.0	2.0	−.5	−1.5	−1.0	−.9	1.4	2.7
62 Other corporate equities	10.8	12.9	4.9	4.7	7.6	15.0	.1	9.4	5.8	9.3	9.8	20.2
63 Debt instruments	212.9	284.1	388.5	478.1	476.8	417.1	465.9	490.2	461.9	490.5	363.9	470.4
64 U.S. government securities	98.2	88.1	84.3	95.2	89.9	126.8	100.0	90.4	74.5	105.2	110.5	143.2
65 State and local obligations	16.1	15.7	23.7	28.3	18.9	22.2	27.8	28.7	16.0	21.8	18.0	26.4
66 Corporate and foreign bonds	36.4	37.2	36.1	31.6	32.9	35.6	34.2	29.1	34.1	31.5	45.7	25.5
67 Mortgages	57.2	87.0	133.9	149.1	158.6	124.8	141.9	156.3	159.8	157.4	110.8	138.8
68 Consumer credit	9.7	25.6	40.6	50.6	44.2	3.1	50.1	51.0	48.3	39.0	−6.4	12.5
69 Bank loans n.e.c.	−12.2	7.0	29.8	58.4	52.5	50.7	54.9	61.8	48.6	56.2	15.0	86.4
70 Open market paper and RPs	−1.2	8.1	15.0	26.4	40.5	21.4	22.4	30.4	41.1	39.8	41.9	.9
71 Other loans	8.7	15.3	25.2	38.6	39.5	32.6	34.6	42.5	39.4	39.5	28.3	36.8

1.59 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

Billions of dollars, except as noted; half-yearly data are at seasonally adjusted annual rates

Transaction category, or sector	1975	1976	1977	1978	1979	1980	1978 H1	1978 H2	1979 H1	1979 H2	1980 H1	1980 H2
1 **Total funds advanced in credit markets to nonfinancial sectors**	**200.7**	**261.0**	**335.3**	**398.3**	**390.6**	**349.8**	**387.4**	**409.2**	**377.7**	**402.3**	**313.0**	**386.5**
By public agencies and foreign												
2 Total net advances	44.6	54.3	85.1	109.7	80.1	95.8	102.8	116.6	47.6	112.5	101.7	89.9
3 U.S. government securities	22.5	26.8	40.2	43.9	2.0	22.3	43.7	44.0	−22.1	26.2	24.9	19.7
4 Residential mortgages	16.2	12.8	20.4	26.5	36.1	32.0	22.2	30.7	32.6	39.6	33.5	30.4
5 FHLB advances to savings and loans	−4.0	−2.0	4.3	12.5	9.2	7.1	13.2	11.8	7.8	10.5	4.1	10.2
6 Other loans and securities	9.8	16.6	20.2	26.9	32.8	34.5	23.7	30.1	29.2	36.3	39.3	29.6
Total advanced, by sector												
7 U.S. government	15.1	8.9	11.8	20.4	22.5	26.0	19.4	21.4	23.8	21.3	29.6	22.5
8 Sponsored credit agencies	14.8	20.3	26.8	44.6	57.5	48.6	39.4	49.8	49.9	65.2	43.6	53.6
9 Monetary authorities	8.5	9.8	7.1	7.0	7.7	4.5	13.4	.5	.9	14.5	14.6	−5.6
10 Foreign	6.1	15.2	39.4	37.7	−7.7	16.7	30.6	44.9	−27.0	11.7	13.9	19.5
11 Agency borrowing not included in line 1	13.5	18.6	26.3	41.4	52.4	47.5	38.5	44.3	45.8	59.0	45.8	49.2
Private domestic funds advanced												
12 Total net advances	169.7	225.4	276.5	330.0	362.9	301.5	323.2	336.9	375.9	348.8	257.1	345.8
13 U.S. government securities	75.7	61.3	44.1	51.3	87.9	104.6	56.3	46.4	96.6	79.1	85.6	123.5
14 State and local obligations	16.1	15.7	23.7	28.3	18.9	22.2	27.8	28.7	16.0	21.8	18.0	26.4
15 Corporate and foreign bonds	32.8	30.5	22.5	22.5	25.6	25.5	24.1	20.9	26.9	24.3	32.4	18.7
16 Residential mortgages	23.2	52.6	83.3	88.2	81.8	58.1	87.1	89.5	85.1	78.5	46.5	69.8
17 Other mortgages and loans	17.9	63.3	107.3	152.2	157.9	98.2	141.1	163.3	159.1	155.6	78.6	117.7
18 Less: Federal Home Loan Bank advances	−4.0	−2.0	4.3	12.5	9.2	7.1	13.2	11.8	7.8	10.5	4.1	10.2
Private financial intermediation												
19 Credit market funds advanced by private financial institutions	122.5	190.1	257.0	296.9	292.5	265.6	301.7	292.0	307.5	277.4	229.6	301.8
20 Commercial banking	29.4	59.6	87.6	128.7	121.1	103.5	132.5	125.0	124.6	117.6	57.2	149.9
21 Savings institutions	53.5	70.8	82.0	75.9	56.3	57.6	75.8	75.9	57.7	54.9	31.4	83.8
22 Insurance and pension funds	40.6	49.9	67.9	73.5	70.4	76.4	76.9	70.2	75.4	65.5	84.6	68.2
23 Other finance	−1.0	9.8	19.6	18.7	44.7	28.1	16.6	20.9	49.8	39.6	56.3	−.1
24 Sources of funds	122.5	190.1	257.0	296.9	292.5	265.6	301.7	292.0	307.5	277.4	229.6	301.8
25 Private domestic deposits	92.0	124.6	141.2	142.5	136.7	163.9	138.3	146.7	121.7	151.6	147.7	180.1
26 Credit market borrowing	−1.4	4.4	26.9	38.3	33.8	19.8	40.0	36.7	38.4	29.2	5.1	34.6
27 Other sources	32.0	61.0	89.0	116.0	122.0	81.9	123.5	108.6	147.3	96.6	76.8	87.1
28 Foreign funds	−8.7	−4.6	1.2	6.3	26.3	−20.0	5.7	6.9	49.4	3.2	−18.1	−21.8
29 Treasury balances	−1.7	−.1	4.3	6.8	.4	−2.0	1.9	11.6	5.1	−4.3	−2.5	−1.5
30 Insurance and pension reserves	29.7	34.5	49.4	62.7	49.0	58.5	66.2	59.2	53.9	44.0	59.6	57.4
31 Other, net	12.7	31.2	34.1	40.3	46.3	45.4	49.6	31.0	38.9	53.7	37.9	53.1
Private domestic nonfinancial investors												
32 Direct lending in credit markets	45.8	39.7	46.3	71.5	104.2	55.7	61.4	81.6	106.8	100.5	32.6	78.7
33 U.S. government securities	24.1	16.1	23.0	33.2	57.8	30.7	32.1	34.4	64.1	51.5	13.2	48.2
34 State and local obligations	8.4	3.8	2.6	4.5	−2.5	−1.8	7.0	2.0	−2.3	−2.7	−2.9	−.8
35 Corporate and foreign bonds	8.4	5.8	−3.3	−1.4	11.1	5.4	−3.7	1.0	7.8	14.2	8.3	2.4
36 Commercial paper	−1.3	1.9	9.5	16.3	10.7	−2.4	8.2	24.4	12.5	9.0	−6.2	1.3
37 Other	6.2	12.0	14.5	18.8	27.1	23.9	17.8	19.8	24.7	28.5	20.2	27.6
38 Deposits and currency	98.1	131.9	149.5	151.8	144.7	173.5	148.7	154.8	131.1	158.1	156.7	190.1
39 Security RPs	.2	2.3	2.2	7.5	6.6	4.7	9.8	5.1	18.5	−5.3	5.3	4.0
40 Money market fund shares	1.3	*	.2	6.9	34.4	29.2	6.1	7.7	30.2	38.6	61.9	−3.4
41 Time and savings accounts	84.0	113.5	121.0	115.2	84.7	131.8	110.7	119.8	71.4	97.9	91.9	171.7
42 Large at commercial banks	−15.8	−13.2	23.0	45.9	.4	12.7	33.9	57.9	−25.3	26.0	−12.0	37.4
43 Other at commercial banks	40.3	57.6	29.0	8.2	39.3	62.9	18.4	−1.9	41.3	37.3	60.6	65.2
44 At savings institutions	59.4	69.1	69.0	61.1	45.1	56.2	58.5	63.8	55.4	34.7	43.4	69.1
45 Money	12.6	16.1	26.1	22.2	18.9	7.8	22.1	22.3	10.9	26.8	−2.4	17.9
46 Demand deposits	6.4	8.8	17.8	12.9	11.0	−1.8	11.6	14.2	1.6	20.3	−11.4	7.8
47 Currency	6.2	7.3	8.3	9.3	7.9	9.6	10.5	8.1	9.3	6.5	9.0	10.1
48 **Total of credit market instruments, deposits and currency**	**143.9**	**171.6**	**195.8**	**223.3**	**248.9**	**229.1**	**210.1**	**236.4**	**237.9**	**258.7**	**189.3**	**268.8**
49 Public support rate (in percent)	22.2	20.8	25.4	27.5	20.5	27.4	26.5	28.5	12.6	28.0	32.5	23.3
50 Private financial intermediation (in percent)	72.2	84.3	93.0	90.0	80.6	88.1	93.4	86.7	81.8	79.5	89.3	87.3
51 Total foreign funds	−2.6	10.6	40.5	44.0	18.6	−3.3	36.3	51.8	22.4	14.9	−4.2	−2.3
Memo: Corporate equities not included above												
52 **Total net issues**	**10.7**	**11.9**	**4.0**	**3.7**	**6.6**	**17.0**	**−.4**	**7.9**	**4.8**	**8.4**	**11.1**	**22.8**
53 Mutual fund shares	−.1	−1.0	−.9	−1.0	−1.0	−2.0	−.5	−1.5	−1.0	−.9	1.4	2.7
54 Other equities	10.8	12.9	4.9	4.7	7.6	15.0	.1	9.4	5.8	9.3	9.8	20.2
55 Acquisitions by financial institutions	9.6	12.3	7.4	7.6	15.7	18.7	.4	14.7	12.5	18.9	16.7	20.7
56 Other net purchases	1.1	−.4	−3.4	−3.8	−9.1	−1.7	−.8	−6.8	−7.7	−10.5	−5.6	2.1

Notes by line number.
1. Line 2 of p. A42.
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, 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, 40, 41, and 46.
17. Includes farm and commercial mortgages.
25. Sum of lines 39, 40, 41, and 46.
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.
47. Mainly an offset to line 9.
48. Lines 32 plus 38, or line 12 less line 27 plus 45.
49. Line 2/line 1.
50. Line 19/line 12.
51. Sum of lines 10 and 28.
52, 54. Includes issues by financial institutions.

Note. Full statements for sectors and transaction types quarterly, and annually for flows and for amounts outstanding, may be obtained from Flow of Funds Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

1967 = 100; monthly and quarterly data are seasonally adjusted. Exceptions noted.

Measure	1978	1979	1980	1980 June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1981 Jan.[p]	Feb.[e]
1 **Industrial production**[1]	**146.1**	**152.5**	**147.1**	**141.5**	**140.4**	**141.8**	**141.1**	**146.9**	**149.4**	**150.9**	**151.5**	**150.8**
Market groupings												
2 Products, total	144.8	150.0	146.7	142.5	142.8	143.8	145.3	147.2	148.7	149.9	150.1	149.1
3 Final, total	135.9	147.2	145.4[r]	142.4	142.8	143.9	143.9	145.8	147.5[r]	148.2	148.3	147.6
4 Consumer goods	149.1	150.8	145.5	142.1	142.0	142.7	144.3	146.6	148.0[r]	147.7	147.4	146.5
5 Equipment	132.8	142.2	145.1	142.6	142.9	142.9	143.2	144.8	146.7[r]	148.9	149.4	149.1
6 Intermediate	154.1	160.5	151.9	143.5	144.4	147.6	150.6	152.4	153.5[r]	156.1	156.9	154.7
7 Materials	148.3	156.4	147.6[r]	140.0	136.5	138.6	142.4	146.4	150.5[r]	152.4	153.8	153.3
Industry groupings												
8 Manufacturing	146.8	153.6	146.6	140.3	139.1	140.6	143.4	145.4	149.1	150.6	151.0	150.2
Capacity utilization (percent)[1,2]												
9 Manufacturing	84.4	85.7	79.0	75.7	74.9	75.5	76.7	78.2	79.4	79.9	80.0	79.3
10 Industrial materials industries	85.6	87.4	79.8	75.7	73.7	74.6	76.4	78.4	80.4	81.2	81.7	81.2
11 Construction contracts (1972 = 100)[3]	174.1	185.6	161.8	145.0	148.0	192.0	163.0	167.0	210.0	193.0	185.0	n.a.
12 Nonagricultural employment, total[4]	131.8	136.6	137.8	136.8	136.6	137.0	137.4	137.9	138.2	138.5	139.0	139.1
13 Goods-producing, total	109.8	113.7	110.9	109.1	108.0	108.6	109.3	110.0	110.7	111.1	111.7	111.4
14 Manufacturing, total	105.4	108.3	104.7	102.9	102.0	102.5	103.1	103.7	104.3	104.4	104.6	104.7
15 Manufacturing, production-worker	103.0	105.4	n.a.	97.4	96.2	97.0	97.7	100.7	99.1	99.2	99.4	99.7
16 Service-producing	143.8	149.2	152.5	152.1	152.3	152.6	152.7	153.1	153.3	153.5	154.0	154.3
17 Personal income, total	273.3	308.5	342.9	337.6	343.0	345.9	350.1	354.7	358.3	361.4	364.9	n.a.
18 Wages and salary disbursements	258.8	289.5	314.7	309.9	310.6	314.4	317.8	323.6	328.0	330.5	335.3	n.a.
19 Manufacturing	223.1	248.6	261.5	254.2	254.3	258.5	262.9	267.6	273.1	275.8	280.0	n.a.
20 Disposable personal income[5]	268.7	301.5	334.5	......	......	338.0	......	......	348.3[r]	......	......	......
21 Retail sales[6]	253.8	281.6	300.0[r]	290.4	299.1	301.0	306.0	308.0	313.8[r]	315.8	325.1	327.9
Prices[7]												
22 Consumer	195.4	217.4	246.8	247.6	247.8	249.4	251.7	253.9	256.2	258.4	260.5	n.a.
23 Producer finished goods	194.6	216.1	246.9	244.9	249.3	251.4	251.4	255.4	255.6	256.9	259.8	262.4

1. The industrial production and capacity utilization series have been revised back to January 1979.
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 Information 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*.
7. Data without seasonal adjustment, as published in *Monthly Labor Review*. 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*.

Figures for industrial production for the last two months are preliminary and estimated, respectively.

2.11 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION

Seasonally adjusted

Series	1980 Q1	Q2	Q3	Q4	1980 Q1	Q2	Q3	Q4	1980 Q1	Q2	Q3	Q4
	Output (1967 = 100)				Capacity (percent of 1967 output)				Utilization rate (percent)			
1 **Manufacturing**	**152.8**	**143.9**	**141.0**	**148.7**	**183.3**	**184.8**	**186.3**	**187.8**	**83.4**	**77.9**	**75.7**	**79.2**
2 Primary processing	160.5	145.0	139.6	153.0	188.5	190.0	191.5	193.0	85.1	76.3	72.9	79.3
3 Advanced processing	148.8	143.3	141.8	146.4	180.5	182.0	183.5	185.0	82.5	78.7	77.3	79.1
4 **Materials**	**156.3**	**145.1**	**139.2**	**149.8**	**182.8**	**184.3**	**185.8**	**187.2**	**85.5**	**78.7**	**74.9**	**80.0**
5 Durable goods	155.0	140.6	131.5	145.1	187.2	188.6	190.0	191.5	82.8	74.6	69.2	75.8
6 Metal materials	117.1	100.6	86.6	109.9	140.7	140.8	140.9	141.0	83.2	71.4	61.5	78.0
7 Nondurable goods	179.3	166.0	161.9	175.5	199.8	202.0	204.3	206.5	89.7	82.2	79.2	85.0
8 Textile, paper, and chemical	187.5	171.9	165.6	182.6	208.3	211.0	213.7	216.2	90.0	81.5	77.5	84.5
9 Textile	120.6	116.4	113.4	113.1	138.8	139.2	139.6	140.0	86.9	83.7	81.2	80.8
10 Paper	146.1	142.1	142.9	149.4	154.7	156.0	157.4	158.8	94.5	91.0	90.7	94.0
11 Chemical	233.6	208.3	197.9	226.8	260.4	264.6	268.7	272.9	89.7	78.7	73.6	83.1
12 Energy materials	130.8	130.0	129.6	129.2	151.1	151.8	152.6	153.1	86.6	85.6	85.0	84.4

2.11 Continued

Series	Previous cycle[1] High	Previous cycle[1] Low	Latest cycle[2] High	Latest cycle[2] Low	1980 Jan.	1980 Aug.	1980 Sept.	1980 Oct.	1980 Nov.[r]	1980 Dec.[r]	1981 Jan.[r]	1981 Feb.
	Capacity utilization rate (percent)											
13 Manufacturing	88.0	69.0	87.2	74.9	83.9	75.5	76.7	78.2	79.4	79.9	80.0	79.3
14 Primary processing	93.8	68.2	90.1	70.9	86.4	72.5	75.2	77.6	79.6	80.7	80.8	79.8
15 Advanced processing	85.5	69.4	86.2	77.1	82.7	77.1	77.7	78.5	79.2	79.6	79.7	79.0
16 Materials	92.6	69.4	88.8	73.7	86.1	74.6	76.4	78.4	80.4	81.2	81.7	81.2
17 Durable goods	91.5	63.6	88.4	68.0	83.6	69.1	70.4	73.5	76.5	77.3	78.0	77.2
18 Metal materials	98.3	68.6	96.0	58.4	84.1	62.2	63.9	71.5	81.4	81.0	81.5	80.3
19 Nondurable goods	94.5	67.2	90.9	76.8	90.9	78.2	82.7	84.4	84.3	86.3	86.2	85.9
20 Textile, paper, and chemical	95.1	65.3	91.4	74.5	91.2	76.4	81.6	83.8	83.7	85.9	85.6	85.3
21 Textile	92.6	57.9	90.1	79.5	86.6	79.5	82.0	82.1	80.7	79.5	80.0	79.5
22 Paper	99.4	72.4	97.6	88.1	96.0	90.2	93.9	93.0	94.1	94.9	92.5	91.4
23 Chemical	95.5	64.2	91.2	69.6	91.2	72.5	78.7	82.1	82.0	85.2	85.3	85.3
24 Energy materials	94.6	84.8	88.3	83.1	86.2	85.2	84.1	83.1	85.5	84.5	85.2	85.8

1. Monthly high 1973; monthly low 1975.
2. Preliminary; monthly highs December 1978 through January 1980; monthly lows July 1980 through October 1980.

2.12 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data are seasonally adjusted. Exceptions noted.

Category	1978	1979	1980	1980 Aug.	1980 Sept.	1980 Oct.	1980 Nov.[r]	1980 Dec.[r]	1981 Jan.[r]	1981 Feb.
HOUSEHOLD SURVEY DATA										
1 Noninstitutional population[1]	**161,058**	**163,620**	**166,246**	**166,578**	**166,789**	**167,005**	**167,201**	**167,396**	**167,585**	**167,747**
2 Labor force (including Armed Forces)[1]	102,537	104,996	106,821	107,059	107,101	107,288	107,404	107,191	107,668	107,802
3 Civilian labor force	100,420	102,908	104,719	104,945	104,980	105,167	105,285	105,067	105,543	105,681
Employment										
4 Nonagricultural industries[2]	91,031	93,648	93,960	93,793	93,781	93,887	93,999	93,888	94,294	94,646
5 Agriculture	3,342	3,297	3,310	3,210	3,399	3,319	3,340	3,394	3,403	3,281
Unemployment										
6 Number	6,047	5,963	7,448	7,942	7,800	7,961	7,946	7,785	7,847	7,754
7 Rate (percent of civilian labor force)	6.0	5.8	7.1	7.6	7.4	7.6	7.5	7.4	7.4	7.3
8 Not in labor force	58,521	58,623	59,425	59,519	59,687	59,717	59,797	60,205	59,917	59,946
ESTABLISHMENT SURVEY DATA										
9 Nonagricultural payroll employment[3]	**86,697**	**89,886**	**90,652**	**90,142**	**90,384**	**90,710**	**90,961**	**91,125**	**91,499**	**91,550**
10 Manufacturing	20,505	21,062	20,365	19,940	20,044	20,157	20,282	20,312	20,350	20,370
11 Mining	851	960	1,025	1,013	1,028	1,037	1,054	1,072	1,084	1,090
12 Contract construction	4,229	4,483	4,468	4,359	4,404	4,442	4,475	4,508	4,608	4,500
13 Transportation and public utilities	4,923	5,141	5,155	5,129	5,124	5,147	5,132	5,137	5,148	5,147
14 Trade	19,542	20,269	20,571	20,589	20,620	20,641	20,660	20,638	20,782	20,892
15 Finance	4,724	4,974	5,162	5,180	5,194	5,214	5,225	5,245	5,265	5,275
16 Service	16,252	17,078	17,736	17,788	17,861	17,913	17,969	18,068	18,135	18,164
17 Government	15,672	15,920	16,171	16,144	16,109	16,159	16,164	16,145	16,127	16,112

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. Department 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 March 1979 benchmark and only seasonally adjusted data are available at this time. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data are seasonally adjusted.

Grouping	1967 proportion	1980 Average	1980 Feb.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1981 Jan.p	Feb.e
			Index (1967 = 100)											
MAJOR MARKET														
1 **Total index**	**100.00**	**147.1**	**152.6**	**148.3**	**144.0**	**141.5**	**140.4**	**141.8**	**144.1**	**146.9**	**149.4**	**150.9**	**151.5**	**150.8**
2 Products	60.71	146.7	150.1	146.6	143.7	142.5	142.8	143.8	145.3	147.2	148.7	149.9	150.1	149.1
3 Final products	47.82	145.4	147.7	145.4	143.1	142.3	142.4	142.8	143.9	145.8	147.5	148.2	148.3	147.6
4 Consumer goods	27.68	145.5	148.4	145.3	142.4	142.1	142.0	142.7	144.3	146.6	148.0	147.7	147.4	146.5
5 Equipment	20.14	145.1	146.6	145.6	144.0	142.6	142.9	142.9	143.2	144.8	146.7	148.9	149.4	149.1
6 Intermediate products	12.89	151.9	159.2	150.8	146.2	143.5	144.5	147.6	150.6	152.4	153.5	156.1	156.9	154.7
7 Materials	39.29	147.6	156.5	151.0	144.3	140.0	136.5	138.6	142.4	146.4	150.5	152.4	153.8	153.3
Consumer goods														
8 Durable consumer goods	7.89	136.5	144.5	136.3	128.8	128.2	128.3	128.6	132.7	139.6	142.9	141.1	138.3	137.1
9 Automotive products	2.83	132.7	142.1	126.3	118.5	121.6	129.2	121.5	130.6	141.8	145.3	139.1	127.2	129.5
10 Autos and utility vehicles	2.03	109.9	124.6	102.3	92.6	97.1	106.4	94.1	105.5	120.2	124.3	115.9	99.7	103.4
11 Autos	1.90	103.4	116.8	97.1	88.4	95.7	105.2	91.3	98.0	110.7	114.3	105.3	90.0	96.0
12 Auto parts and allied goods	80	190.4	186.7	187.2	184.0	183.7	186.9	191.1	194.2	196.8	198.6	198.0	196.9	196.0
13 Home goods	5.06	138.7	145.8	142.0	134.6	132.0	127.7	132.6	134.0	138.3	141.5	142.2	144.5	141.4
14 Appliances, A/C, and TV	1.40	117.1	122.3	114.8	102.8	105.6	102.3	114.2	116.3	123.5	128.4	126.8	131.7	124.5
15 Appliances and TV	1.33	119.5	124.4	117.5	106.0	108.5	103.4	114.2	117.6	125.6	131.0	129.2	133.3	.....
16 Carpeting and furniture	1.07	155.0	168.2	165.8	154.2	146.7	136.1	141.1	146.1	150.2	154.9	156.3	157.0	.....
17 Miscellaneous home goods	2.59	143.6	149.4	146.8	143.8	140.2	138.1	139.1	138.6	141.5	143.0	144.8	146.3	145.0
18 Nondurable consumer goods	19.79	149.2	150.0	148.8	147.7	147.6	147.4	148.3	148.9	149.4	150.1	150.4	151.0	150.2
19 Clothing	4.29	126.8	130.7	128.7	127.9	126.7	122.5	123.6	122.1	125.1	127.3	124.1	.....	.....
20 Consumer staples	15.50	155.3	155.4	154.5	153.2	153.4	154.3	155.1	156.3	156.1	156.4	157.6	158.3	157.8
21 Consumer foods and tobacco	8.33	147.0	146.5	146.2	146.1	146.2	146.4	146.0	147.0	147.7	148.0	149.1	148.8	.....
22 Nonfood staples	7.17	164.9	165.6	164.0	161.5	161.7	163.6	165.7	167.1	165.9	166.2	167.6	169.4	168.5
23 Consumer chemical products	2.63	208.7	211.8	206.9	203.0	202.6	204.3	209.3	213.0	210.2	210.0	212.5	215.3	.....
24 Consumer paper products	1.92	122.9	122.5	120.4	120.2	120.6	121.5	122.0	122.3	124.8	127.3	127.0	128.4	.....
25 Consumer energy products	2.62	151.9	150.9	152.8	150.1	150.9	153.5	153.9	154.0	151.5	150.8	152.2	153.5	.....
26 Residential utilities	1.45	171.2	162.5	172.5	169.8	170.1	176.5	178.6	178.3	175.0	171.8	171.2	.....	.....
Equipment														
27 Business	12.63	173.3	176.0	174.2	171.9	169.8	170.1	170.3	170.5	172.3	174.5	177.5	178.3	177.7
28 Industrial	6.77	157.0	159.2	159.3	157.8	155.2	154.8	154.5	154.2	154.4	157.1	160.1	163.4	164.3
29 Building and mining	1.44	241.3	231.6	239.5	242.2	241.0	244.4	243.6	243.4	244.3	250.1	255.7	267.5	273.6
30 Manufacturing	3.85	128.4	133.1	131.9	129.5	126.1	126.0	124.4	123.9	123.9	126.4	129.6	130.1	129.8
31 Power	1.47	149.0	156.4	152.3	149.1	147.1	142.0	145.9	146.1	146.1	146.0	146.1	148.0	147.3
32 Commercial transit, farm	5.86	192.1	195.5	191.5	188.2	186.7	187.8	188.4	189.4	192.8	194.7	197.6	195.5	193.2
33 Commercial	3.26	237.5	238.7	235.6	232.0	228.8	229.0	233.6	237.2	242.0	244.0	248.3	247.9	246.1
34 Transit	1.93	139.4	145.4	143.0	136.3	138.0	140.9	138.4	133.8	135.0	136.6	137.9	132.2	128.0
35 Farm	67	123.2	129.9	116.4	124.6	121.6	122.5	112.7	116.8	120.2	121.9	123.1	122.7	.....
36 Defense and space	7.51	97.8	97.2	97.6	97.2	96.8	97.2	96.9	97.4	98.5	99.8	100.7	101.0	101.2
Intermediate products														
37 Construction supplies	6.42	140.7	153.8	139.4	133.0	128.5	128.6	133.1	137.4	140.5	142.8	144.7	146.9	143.1
38 Business supplies	6.47	162.9	164.5	162.0	159.4	158.4	160.4	161.9	163.6	164.3	164.2	167.5	166.8	.....
39 Commercial energy products	1.14	173.6	171.7	174.8	172.0	168.7	172.1	173.7	175.2	174.6	174.0	179.2	175.9	.....
Materials														
40 Durable goods materials	20.35	143.1	154.8	148.2	139.8	133.8	129.0	131.3	134.2	140.4	146.6	148.4	150.2	148.8
41 Durable consumer parts	4.58	109.0	119.9	110.6	100.1	96.0	93.9	98.1	104.2	110.8	115.5	116.3	116.9	114.9
42 Equipment parts	5.44	187.3	198.9	195.8	190.8	182.5	177.6	176.3	176.0	178.5	184.0	185.8	189.2	188.4
43 Durable materials n.e.c.	10.34	135.0	147.0	139.8	130.5	125.0	118.9	122.4	125.4	133.4	140.6	142.9	144.3	142.9
44 Basic metal materials	5.57	104.6	116.4	109.3	100.0	95.9	84.7	89.4	91.7	102.0	114.4	115.0	115.4	.....
45 Nondurable goods materials	10.47	170.7	179.9	173.2	165.2	159.6	156.2	159.8	169.7	173.7	174.1	178.7	179.3	179.1
46 Textile, paper, and chemical materials	7.62	177.0	188.1	180.7	171.5	163.4	158.5	163.2	175.1	180.5	181.0	186.4	186.4	186.5
47 Textile materials	1.85	116.0	121.1	117.7	117.6	114.0	114.4	111.0	114.7	114.9	113.0	111.4	112.1	.....
48 Paper materials	1.62	145.2	146.0	141.2	141.7	143.4	138.4	142.0	148.2	147.3	149.5	151.3	147.7	.....
49 Chemical materials	4.15	216.7	234.5	224.3	207.3	193.3	186.1	194.9	212.6	222.9	223.8	233.6	234.7	.....
50 Containers, nondurable	1.70	165.1	170.6	166.8	155.8	157.7	159.0	158.8	167.2	168.6	166.6	169.7	172.7	.....
51 Nondurable materials n.e.c.	1.14	137.3	138.7	133.0	136.4	136.8	136.6	137.9	137.2	135.7	139.1	141.1	141.5	.....
52 Energy materials	8.48	130.0	131.5	130.1	129.6	130.4	130.4	130.0	128.4	127.2	130.9	129.6	131.1	132.2
53 Primary energy	4.65	114.9	113.7	116.4	116.2	117.3	115.6	114.0	114.3	113.7	114.5	113.3	114.1	.....
54 Converted fuel materials	3.82	148.2	153.1	146.9	145.8	146.4	148.4	149.4	145.4	143.6	150.9	149.5	151.9	.....
Supplementary groups														
55 Home goods and clothing	9.35	133.2	138.9	135.9	131.5	129.5	125.3	128.5	128.5	132.2	135.0	133.9	135.3	132.8
56 Energy, total	12.23	138.7	139.4	139.1	137.9	138.4	139.2	139.2	138.2	136.8	139.2	139.1	140.1	140.0
57 Products	3.76	158.5	157.2	159.5	156.7	156.3	159.1	159.9	160.5	158.5	157.9	160.4	160.3	.....
58 Materials	8.48	130.0	131.5	130.1	129.6	130.4	130.4	130.0	128.4	127.2	130.9	129.6	131.1	132.2

For notes see opposite page.

2.13 Continued

Grouping	SIC code	1967 proportion	1980 Avg.	1980 Feb.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1981 Jan.p	Feb.e
				Index (1967 = 100)											
MAJOR INDUSTRY															
1 Mining and utilities	.....	12.05	150.4	149.0	150.1	149.6	150.1	150.1	150.5	150.5	150.2	152.8	153.4	155.4	155.2
2 Mining	.....	6.36	132.8	132.9	133.1	133.4	132.9	130.6	129.6	130.5	132.1	136.0	138.2	140.5	141.5
3 Utilities	.....	5.69	169.9	167.1	169.1	167.7	169.3	171.8	173.8	172.7	170.4	171.5	170.4	172.0	170.4
4 Electric	.....	3.88	189.7	185.7	187.9	186.0	188.7	192.4	195.4	193.9	190.3	191.5	190.3	.....	.....
5 Manufacturing	.....	87.95	146.6	153.0	147.9	143.4	140.3	139.2	140.6	143.4	146.4	149.1	150.6	151.0	150.2
6 Nondurable	.....	35.97	161.1	165.9	161.6	158.0	155.3	154.7	156.9	160.3	161.8	163.3	165.1	165.2	165.1
7 Durable	.....	51.98	136.6	144.1	138.4	133.3	129.9	128.3	129.4	131.7	135.8	139.3	140.5	141.1	139.9
Mining															
8 Metal	10	.51	109.1	136.6	123.5	120.8	120.0	83.1	71.2	73.1	90.8	107.2	122.1	122.6	.....
9 Coal	11.12	.69	146.7	136.0	143.4	145.0	150.0	149.8	154.9	148.9	145.7	151.6	155.3	150.3	156.2
10 Oil and gas extraction	13	4.40	133.6	130.4	132.5	133.9	133.2	134.3	133.6	134.7	135.4	137.4	137.4	140.7	142.5
11 Stone and earth minerals	14	.75	131.7	142.3	133.1	128.1	123.9	123.7	123.5	128.2	129.0	133.0	137.8	142.7	.....
Nondurable manufactures															
12 Foods	20	8.75	149.3	149.0	147.8	149.5	149.0	148.9	148.3	148.6	149.4	150.5	151.4	151.1	.....
13 Tobacco products	21	.67	119.8	120.0	121.9	116.2	113.9	119.6	117.4	119.1	123.1	125.1	118.8	.....	.....
14 Textile mill products	22	2.68	136.8	144.0	139.9	137.1	133.6	132.5	132.6	133.0	133.8	135.0	133.2	133.8	.....
15 Apparel products	23	3.31	128.6	133.8	131.3	128.6	127.2	121.5	123.8	126.7	127.5	128.0	125.0	.....	.....
16 Paper and products	26	3.21	151.0	153.6	148.2	145.7	146.2	143.6	147.1	152.3	153.0	154.4	156.5	155.4	154.1
17 Printing and publishing	27	4.72	139.6	139.9	136.5	135.5	135.4	138.6	140.3	140.3	141.5	142.7	144.9	145.6	146.2
18 Chemicals and products	28	7.74	206.7	217.4	209.1	199.2	191.1	190.3	197.8	206.8	209.1	212.0	218.8	219.0	.....
19 Petroleum products	29	1.79	134.9	144.6	137.4	133.0	131.3	130.5	126.7	130.5	130.1	131.2	136.8	137.4	136.5
20 Rubber and plastic products	30	2.24	255.8	266.8	261.8	248.1	242.9	242.5	245.9	253.1	259.2	259.6	259.2	259.9	.....
21 Leather and products	31	.86	70.1	73.3	69.9	70.1	68.5	67.8	67.7	67.2	70.2	71.2	67.8	67.8	.....
Durable manufactures															
22 Ordnance, private and government	19.91	3.64	77.9	77.2	77.5	77.9	77.5	77.1	77.2	77.1	79.1	79.6	79.5	69.6	79.8
23 Lumber and products	24	1.64	119.3	130.2	105.2	104.5	109.7	112.8	121.7	122.6	122.2	124.9	122.0	122.3	.....
24 Furniture and fixtures	25	1.37	150.0	159.2	157.1	149.5	143.1	138.6	141.1	144.8	147.2	147.2	149.0	148.5	.....
25 Clay, glass, stone products	32	2.74	146.5	162.4	148.8	140.8	134.5	134.2	135.7	141.4	145.2	147.8	151.5	154.0	.....
26 Primary metals	33	6.57	101.6	111.9	106.4	96.1	90.4	81.7	86.0	90.1	100.6	113.4	112.1	112.9	111.7
27 Iron and steel	331.2	4.21	91.7	103.4	97.4	84.4	75.4	68.1	75.3	79.8	93.3	107.4	103.6	106.4	.....
28 Fabricated metal products	34	5.93	135.0	145.7	141.4	133.2	126.1	123.8	125.8	129.0	132.8	134.1	137.4	138.2	137.9
29 Nonelectrical machinery	35	9.15	162.7	167.0	163.2	162.1	158.3	158.5	158.8	159.1	161.1	163.4	167.1	168.8	168.1
30 Electrical machinery	36	8.05	172.7	179.2	177.0	171.4	166.6	165.0	166.7	167.5	170.0	173.0	174.9	177.7	175.4
31 Transportation equipment	37	9.27	116.8	125.7	115.1	109.8	110.0	110.7	108.3	112.9	118.8	121.7	120.6	117.4	116.4
32 Motor vehicles and parts	371	4.50	118.8	133.9	114.7	105.9	106.7	107.9	104.4	113.4	124.2	129.0	126.3	119.0	117.9
33 Aerospace and miscellaneous transportation equipment	372–9	4.77	114.9	118.1	115.5	113.5	113.1	113.4	111.9	112.3	113.6	114.8	115.2	116.0	114.9
34 Instruments	38	2.11	171.0	174.8	173.8	171.0	169.2	167.5	167.6	167.4	169.6	169.9	172.1	173.6	171.6
35 Miscellaneous manufactures	39	1.51	147.8	151.6	151.2	147.3	43.7	144.7	144.2	142.8	145.0	147.5	149.5	151.6	150.7
		Gross value (billions of 1972 dollars, annual rates)													
MAJOR MARKET															
36 Products, total	.....	**507.4**	**602.0**	**619.8**	**599.5**	**588.6**	**585.0**	**586.7**	**585.9**	**593.3**	**604.7**	**610.9**	**615.1**	**614.4**	**609.6**
37 Final	.....	390.9[2]	465.4	476.4	464.5	457.3	455.6	456.9	453.0	58.0	467.7	473.0	475.0	472.7	470.4
38 Consumer goods	.....	277.5[2]	313.5	320.0	312.5	306.3	305.8	307.7	305.1	309.0	316.6	320.0	319.9	317.7	315.8
39 Equipment	.....	113.4[2]	151.9	156.3	152.0	151.0	149.8	149.2	147.9	149.0	151.1	153.0	155.1	155.0	154.6
40 Intermediate	.....	116.6[2]	136.7	143.4	135.0	131.3	129.4	129.9	132.9	135.3	137.1	137.9	140.1	141.7	139.2

1. The industrial production series has been revised back to January 1979.
2. 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.

2.14 HOUSING AND CONSTRUCTION

Monthly figures are at seasonally adjusted annual rates except as noted.

Item	1978	1979	1980r	1980 June	1980 July	1980 Aug.	1980 Sept.	1980 Oct.	1980 Nov.r	1980 Dec.r	1981 Jan.
	Private residential real estate activity (thousands of units)										
NEW UNITS											
1 Permits authorized	1,801	1,552	1,171	1,078	1,236r	1,361	1,564	1,333	1,355	1,235	1,213
2 1-family	1,183	981	704	628	781	857	914	819	812	743	703
3 2-or-more-family	618	570	467	450	455	504	650	514	543	492	510
4 Started	2,020	1,745	1,292	1,184r	1,277r	1,411r	1,482r	1,519r	1,550	1,532	1,585
5 1-family	1,433	1,194	852	760r	867r	971r	1,032r	1,009r	1,019	971	941
6 2-or-more-family	587	551	440	424r	410r	440r	450r	510r	531	561	644
7 Under construction, end of period[1]	1,310	1,140	903	871	851	843	868	886r	907	918	n.a.
8 1-family	765	639	519	474	473	474	500	515r	531	537	n.a.
9 2-or-more-family	546	501	385	397	378	369	368	371r	376	381	n.a.
10 Completed	1,868	1,855	1,498	1,469	1,502	1,405	1,256	1,285	1,269	1,380	n.a.
11 1-family	1,369	1,286	954	886	876	917	753	819r	824	897	n.a.
12 2-or-more-family	499	570	544	583	626	488	503	466r	445	483	n.a.
13 Mobile homes shipped	276	277	222	166r	207r	208r	239r	236r	239	261	n.a.
Merchant builder activity in 1-family units											
14 Number sold	818	709	531	532r	625r	616r	563r	549r	559	527	493
15 Number for sale, end of period[1]	419	402	342	341r	335r	331r	335	334	338	337	336
Price (thousands of dollars)[2]											
Median											
16 Units sold	55.8	62.7	64.9	65.4	64.4	63.2	68.5	66.1r	67.2	67.8	67.2
Average											
17 Units sold	62.7	71.9	76.6	76.3	76.8	76.5	80.3	77.7r	82.1	81.9	79.6
EXISTING UNITS (1-family)											
18 Number sold	3,905	3,742	2,881	2,570r	2,920	2,970r	3,280r	3,120r	2,960	2,910	2,580
Price of units sold (thous. of dollars)[2]											
19 Median	48.7	55.5	62.1	63.4	64.1	64.9	64.2	62.7	64.3	63.0	64.5
20 Average	55.1	64.0	72.7	74.1r	75.7	76.2	75.5	73.4	74.9	74.0	76.1
	Value of new construction[3] (millions of dollars)										
CONSTRUCTION											
21 Total put in place	**205,457**	**228,948**	**227,775**	**215,021**	**214,315**	**215,149**	**223,660**	**226,132**	**231,564**	**242,376**	**255,638**
22 Private	159,555	179,948	172,622	161,349	158,593	162,057	167,882	171,053	177,861	183,990	191,954
23 Residential	93,423	99,029	86,210	73,360	74,277	78,632	84,378	87,375	93,692	95,978	100,682
24 Nonresidential, total	66,132	80,919	86,412	87,989	84,316	83,425	83,504	83,678	84,169	88,012	91,272
Buildings											
25 Industrial	10,993	14,953	14,021	15,022	13,267	13,046	13,102	12,996	13,392	15,079	14,393
26 Commercial	18,568	24,924	29,344	29,609	28,063	27,993	27,425	28,417	28,888	30,392	33,574
27 Other	6,739	7,427	8,533	8,256	8,115	8,095	8,447	8,760	8,799	9,086	9,864
28 Public utilities and other	29,832	33,615	34,514	35,102	34,871	34,291	34,530	33,505	33,090	33,455	33,441
29 Public	45,901	49,001	55,154	53,672	55,721	53,092	55,778	55,078	53,703	58,386	63,684
30 Military	1,501	1,641	1,876	1,748	2,041	2,315	1,717	2,144	1,866	1,818	2,127
31 Highway	10,713	11,915	13,450	14,012	13,758	11,334	13,804	13,550	12,427	13,347	n.a.
32 Conservation and development	4,457	4,586	5,081	4,241	5,896	4,353	5,091	4,763	5,109	5,607	n.a.
33 Other	29,230	30,859	34,747	33,671	34,026	35,090	35,166	34,621	34,301	37,614	n.a.

1. Not at annual rates.
2. Not seasonally adjusted.
3. 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 16,000 jurisdictions beginning with 1978.

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 Jan. 1981 (1967 = 100)[1]
	1980 Jan.	1981 Jan.	1980				1980				1981	
			Mar.[r]	June[r]	Sept.[r]	Dec.[r]	Sept.[r]	Oct.[r]	Nov.[r]	Dec.[r]	Jan	
CONSUMER PRICES[2]												
1 **All items**	**13.9**	**11.7**	**17.3**	**11.4**	**7.8**	**13.2**	**1.0**	**1.0**	**1.1**	**1.0**	**.7**	**260.5**
2 Commodities	13.6	10.3	15.3	5.4	13.2	11.0	1.3	.9	1.0	.7	.6	245.4
3 Food	8.9	10.2	3.3	5.8	19.7	13.1	1.7	.9	1.2	1.0	−.1	268.6
4 Commodities less food	15.7	10.5	20.7	5.2	10.6	9.9	1.1	.9	.9	.6	1.0	232.4
5 Durable	10.6	9.8	8.2	7.5	15.2	11.8	1.5	1.1	1.3	.4	.3	221.0
6 Nondurable	22.3	11.2	38.1	3.8	5.0	6.2	.4	.3	.5	.7	2.1	245.3
7 Services	14.5	13.7	20.1	20.5	.7	16.8	.7	1.2	1.3	1.4	.9	287.7
8 Rent	8.1	9.1	8.3	10.0	8.6	9.6	1.0	1.0	.6	.7	.7	200.9
9 Services less rent	15.5	14.3	21.7	22.1	−.3	17.8	.7	1.2	1.4	1.5	.9	304.2
Other groupings												
10 All items less food	15.1	12.0	20.3	12.7	5.7	13.2	.9	1.0	1.1	1.0	1.0	257.6
11 All items less food and energy	12.0	11.4	14.7	14.0	5.8	14.4	1.0	1.1	1.1	1.1	.6	245.7
12 Homeownership	21.1	14.8	22.6	26.4	−3.5	23.1	.7	2.0	1.7	1.5	.5	335.8
PRODUCER PRICES												
13 Finished goods	13.3	10.8	17.5	8.4	13.5	7.8	.3	.9	.5	.5	.9	259.8
14 Consumer	14.4	10.9	18.8	7.6	14.5	6.9	.3	.8	.5	.4	.8	261.4
15 Foods	5.2	8.1	−.9	−1.4	31.0	3.6	.5	.7	.1	.1	0.0	250.6
16 Excluding foods	19.4	12.2	29.7	12.1	7.6	8.5	.2	.8	.7	.5	1.2	260.9
17 Capital equipment	9.6	10.8	13.6	10.9	9.9	11.4	.1	1.7	.1	.9	1.0	253.9
18 Intermediate materials[3]	18.6	10.6	23.7	6.2	7.8	12.6	.5	.5	.8	1.7	1.3	296.6
Crude materials												
19 Nonfood	29.1	12.3	18.9	.2	32.3	17.6	2.3	1.9	1.3	.8	−.8	428.7
20 Food	3.9	11.1	−16.6	−.3	73.9	−4.1	.7	1.5	.2	−2.6	−1.1	270.6

1. Not seasonally adjusted.
2. Figures for consumer prices are those for all urban consumers.
3. Excludes intermediate materials for food manufacturing and manufactured animal feeds.

SOURCE. Bureau of Labor Statistics.

2.16 GROSS NATIONAL PRODUCT AND INCOME

Billions of current dollars except as noted; quarterly data are at seasonally adjusted annual rates.

Account	1978	1979	1980[r]	1979	1980			
				Q4	Q1	Q2	Q3	Q4[r]
GROSS NATIONAL PRODUCT								
1 **Total**	**2,156.1**	**2,413.9**	**2,626.5**	**2,727.5**	**2,571.7**	**2,564.8**	**2,637.3**	**2,732.3**
By source								
2 Personal consumption expenditures	1,348.7	1,510.9	1,672.3	1,582.3	1,631.0	1,626.8	1,682.2	1,749.2
3 Durable goods	199.3	212.3	211.9	675.4	220.9	194.4	208.8	223.4
4 Nondurable goods	529.8	602.2	675.4	785.1	661.1	664.0	674.2	702.2
5 Services	619.6	696.3	785.1	727.0	749.0	768.4	799.2	823.7
6 Gross private domestic investment	375.3	415.8	395.4	410.0	415.6	390.9	377.1	398.1
7 Fixed investment	353.2	398.3	400.8	108.6	413.1	383.5	393.2	413.3
8 Nonresidential	242.0	279.7	295.4	290.2	297.8	289.8	294.0	300.0
9 Structures	78.7	96.3	108.6	105.1	108.2	108.4	107.3	110.5
10 Producers' durable equipment	163.3	183.4	186.8	185.1	189.7	181.4	186.8	189.5
11 Residential structures	111.2	118.6	105.3	120.6	115.2	93.6	99.2	113.3
12 Nonfarm	106.9	113.9	100.3	115.4	110.1	88.9	94.5	107.9
13 Change in business inventories	22.2	17.5	−5.3	−0.8	2.5	7.4	−16.4	−15.2
14 Nonfarm	21.8	13.4	−4.1	−4.4	1.5	6.1	−12.3	−11.7
15 Net exports of goods and services	−0.6	13.4	24.2	7.6	8.2	17.1	44.5	26.9
16 Exports	219.8	281.3	340.1	306.3	337.3	333.3	342.4	347.5
17 Imports	220.4	267.9	315.9	298.7	329.1	316.2	297.9	220.5
18 Government purchases of goods and services	432.6	473.8	534.6	496.4	516.8	530.0	533.5	558.0
19 Federal	153.4	167.9	198.9	178.1	190.0	198.7	194.9	212.1
20 State and local	279.2	305.9	335.7	318.3	326.8	331.3	338.6	346.0
By major type of product								
21 Final sales, total	2,133.9	2,396.4	2,631.8	2,497.1	2,569.1	2,557.4	2,653.4	2,747.5
22 Goods	946.6	1,055.9	1,131.2	1,078.4	1,116.9	1,106.4	1,129.4	1,171.9
23 Durable	409.8	451.2	458.8	448.1	456.4	444.6	456.5	477.8
24 Nondurable	536.8	604.7	672.3	630.3	660.5	661.8	672.9	694.1
25 Services	976.3	1,097.2	1,229.5	1,142.8	1,173.6	1,205.6	1,249.0	1,284.8
26 Structures	233.2	260.8	265.8	275.1	276.2	252.8	258.9	275.5
27 Change in business inventories	22.2	17.5	−5.3	−0.8	2.5	7.4	−16.0	−15.2
28 Durable goods	17.8	11.5	−4.1	−0.4	−11.8	3.3	−8.4	.4
29 Nondurable goods	4.4	6.0	−1.2	−0.5	14.3	4.1	−7.7	−15.6
30 MEMO: **Total GNP in 1972 dollars**	**1,436.9**	**1,483.0**	**1,480.7**	**1,490.6**	**1,501.9**	**1,463.3**	**1,471.9**	**1,486.5**
NATIONAL INCOME								
31 **Total**	**1,745.4**	**1,963.3**	**2,119.5**	**2,031.3**	**2,088.5**	**2,070.0**	**2,122.4**	**n.a.**
32 Compensation of employees	1,299.7	1,460.9	1,596.5	1,518.1	1,558.0	1,569.0	1,597.4	1,661.6
33 Wages and salaries	1,105.4	1,235.9	1,343.6	1,282.4	1,314.5	1,320.4	1,342.3	1,397.2
34 Government and government enterprises	219.6	235.9	253.6	243.3	246.7	250.5	253.9	263.3
35 Other	885.7	1,000.0	1,090.0	1,039.1	1,067.9	1,069.9	1,088.4	1,133.9
36 Supplement to wages and salaries	194.3	225.0	252.9	235.7	243.5	248.6	255.0	264.5
37 Employer contributions for social insurance	92.1	106.4	115.8	109.8	112.6	113.6	116.0	121.0
38 Other labor income	102.2	118.6	137.1	126.0	130.9	135.1	139.1	143.5
39 Proprietors' income[1]	117.1	131.6	130.7	136.3	133.7	124.9	129.7	134.3
40 Business and professional[1]	91.0	100.7	107.2	106.8	107.9	101.6	107.6	111.8
41 Farm[1]	26.1	30.8	23.4	29.5	25.7	23.3	22.1	22.6
42 Rental income of persons[2]	27.4	30.5	31.8	31.0	31.2	31.5	32.0	32.4
43 Corporate profits[1]	199.0	196.8	180.7	189.4	200.2	169.3	177.9	n.a.
44 Profits before tax[3]	223.3	255.4	241.8	255.4	277.1	217.9	237.6	n.a.
45 Inventory valuation adjustment	−24.3	−42.6	−43.9	−50.8	−61.4	−31.1	−41.7	−41.4
46 Capital consumption adjustment	−13.5	−15.9	−17.2	−15.1	−15.4	−17.6	−17.9	−17.8
47 Net interest	115.8	143.4	179.9	156.5	165.4	175.3	185.3	193.6

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustments.
3. For after-tax profits, dividends, and the like, see table 1.49.

SOURCE. *Survey of Current Business* (Department of Commerce).

2.17 PERSONAL INCOME AND SAVING

Billions of current dollars; quarterly data are at seasonally adjusted annual rates. Exceptions noted.

Account	1978	1979	1980r	1979	1980			
				Q4	Q1	Q2	Q3	Q4r
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**1,721.8**	**1,943.8**	**2,160.2**	**2,032.0**	**2,088.2**	**2,114.5**	**2,182.1**	**2,256.0**
2 Wage and salary disbursements	1,105.2	1,236.1	1,343.6	1,282.2	1,314.7	1,320.4	1,341.8	1,397.7
3 Commodity-producing industries	389.1	437.9	465.4	450.4	461.7	456.0	460.1	484.1
4 Manufacturing	299.2	333.4	350.7	340.4	347.9	343.2	346.7	365.0
5 Distributive industries	270.5	303.0	328.9	315.0	322.6	323.2	329.2	340.6
6 Service industries	226.1	259.2	295.7	273.7	283.6	290.8	298.7	309.7
7 Government and government enterprises	219.4	236.1	253.6	243.1	246.8	250.5	253.9	263.3
8 Other labor income	102.2	118.6	137.1	126.0	130.9	135.1	139.1	143.5
9 Proprietors' income[1]	117.2	131.6	130.7	136.3	133.7	124.9	129.7	134.3
10 Business and professional[1]	91.0	100.8	107.2	106.8	107.9	101.6	107.6	111.8
11 Farm[1]	26.1	30.8	23.4	29.5	25.7	23.3	22.1	22.6
12 Rental income of persons[2]	27.4	30.5	31.8	31.0	31.2	31.5	32.0	32.4
13 Dividends	43.1	48.6	54.4	50.1	52.4	54.2	55.1	56.1
14 Personal interest income	173.2	209.6	256.2	225.7	239.9	253.6	261.8	269.4
15 Transfer payments	223.3	249.4	294.2	263.1	271.7	280.7	310.7	313.9
16 Old-age survivors, disability, and health insurance benefits	116.2	131.8	153.8	139.3	142.0	144.7	163.2	165.3
17 LESS: Personal contributions for social insurance	69.6	80.6	87.9	82.4	86.2	85.9	88.1	91.2
18 EQUALS: Personal income	1,721.8	1,943.8	2,160.2	2,032.0	2,088.2	2,114.5	2,182.1	2,256.0
19 LESS: Personal tax and nontax payments	258.8	302.0	338.6	321.8	323.1	330.3	341.5	359.3
20 EQUALS: Disposable personal income	1,462.9	1,641.7	1,821.6	1,710.1	1,765.1	1,784.1	1,840.6	1,896.7
21 LESS: Personal outlays	1,386.6	1,555.5	1,719.8	1,629.4	1,678.7	1,674.1	1,729.2	1,797.2
22 EQUALS: Personal saving	76.3	86.2	101.8	80.7	86.4	110.0	111.4	99.5
MEMO:								
Per capita (1972 dollars)								
23 Gross national product	6,568	6,721	6,646	6,730	6,768	6,580	6,597	6,645
24 Personal consumption expenditures	4,136	4,219	4,196	4,251	4,251	4,134	4,172	4,229
25 Disposable personal income	4,487	4,584	4,571	4,596	4,600	4,532	4,565	4,585
26 Saving rate (percent)	5.2	5.2	5.6	4.7	4.9	6.2	6.1	5.2
GROSS SAVING								
27 **Gross saving**	**355.2**	**412.0**	**400.7**	**402.0**	**404.5**	**394.5**	**402.0**	**n.a.**
28 Gross private saving	355.4	398.9	433.1	396.4	413.0	435.9	446.5	n.a.
29 Personal saving	76.3	86.2	101.8	80.7	86.4	110.0	111.4	99.5
30 Undistributed corporate profits[1]	57.9	59.1	44.0	50.6	52.1	42.1	42.8	n.a.
31 Corporate inventory valuation adjustment	−24.3	−42.6	−43.9	−50.8	−61.4	−31.1	−41.7	−41.4
Capital consumption allowances								
32 Corporate	136.4	155.4	175.4	161.5	167.1	173.0	178.4	183.2
33 Noncorporate	84.8	98.2	111.8	103.6	107.4	110.7	113.4	115.8
34 Wage accruals less disbursements	.0	.0	.0	.0	.0	.0	.5	−.5
35 Government surplus, or deficit (−), national income and product accounts	−0.2	11.9	−33.4	4.4	1.7	−29.6	−45.6	n.a.
36 Federal	−29.2	−14.8	−62.3	−24.5	−36.3	−66.5	−74.2	n.a.
37 State and local	29.0	26.7	28.8	28.9	26.6	23.9	28.6	n.a.
38 Capital grants received by the United States, net	.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1
39 **Gross investment**	**361.6**	**414.1**	**402.5**	**401.3**	**407.3**	**392.5**	**405.0**	**405.0**
40 Gross private domestic	375.3	415.8	395.4	410.0	415.6	390.9	377.1	398.1
41 Net foreign	−13.8	−1.7	7.0	−8.7	−8.3	1.7	27.8	6.9
42 **Statistical discrepancy**	**6.4**	**2.2**	**1.7**	**−0.7**	**2.8**	**−1.9**	**3.0**	**n.a.**

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.

SOURCE. *Survey of Current Business* (Department of Commerce).

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data are seasonally adjusted except as noted.[1]

Item credits or debits	1977	1978	1979	1979 Q3	1979 Q4	1980 Q1	1980 Q2	1980 Q3p
1 Balance on current account	−14,068	−14,259	−788	1,099	−1,802	−2,610	−2,431	4,900
2 Not seasonally adjusted	....	....	....	−2,909	486	−2,426	−680	480
3 Merchandise trade balance[2]	−30,873	−33,759	−29,469	−7,060	−9,225	−10,850	−7,505	−2,828
4 Merchandise exports	120,816	142,054	182,055	47,198	50,237	54,708	54,710	56,288
5 Merchandise imports	−151,689	−175,813	−211,524	−54,258	−59,462	−65,558	−62,215	−59,116
6 Military transactions, net	1,628	886	−1,274	−443	−700	−922	−994	−632
7 Investment income, net[3]	17,988	20,899	32,509	9,319	8,883	10,094	6,133	8,467
8 Other service transactions, net	1,794	2,769	3,112	690	792	880	1,261	1,370
9 MEMO: Balance on goods and services[3,4]	−9,464	−9,204	4,878	2,506	−250	−798	−1,105	6,377
10 Remittances, pensions, and other transfers	−1,830	−1,884	−2,142	−529	−665	−565	−564	−574
11 U.S. government grants (excluding military)	−2,775	−3,171	−3,524	−878	−887	−1,247	−762	−903
12 Change in U.S. government assets, other than official reserve assets, net (increase, −)	−3,693	−4,644	−3,783	−766	−925	−1,467	−1,191	−1,320
13 Change in U.S. official reserve assets (increase, −)	−375	732	−1,132	2,779	−649	−3,268	502	−1,109
14 Gold	−118	−65	−65	0	−65	0	0	0
15 Special drawing rights (SDRs)	−121	1,249	−1,136	0	0	1,152	112	261
16 Reserve position in International Monetary Fund	−294	4,231	−189	−52	27	−34	−99	−294
17 Foreign currencies	158	−4,683	257	2,831	−611	−2,082	489	−554
18 Change in U.S. private assets abroad (increase, −)[3]	−31,725	−57,279	−56,858	−27,228	−11,918	−7,976	−25,023	−17,767
19 Bank-reported claims	−11,427	−33,631	−25,868	−16,997	−7,213	−274	−21,051	−12,477
20 Nonbank-reported claims	−1,940	−3,853	−2,029	−932	410	−1,474	147	n.a.
21 U.S. purchase of foreign securities, net	−5,460	−3,450	−4,643	−2,143	−986	−765	−1,246	−805
22 U.S. direct investments abroad, net[3]	−12,898	−16,345	−24,318	−7,156	−4,129	−5,463	−2,873	−4,485
23 Change in foreign official assets in the United States (increase, +)	36,574	33,292	−14,270	5,789	−1,221	−7,215	7,775	8,025
24 U.S. Treasury securities	30,230	23,523	−22,356	5,024	−5,769	−5,357	4,314	3,769
25 Other U.S. government obligations	2,308	666	465	335	41	801	250	549
26 Other U.S. government liabilities[5]	1,159	2,220	−714	216	−924	181	737	305
27 Other U.S. liabilities reported by U.S. banks	773	5,488	7,219	56	4,881	−3,185	1,652	1,989
28 Other foreign official assets[6]	2,105	1,395	1,116	158	550	345	822	1,413
29 Change in foreign private assets in the United States (increase, +)[3]	14,167	30,804	51,845	19,152	5,246	14,409	174	2,978
30 U.S. bank-reported liabilities	6,719	16,259	32,668	13,185	400	6,355	−4,208	36
31 U.S. nonbank-reported liabilities	473	1,640	1,692	606	1,050	683	1,331	n.a.
32 Foreign private purchases of U.S. Treasury securities, net	534	2,197	4,830	1,466	920	3,278	−1,225	−254
33 Foreign purchases of other U.S. securities, net	2,713	2,811	2,942	677	313	2,427	1,194	990
34 Foreign direct investments in the United States, net[3]	3,728	7,896	9,713	3,218	2,563	1,666	3,082	2,206
35 Allocation of SDRs	0	0	1,139	0	0	1,152	0	0
36 Discrepancy	−880	11,354	22,848	−825	11,269	6,975	20,194	4,293
37 Owing to seasonal adjustments	....	....	....	−3,641	2,400	−99	1,460	−4,022
38 Statistical discrepancy in recorded data before seasonal adjustment	−880	11,354	23,848	2,816	8,869	7,074	18,734	8,315
MEMO: Changes in official assets								
39 U.S. official reserve assets (increase, −)	−375	732	−1,132	2,779	−649	−3,268	502	−1,109
40 Foreign official assets in the United States (increase, +)	35,416	31,072	−13,556	5,573	−297	−7,396	7,038	7,720
41 Change in Organization of Petroleum Exporting Countries official assets in the United States (part of line 23 above)	6,351	−1,137	5,508	1,676	4,955	2,930	4,749	4,380
42 Transfers under military grant programs (excluded from lines 4, 6, and 11 above)	204	236	305	88	139	144	155	110

1. Seasonal factors are no longer calculated for lines 13 through 42.
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).

3.11 U.S. FOREIGN TRADE

Millions of dollars; monthly data are seasonally adjusted.

Item	1978r	1979r	1980r	1980r July	Aug.	Sept.	Oct.	Nov.	Dec.	1981 Jan.
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments	143,682	181,860	220,684	18,267	19,086	18,828	19,214	18,715	19,251	18,825
2 GENERAL IMPORTS including merchandis for immediate consumption plus entries into bonded warehouses	174,759	209,458	245,010	19,139	19,713	19,940	20,347	19,860	21,436	23,194
3 **Trade balance**	**−31,075**	**−27,598**	**−24,326**	**−872**	**−626**	**−1,112**	**−1,134**	**−1,145**	**−2,185**	**−4,369**

NOTE. The data in this table are reported by the Bureau of Census data on a free-alongside-ship (f.a.s.) value basis—that is, value at the port of export. Beginning in 1981, foreign trade of the U.S. Virgin Islands is included in the Census basis trade data; this adjustment has been made for all data shown in the table.

The Census basis data differ from merchandise trade data shown in table 3.10, U.S. International Transactions Summary, 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 sales (which are combined with other military transactions and reported separately in the "service account" in table 3.10, line 6. On the *import side*, additions are made for gold, ship purchases, imports of electricity from Canada and other transactions; military payments are excluded and shown separately as indicated above.

SOURCE. FT900 "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	1978	1979	1980	1980 Aug.	Sept.	Oct.	Nov.	Dec.	1981 Jan.	Feb.p
1 **Total**[1]	**18,650**	**18,956**	**26,756**	**22,691**	**22,994**	**23,967**	**25,673**	**26,756**	**28,316**	**29,682**
2 Gold stock, including Exchange Stabilization Fund[1]	11,671	11,172	11,160	11,172	11,168	11,163	11,162	11,160	11,159	11,156
3 Special drawing rights[2,3]	1,558	2,724	2,610	4,009	4,007	3,939	3,954	2,610	3,628	3,633
4 Reserve position in International Monetary Fund[2]	1,047	1,253	2,852	1,564	1,665	1,671	1,822	2,852	2,867	3,110
5 Foreign currencies[4,5]	4,374	3,807	10,134	5,946	6,154	7,194	8,735	10,134	10,662	11,783

1. 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 3.22.
2. Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, 16 currencies were used; from January 1981, 5 currencies have been used. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974.
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; $1,139 million on Jan. 1, 1979; $1,152 million on Jan. 1, 1980; and $1,093 million on Jan. 1, 1981; plus net transactions in SDRs.
4. Beginning November 1978, valued at current market exchange rates.
5. Includes U.S. government securities held under repurchase agreement against receipt of foreign currencies, if any.

3.13 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data

Millions of dollars, end of period

Asset account	1977	1978[1]	1979	1980 June	1980 July[r]	1980 Aug.[r]	1980 Sept.[r]	1980 Oct.[r]	1980 Nov.	1980 Dec.[p]
	All foreign countries									
1 **Total, all currencies**	**258,897**	**306,795**	**364,233**	**376,722**	**377,877**	**386,467**	**385,884**	**383,178**	**389,011**	**398,207**
2 Claims on United States	11,623	17,340	32,302	29,069	29,085	36,864	29,341	30,476	30,617	28,480
3 Parent bank	7,806	12,811	25,929	18,565	17,552	26,711	19,685	21,440	22,254	20,661
4 Other	3,817	4,529	6,373	10,504	11,533	10,153	9,656	9,036	8,363	7,819
5 Claims on foreigners	238,848	278,135	317,175	330,171	331,320	332,522	339,188	335,418	340,647	350,795
6 Other branches of parent bank	55,772	70,338	79,661	76,061	75,196	72,558	73,856	72,458	74,043	76,556
7 Banks	91,883	103,111	123,413[r]	132,667[r]	134,710	136,617	139,924	138,246	139,929	144,443
8 Public borrowers[2]	14,634	23,737	26,072	25,632	25,474	26,113	26,740	26,548	26,935	27,690
9 Nonbank foreigners	76,560	80,949	88,029[r]	95,811[r]	95,940	97,234	98,668	98,166	99,740	102,106
10 Other assets	8,425	11,320	14,756	17,482	17,472	17,081	17,355	17,284	17,747	18,932
11 **Total payable in U.S. dollars**	**193,764**	**224,940**	**267,711**	**275,232**	**275,783**	**283,974**	**282,171**	**279,689**	**284,281**	**290,818**
12 Claims on United States	11,049	16,382	31,171	27,867	27,720	35,551	28,138	29,059	29,173	27,225
13 Parent bank	7,692	12,625	25,632	18,254	17,236	26,390	19,414	21,043	21,853	20,310
14 Other	3,357	3,757	5,539	9,613	10,484	9,161	8,724	8,016	7,320	6,915
15 Claims on foreigners	178,896	203,498	229,118	238,213	239,290	239,561	245,538	242,018	246,238	253,330
16 Other branches of parent bank	44,256	55,408	61,525	58,456	57,813	55,106	56,603	55,230	57,219	58,259
17 Banks	70,786	78,686	96,261[r]	104,982[r]	106,399	108,109	111,916	109,443	110,799	115,863
18 Public borrowers[2]	12,632	19,567	21,629	21,382	21,233	21,786	22,305	22,578	22,846	23,391
19 Nonbank foreigners	51,222	49,837	49,703[r]	53,393[r]	53,845	54,560	54,764	54,767	55,374	55,817
20 Other assets	3,820	5,060	7,422	9,152	8,773	8,862	8,445	8,612	8,870	10,263
	United Kingdom									
21 **Total, all currencies**	**90,933**	**106,593**	**130,873**	**139,066**	**135,669**	**136,467**	**137,447**	**138,158**	**140,715**	**142,781**
22 Claims on United States	4,341	5,370	11,117	9,157	8,366	8,465	8,022	8,216	8,771	7,477
23 Parent bank	3,518	4,448	9,338	6,870	5,705	6,023	5,788	5,969	6,552	5,792
24 Other	823	922	1,779	2,287	2,661	2,442	2,234	2,247	2,219	1,685
25 Claims on foreigners	84,016	98,137	115,123	124,059	120,914	121,805	123,369	123,854	125,859	129,263
26 Other branches of parent bank	22,017	27,830	34,291	34,824	32,231	31,607	30,858	31,431	32,267	34,538
27 Banks	39,899	45,013	51,343	54,855	54,824	55,530	57,066	56,723	57,423	57,658
28 Public borrowers[2]	2,206	4,522	4,919	5,897	5,710	5,865	6,251	6,113	6,405	6,780
29 Nonbank foreigners	19,895	20,772	24,570	28,483	28,149	28,803	29,194	29,587	29,764	30,287
30 Other assets	2,576	3,086	4,633	5,850	6,389	6,197	6,056	6,088	6,085	6,041
31 **Total payable in U.S. dollars**	**66,635**	**75,860**	**94,287**	**98,013**	**93,158**	**93,720**	**94,784**	**95,287**	**97,246**	**98,913**
32 Claims on United States	4,100	5,113	10,746	8,790	7,831	7,954	7,656	7,647	8,233	7,098
33 Parent bank	3,431	4,386	9,297	6,810	5,629	5,960	5,744	5,817	6,410	5,701
34 Other	669	727	1,449	1,980	2,202	1,994	1,912	1,830	1,823	1,397
35 Claims on foreigners	61,408	69,416	81,294	86,404	82,434	82,705	84,355	84,849	86,246	88,967
36 Other branches of parent bank	18,947	22,838	28,928	28,692	26,083	25,565	24,913	25,593	26,710	28,231
37 Banks	28,530	31,482	36,760	39,050	38,471	39,070	40,917	40,312	40,542	41,373
38 Public borrowers[2]	1,669	3,317	3,319	4,396	4,280	4,327	4,663	4,551	4,706	4,909
39 Nonbank foreigners	12,263	11,779	12,287	14,266	13,600	13,743	13,862	14,393	14,288	14,454
40 Other assets	1,126	1,331	2,247	2,819	2,893	3,061	2,773	2,791	2,767	2,848
	Bahamas and Caymans									
41 **Total, all currencies**	**79,052**	**91,735**	**108,977**	**115,276**	**120,307**	**128,515**	**123,179**	**119,524**	**119,367**	**124,969**
42 Claims on United States	5,782	9,635	19,124	17,682	18,272	25,882	18,305	19,656	18,325	17,813
43 Parent bank	3,051	6,429	15,196	10,660	10,524	19,149	11,839	13,837	13,071	12,573
44 Other	2,731	3,206	3,928	7,022	7,748	6,733	6,466	5,819	5,254	5,240
45 Claims on foreigners	71,671	79,774	86,718	93,432	98,020	98,496	100,905	95,959	96,800	101,943
46 Other branches of parent bank	11,120	12,904	9,689	12,977	14,362	13,160	14,724	13,093	13,135	13,336
47 Banks	27,939	33,677	43,189[r]	48,092[r]	50,866	51,845	52,787	49,915	50,646	54,814
48 Public borrowers[2]	9,109	11,514	12,905	11,554	11,627	12,055	12,078	12,441	12,213	12,574
49 Nonbank foreigners	23,503	21,679	20,935[r]	20,809[r]	21,165	21,436	21,316	20,510	20,806	21,219
50 Other assets	1,599	2,326	3,135	4,162	4,015	4,137	3,969	3,909	4,242	5,213
51 **Total payable in U.S. dollars**	**73,987**	**85,417**	**102,368**	**109,715**	**114,538**	**122,667**	**117,245**	**113,683**	**113,572**	**118,786**

For notes see opposite page.

3.13 Continued

Liability account	1977	1978[1]	1979	1980 June	July	Aug.	Sept.[r]	Oct.[r]	Nov.	Dec.[p]
					All foreign countries					
52 **Total, all currencies**	**258,897**	**306,795**	**364,233**	**376,722**	**377,877[r]**	**386,467[r]**	**385,884**	**383,178**	**389,011**	**398,207**
53 To United States	44,154	58,012[r]	66,686[r]	76,187[r]	83,244[r]	87,606[r]	84,068	84,152	86,580	91,017
54 Parent bank	24,542	28,654[r]	24,530[r]	30,985[r]	35,423[r]	37,466[r]	38,490	37,187	36,957	39,298
55 Other banks in United States	19,613	12,169[r]	13,968	12,255	11,415	14,725	12,635	12,860	13,410	14,277
56 Nonbanks		17,189[r]	28,188	32,947	36,406[r]	35,415[r]	32,943	34,105	36,213	37,442
57 To foreigners	206,579	238,912	283,344	284,716	279,604[r]	284,141[r]	287,810	285,198	288,225	291,637
58 Other branches of parent bank	53,244	67,496	77,601	72,061	72,067	69,178[r]	70,689	69,691	71,498	73,864
59 Banks	94,140	97,711	122,849	127,813	122,727[r]	130,360[r]	131,022	132,142	132,237	130,408
60 Official institutions	28,110	31,936	35,664	34,141	33,073	33,080	33,086	30,713	31,073	32,386
61 Nonbank foreigners	31,085	41,769	47,230	50,701	51,737[r]	51,523[r]	53,013	52,652	53,417	54,979
62 Other liabilities	8,163	9,871[r]	14,203[r]	15,819[r]	15,029[r]	14,720[r]	14,006	13,828	14,206	15,553
63 **Total payable in U.S. dollars**	**198,572**	**230,810**	**273,819**	**282,578**	**283,090[r]**	**291,873[r]**	**289,163**	**287,177**	**292,425**	**301,976**
64 To United States	42,881	55,811	64,530	73,527	80,657[r]	84,698[r]	81,125	81,255	83,764	88,201
65 Parent bank	24,213	27,519	23,403	29,547	33,977	35,906	36,825	35,431	35,243	37,666
66 Other banks in United States	18,669	11,915[r]	13,771	11,985	11,155	14,419	12,410	12,581	13,114	13,959
67 Nonbanks		16,377[r]	27,356	31,995	35,525[r]	34,373[r]	31,890	33,243	35,407	36,576
68 To foreigners	151,363	169,927	201,476	200,049	194,359[r]	198,971[r]	200,281	198,541	200,814	204,643
69 Other branches of parent bank	43,268	53,396	60,513	56,247	56,206	53,355[r]	55,146	53,695	55,543	56,852
70 Banks	64,872	63,000	80,691	84,467	78,930[r]	86,420[r]	85,387	86,961	86,525	86,482
71 Official institutions	23,972	26,404	29,048	26,961	26,177	26,165	25,659	23,364	23,798	24,702
72 Nonbank foreigners	19,251	27,127	31,224	32,374	33,046[r]	33,031[r]	34,089	34,521	34,948	36,607
73 Other liabilities	4,328	5,072	7,813	9,002	8,074	8,204[r]	7,757	7,381	7,847	9,132
					United Kingdom					
74 **Total, all currencies**	**90,933**	**106,593**	**130,873**	**139,066**	**135,669**	**136,467**	**137,447**	**138,158**	**140,715**	**142,781**
75 To United States	7,753	9,730	20,986	20,012	21,404	20,608	19,343	19,157	20,594	21,739
76 Parent bank	1,451	1,887	3,104	2,410	3,275	2,542	2,951	2,712	3,198	4,176
77 Other banks in United States	6,302	4,189[r]	7,693	6,129	5,567	5,910	5,361	5,800	5,732	5,716
78 Nonbanks		3,654[r]	10,189	11,473	12,562	12,156	11,031	10,645	11,664	11,847
79 To foreigners	80,736	93,202	104,032	112,055	107,739	109,604	112,412	113,539	114,813	115,578
80 Other branches of parent bank	9,376	12,786	12,567	13,767	12,694	13,343	13,706	13,940	13,951	13,933
81 Banks	37,893	39,917	47,620	54,927	51,203	51,452	53,776	56,772	58,127	55,848
82 Official institutions	18,318	20,963	24,202	22,577	21,088	22,600	22,444	19,807	20,437	21,412
83 Nonbank foreigners	15,149	19,536	19,643	20,784	22,754	22,209	22,486	23,020	22,298	24,385
84 Other liabilities	2,445	3,661	5,855	6,999	6,526	6,255	5,692	5,462	5,308	5,464
85 **Total payable in U.S. dollars**	**67,573**	**77,030**	**95,449**	**100,117**	**95,314**	**96,453**	**96,832**	**97,055**	**99,135**	**102,300**
86 To United States	7,480	9,328	20,552	19,321	20,843	20,007	18,687	18,551	19,978	21,080
87 Parent bank	1,416	1,836	3,054	2,315	3,238	2,496	2,892	2,634	3,101	4,078
88 Other banks in United States	6,064	4,101[r]	7,651	6,056	5,486	5,809	5,259	5,714	5,616	5,626
89 Nonbanks		3,391[r]	9,847	10,950	12,119	11,702	10,536	10,203	11,261	11,376
90 To foreigners	58,977	66,216	72,397	77,322	71,489	73,431	75,422	76,114	76,696	78,512
91 Other branches of parent bank	7,505	9,635	8,446	9,758	8,672	9,128	9,588	9,891	9,770	9,600
92 Banks	25,608	25,287	29,424	35,394	31,352	31,726	32,891	35,495	35,998	35,097
93 Official institutions	15,482	17,091	20,192	18,300	16,846	18,253	18,046	15,338	15,989	17,024
94 Nonbank foreigners	10,382	14,203	14,335	13,870	14,619	14,324	14,897	15,390	14,939	16,791
95 Other liabilities	1,116	1,486	2,500	3,474	2,982	3,015	2,723	2,390	2,461	2,708
					Bahamas and Caymans					
96 **Total, all currencies**	**79,052**	**91,735**	**108,977**	**115,276**	**120,307[r]**	**128,515[r]**	**123,179**	**119,524**	**119,367**	**124,969**
97 To United States	32,176	39,431	37,719	48,431	54,217[r]	58,925[r]	56,317	56,123	56,860	59,746
98 Parent bank	20,956	20,482	15,267	22,748	26,589	29,189	29,355	27,678	26,871	28,353
99 Other banks in United States	11,220	6,073	5,204	5,200	4,821	7,460	6,075	5,945	6,518	7,135
100 Nonbanks		12,876	17,248	20,483	22,807[r]	22,276[r]	20,887	22,500	23,471	24,258
101 To foreigners	45,292	50,447	68,598	63,935	63,208[r]	66,630[r]	63,966	60,593	59,492	61,305
102 Other branches of parent bank	12,816	16,094	20,875	20,102	20,409	18,081	17,079	16,720	15,878	17,040
103 Banks	24,717	23,104	33,631	28,917	27,145[r]	34,100[r]	32,185	29,202	28,933	29,901
104 Official institutions	3,000	4,208	4,866	5,096	5,525	4,119	4,250	4,610	4,368	4,361
105 Nonbank foreigners	4,759	7,041	9,226	9,820	10,129[r]	10,330[r]	10,452	10,061	10,313	10,003
106 Other liabilities	1,584	1,857	2,660	2,910	2,882	2,960[r]	2,896	2,808	3,015	3,918
107 **Total payable in U.S. dollars**	**74,463**	**87,014**	**103,460**	**11,494**	**116,246[r]**	**124,103[r]**	**118,576**	**115,166**	**115,121**	**120,789**

1. In May 1978 the exemption level for branches required to report was increased, which reduced the number of reporting branches.
2. 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.

3.14 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1977	1978	1979	1980						1981
				July	Aug.	Sept.	Oct.	Nov.	Dec.p	Jan.p
1 **Total**[1]	**131,097**	**162,589**	**149,481r**	**153,088**	**154,674**	**156,899**	**157,385**	**163,196**	**164,312**	**162,701**
By type										
2 Liabilities reported by banks in the United States[2]	18,003	23,290	30,475	29,211	29,449	30,918	28,815	29,601	30,361	26,926
3 U.S. Treasury bills and certificates[3]	47,820	67,671	47,666	47,982	49,811	49,361	50,392	55,104	56,243	56,525
U.S. Treasury bonds and notes										
4 Marketable	32,164	35,894	37,590	40,546	39,801	40,799	41,463	41,764	41,431	42,318
5 Nonmarketable[4]	20,443	20,970	17,387	15,954	15,654	15,254	15,254	15,254	14,654	14,654
6 U.S. securities other than U.S. Treasury securities[5]	12,667	14,764	16,363r	19,395	19,959	20,567	21,461	21,473	21,623	22,278
By area										
7 Western Europe[1]	70,748	93,089	85,602	78,141	78,424	76,942	76,004	80,899	81,593	80,365
8 Canada	2,334	2,486	1,898	1,907	2,156	1,901	1,736	1,433	1,562	1,174
9 Latin America and Caribbean	4,649	5,046	6,291	6,308	6,050	6,610	6,008	5,722	5,668	5,456
10 Asia	50,693	58,817	52,793r	63,086	64,287	67,696	69,042	70,025	70,536	70,548
11 Africa	1,742	2,408	2,412	2,930	3,281	3,232	3,520	3,867	4,128	3,976
12 Other countries[6]	931	743	485	716	476	518	1,075	1,250	825	1,182

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	1977	1978	1979	1980			
			Dec.	Mar.	June	Sept.	Dec.
1 Banks' own liabilities	925	2,363	1,868	2,358	2,693	2,669	3,737
2 Banks' own claims[1]	2,356	3,671	2,419	2,772	2,955	3,112	4,104
3 Deposits	941	1,795	994	1,212	1,048	1,126	2,506
4 Other claims	1,415	1,876	1,425	1,560	1,908	1,985	1,598
5 Claims of banks' domestic customers[2]	....	358	580	1,058	798	595	962

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.

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	1977	1978	1979	1980						1981
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[p]
1 **All foreigners**	**126,168**	**166,877**	**187,492**	**188,295**	**201,402**	**191,683**	**195,827**	**204,882[r]**	**205,258**	**201,917**
2 Banks' own liabilities	....	78,730	117,211	116,497	128,171	118,663	121,240	125,139[r]	124,751	122,442
3 Demand deposits	18,996	19,218	23,325	22,046	22,511	22,474	22,457	22,847	23,377	22,129
4 Time deposits[1]	11,521	12,431	13,627	12,995	13,208	13,824	14,157	14,773	15,164	15,657
5 Other[2]	....	9,704	16,419	18,700	18,785	18,046	17,222	17,117[r]	17,583	14,867
6 Own foreign offices[3]	....	37,376	63,839	62,757	73,667	64,319	67,405	70,401	68,627	69,789
7 Banks' custody liabilities[4]	....	88,147	70,281	71,797	73,231	73,020	74,587	79,743	80,506	79,475
8 U.S. Treasury bills and certificates[5]	48,906	68,202	48,573	49,627	51,505	50,731	51,990	56,484	57,595	57,667
9 Other negotiable and readily transferable instruments[6]	....	17,446	19,359	19,438	19,141	19,778	19,967	20,624	20,079	19,036
10 Other	....	2,499	2,350	2,732	2,586	2,511	2,630	2,635	2,832	2,773
11 **Nonmonetary international and regional organizations[7]**	**3,274**	**2,607**	**2,356**	**2,903**	**2,820**	**2,549**	**2,734**	**2,476**	**2,342**	**1,961**
12 Banks' own liabilities	....	906	714	607	501	476	352	383	442	419
13 Demand deposits	231	330	260	214	171	141	115	187	146	212
14 Time deposits[1]	139	84	151	93	101	100	95	92	85	71
15 Other[2]	....	492	303	299	229	235	143	104	211	137
16 Banks' custody liabilities[4]	....	1,701	1,643	2,296	2,319	2,073	2,382	2,093	1,900	1,542
17 U.S. Treasury bills and certificates	706	201	102	604	644	316	581	337	254	88
18 Other negotiable and readily transferable instruments[6]	....	1,499	1,538	1,692	1,675	1,757	1,800	1,756	1,646	1,453
19 Other	....	1	2	0	0	0	0	0	0	0
20 **Official institutions[8]**	**65,822**	**90,706**	**78,142**	**77,193**	**79,260**	**80,279**	**79,207**	**84,706**	**86,604**	**83,451**
21 Banks' own liabilities	....	12,129	18,228	17,071	17,591	18,548	16,182	16,897	17,806	15,174
22 Demand deposits	3,528	3,390	4,704	4,218	3,898	4,348	3,406	3,553	3,771	3,869
23 Time deposits[1]	1,797	2,550	3,041	2,705	3,006	3,477	3,390	3,623	3,592	3,348
24 Other[2]	....	6,189	10,483	10,148	10,688	10,724	9,387	9,721	10,443	7,957
25 Banks' custody liabilities[4]	....	78,577	59,914	60,122	61,669	61,731	63,025	67,808	68,798	68,277
26 U.S. Treasury bills and certificates[5]	47,820	67,415	47,666	47,982	49,811	49,361	50,392	55,104	56,243	56,525
27 Other negotiable and readily transferable instruments[6]	....	10,992	12,196	12,092	11,805	12,307	12,542	12,648	12,501	11,723
28 Other	....	170	52	48	54	63	90	56	54	30
29 **Banks[9]**	**42,335**	**57,495**	**88,352**	**90,111**	**100,788**	**89,979**	**95,012**	**97,759[r]**	**96,397**	**96,293**
30 Banks' own liabilities	....	52,705	83,352	84,629	95,475	84,737	89,653	91,880[r]	90,439	90,212
31 Unaffiliated foreign banks	....	15,329	19,512	21,872	21,808	20,419	22,249	21,478[r]	21,812	20,423
32 Demand deposits	10,933	11,257	13,274	12,882	13,427	12,995	13,843	13,714	14,104	12,867
33 Time deposits[1]	2,040	1,443	1,680	1,626	1,514	1,412	1,724	1,786	1,811	1,834
34 Other[2]	....	2,629	4,558	7,364	6,867	6,012	6,681	5,978[r]	5,897	5,723
35 Own foreign offices[3]	....	37,376	63,839	62,757	73,667	64,319	67,405	70,401[r]	68,627	69,789
36 Banks' custody liabilities[4]	....	4,790	5,000	5,482	5,313	5,241	5,359	5,880	5,959	6,081
37 U.S. Treasury bills and certificates	141	300	422	557	577	361	515	529	623	647
38 Other negotiable and readily transferable instruments[6]	....	2,425	2,405	2,395	2,435	2,533	2,417	2,883	2,748	2,856
39 Other	....	2,065	2,173	2,530	2,301	2,347	2,427	2,467	2,588	2,578
40 **Other foreigners**	**14,736**	**16,070**	**18,642**	**18,088**	**18,533**	**18,876**	**18,874**	**19,941**	**19,914**	**20,211**
41 Banks' own liabilities	....	12,990	14,918	14,190	14,604	14,901	15,052	15,979	16,065	16,636
42 Demand deposits	4,304	4,242	5,087	4,732	5,014	4,991	5,093	5,393	5,356	5,181
43 Time deposits	7,546	8,353	8,755	8,570	8,588	8,836	8,948	9,272	9,676	10,405
44 Other[2]	....	394	1,075	888	1,002	1,075	1,011	1,315	1,033	1,050
45 Banks' custody liabilities[4]	....	3,080	3,725	3,898	3,930	3,975	3,822	3,962	3,849	3,575
46 U.S. Treasury bills and certificates	240	285	382	484	473	693	502	513	474	407
47 Other negotiable and readily transferable instruments[6]	....	2,531	3,220	3,259	3,226	3,181	3,208	3,337	3,185	3,004
48 Other	....	264	123	154	231	100	112	112	190	164
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	....	11,007	10,974	10,500	10,433	10,704	10,799	10,553	10,745	10,108

1. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments." Data for time deposits before April 1978 represent short-term only.
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 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."

3.16 Continued

Area and country	1977	1978	1979	1980						1981
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[p]
1 **Total**	**126,168**	**166,877**	**187,492**	**188,295**	**201,402**	**191,683**	**195,827**	**204,882[r]**	**205,258**	**201,917**
2 **Foreign countries**	**122,893**	**164,270**	**185,136**	**185,392**	**198,582**	**189,134**	**193,093**	**202,406[r]**	**202,916**	**199,956**
3 Europe	60,295	85,169	90,935	83,848	86,077	83,476	83,990	90,741[r]	90,897	89,545
4 Austria	318	513	413	432	390	432	460	519	523	553
5 Belgium-Luxembourg	2,531	2,550	2,375	3,837	3,673	3,696	3,322	3,696	4,019	4,062
6 Denmark	770	1,946	1,092	534	525	528	493	586	497	420
7 Finland	323	346	398	433	403	311	307	363	455	264
8 France	5,269	9,214	10,433	12,178	12,596	12,332	11,654	12,380	12,125	12,141
9 Germany	7,239	17,286	12,935	7,626	9,121	7,854	7,557	9,171	9,969	10,333
10 Greece	603	826	635	567	642	591	643	711[r]	670	524
11 Italy	6,857	7,739	7,782	7,138	6,530	5,969	6,796	7,308	7,572	6,722
12 Netherlands	2,869	2,402	2,327	2,830	2,491	2,540	2,555	2,796[r]	2,441	2,568
13 Norway	944	1,271	1,267	1,140	1,040	1,074	1,381	1,444	1,344	899
14 Portugal	273	330	557	398	506	571	491	437	374	370
15 Spain	619	870	1,259	1,371	1,491	1,321	1,520	1,379	1,500	1,412
16 Sweden	2,712	3,121	2,005	1,795	1,861	1,826	1,813	1,811	1,737	1,365
17 Switzerland	12,343	18,225	17,954	14,359	14,252	13,524	13,695	16,574	16,639	16,565
18 Turkey	130	157	120	156	147	237	171	257	292	538
19 United Kingdom	14,125	14,265	24,694	22,556	22,925	22,818	23,797	24,443[r]	22,680	23,885
20 Yugoslavia	232	254	266	190	139	169	203	225	681	296
21 Other Western Europe[1]	1,804	3,440	4,070	6,006	7,002	7,250	6,880	6,161	6,939	6,178
22 U.S.S.R.	98	82	52	36	70	39	33	64	68	46
23 Other Eastern Europe[2]	236	330	302	267	271	392	220	416	374	405
24 Canada	4,607	6,969	7,379	9,228	9,187	10,234	9,992	9,871	10,031	9,774
25 Latin America and Caribbean	23,670	31,677	49,665	49,233	58,282	48,781	52,501	53,318[r]	53,165	52,956
26 Argentina	1,416	1,484	1,582	1,841	1,880	1,875	1,996	1,996	2,132	1,857
27 Bahamas	3,596	6,752	15,255	13,172	21,179	13,924	17,567	16,803[r]	16,372	16,116
28 Bermuda	321	428	430	464	559	677	595	555	670	475
29 Brazil	1,396	1,125	1,005	1,434	1,378	1,168	1,342	1,248	1,216	1,338
30 British West Indies	3,998	6,014	11,117	11,957	13,309	11,410	12,040	12,614[r]	12,761	12,563
31 Chile	360	398	468	459	475	431	448	456	460	500
32 Colombia	1,221	1,756	2,617	2,954	2,893	2,916	3,037	2,962	3,077	3,096
33 Cuba	6	13	13	6	7	5	5	6	6	6
34 Ecuador	330	322	425	346	818	381	387	437	371	389
35 Guatemala[3]	....	416	414	373	372	373	365	359	367	428
36 Jamaica[3]	....	52	76	137	100	101	85	79	97	112
37 Mexico	2,876	3,467	4,185	4,268	4,291	4,226	4,575	4,583	4,547	4,597
38 Netherlands Antilles	196	308	499	332	314	360	393	568	413	598
39 Panama	2,331	2,967	4,483	4,685	4,617	3,894	3,595	4,575	4,718	4,460
40 Peru	287	363	383	350	401	355	380	345	403	401
41 Uruguay	243	231	202	232	241	199	220	244	254	290
42 Venezuela	2,929	3,821	4,192	4,350	3,692	4,405	3,659	3,667	3,170	3,794
43 Other Latin America and Caribbean	2,167	1,760	2,318	1,874	1,755	2,080	1,811	1,819[r]	2,132	1,937
44 Asia	30,488	36,492	33,013	38,048	39,880	41,847	40,880	41,999[r]	42,388	41,665
China										
45 Mainland	53	67	49	38	37	38	46	62	49	55
46 Taiwan	1,013	502	1,393	1,438	1,552	1,595	1,610	1,636	1,662	1,820
47 Hong Kong	1,094	1,256	1,672	2,186	1,994	2,204	2,150	2,410	2,548	2,762
48 India	961	790	527	494	631	529	485	438	416	437
49 Indonesia	410	449	504	849	649	827	811	715	730	1,170
50 Israel	559	688	707	488	569	534	530	548	883	525
51 Japan	14,616	21,927	8,907	12,547	14,059	15,414	15,354	15,720	16,249	17,697
52 Korea	602	795	993	1,482	1,473	1,994	1,809	1,764	1,528	1,497
53 Philippines	687	644	795	935	778	814	838	803[r]	919	849
54 Thailand	264	427	277	405	304	517	403	440	464	367
55 Middle-East oil-exporting countries[4]	8,979	7,534	15,309	15,378	15,801	15,409	14,611	15,214	14,453	12,238
56 Other Asia	1,250	1,414	1,879	1,808	2,033	1,972	2,232	2,250	2,487	2,250
57 Africa	2,535	2,886	3,239	3,796	4,221	3,902	4,246	4,725	5,187	4,358
58 Egypt	404	404	475	451	350	322	269	374	485	313
59 Morocco	66	32	33	33	47	32	57	38	33	42
60 South Africa	174	168	184	360	404	354	288	332	288	327
61 Zaire	39	43	110	78	38	42	36	34	57	48
62 Oil-exporting countries[5]	1,155	1,525	1,635	2,094	2,685	2,459	2,911	3,211	3,540	2,921
63 Other Africa	698	715	804	779	697	694	685	735	783	707
64 Other countries	1,297	1,076	904	1,239	936	894	1,484	1,752[r]	1,247	1,657
65 Australia	1,140	838	684	959	692	613	1,190	1,419[r]	950	1,303
66 All other	158	239	220	281	243	281	294	333	297	354
67 Nonmonetary international and regional organizations	3,274	2,607	2,356	2,903	2,820	2,549	2,734	2,476	2,342	1,961
68 International	2,752	1,485	1,238	1,804	1,736	1,389	1,586	1,366	1,156	913
69 Latin American regional	278	808	806	785	800	837	841	801	890	769
70 Other regional[6]	245	314	313	314	285	323	307	309	296	279

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, the German Democratic Republic, Hungary, Poland, and Romania.
3. Included in "Other Latin America and Caribbean" through March 1978.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western Europe."

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	1977	1978	1979	1980 July	1980 Aug.	1980 Sept.	1980 Oct.	1980 Nov.	1980 Dec.	1981 Jan.p
1 **Total**	**90,206**	**115,603**	**133,919**	**151,218**	**163,401**	**161,518**	**162,658**	**167,396r**	**172,557**	**166,717**
2 **Foreign countries**	**90,163**	**115,547**	**133,887**	**151,187**	**163,363**	**161,484**	**162,618**	**167,363r**	**172,488**	**166,672**
3 Europe	18,114	24,232	28,429	28,439	29,411	29,722	29,259	32,520r	32,045	30,478
4 Austria	65	140	284	309	280	264	196	250	236	251
5 Belgium-Luxembourg	561	1,200	1,339	1,622	1,881	1,954	1,680	1,946	1,621	1,722
6 Denmark	173	254	147	149	164	180	132	165	127	126
7 Finland	172	305	202	223	215	184	253	248	460	334
8 France	2,082	3,735	3,322	2,582	3,288	3,232	2,551	3,506r	2,958	2,716
9 Germany	644	845	1,179	1,004	1,131	1,018	987	1,506	948	1,006
10 Greece	206	164	154	279	265	221	278	265	256	264
11 Italy	1,334	1,523	1,631	2,295	2,433	2,560	2,842	3,063r	3,364	3,136
12 Netherlands	338	677	514	492	632	546	557	749	575	642
13 Norway	162	299	276	270	231	248	335	138	227	289
14 Portugal	175	171	330	346	335	330	341	393	331	305
15 Spain	722	1,120	1,051	1,011	1,139	1,106	1,113	1,111r	993	1,136
16 Sweden	218	537	542	534	558	716	763	633	783	691
17 Switzerland	564	1,283	1,165	1,319	1,581	1,337	1,564	1,932	1,446	1,753
18 Turkey	360	300	149	143	137	144	123	149	145	146
19 United Kingdom	8,964	10,172	13,814	13,175	12,651	13,080	12,950	13,885	14,807	13,027
20 Yugoslavia	311	363	611	648	647	682	684	689	853	866
21 Other Western Europe[1]	86	122	175	170	172	245	226	234	179	347
22 U.S.S.R.	413	366	290	531	232	241	257	271	281	251
23 Other Eastern Europe[2]	566	657	1,254	1,336	1,438	1,434	1,427	1,389	1,457	1,469
24 Canada	3,355	5,152	4,143	4,654	4,775	5,255	4,614	4,542	4,810	4,157
25 Latin America and Caribbean	45,850	57,567	68,011	78,690	89,253	85,768	87,665	89,263	92,971	90,617
26 Argentina	1,478	2,281	4,389	5,234	5,393	5,629	5,859	6,270	5,693	5,656
27 Bahamas	19,858	21,555	18,918	28,710	31,866	30,269	30,275	29,679	29,378	28,233
28 Bermuda	232	184	496	194	256	216	399	260	218	285
29 Brazil	4,629	6,251	7,720	8,989	9,251	9,639	10,135	10,001r	10,477	10,243
30 British West Indies	6,481	9,692	9,822	8,637	14,570	11,980	12,630	13,674r	15,702	14,531
31 Chile	675	970	1,441	1,359	1,487	1,627	1,721	1,730	1,951	1,843
32 Colombia	671	1,012	1,614	1,448	1,490	1,493	1,575	1,582	1,754	1,648
33 Cuba	10	0	4	4	3	6	3	3	3	4
34 Ecuador	517	705	1,025	1,051	1,136	1,111	1,157	1,157	1,190	1,220
35 Guatemala[3]	....	94	134	153	102	105	112	114	137	114
36 Jamaica[3]	....	40	47	31	31	33	35	40	36	33
37 Mexico	4,909	5,479	9,099	10,660	10,785	11,123	11,745	12,014	12,586	12,634
38 Netherlands Antilles	224	273	248	760	725	710	799	816	821	835
39 Panama	1,410	3,098	6,031	4,552	4,931	4,461	3,972	4,367	4,974	5,028
40 Peru	962	918	652	647	687	671	719	749	890	912
41 Uruguay	80	52	105	91	105	100	100	105	137	110
42 Venezuela	2,318	3,474	4,669	4,469	4,737	4,879	4,710	5,113	5,438	5,515
43 Other Latin America and Caribbean	1,394	1,490	1,598	1,700	1,697	1,715	1,721	1,591r	1,585	1,775
44 Asia	19,236	25,386	30,652	36,282	36,927	37,620	37,806	37,961r	39,118	38,388
China										
45 Mainland	10	4	35	68	50	117	126	187	195	225
46 Taiwan	1,719	1,499	1,821	2,224	2,284	2,492	2,332	2,382	2,469	2,410
47 Hong Kong	543	1,479	1,804	2,174	2,063	2,099	1,980	2,094r	2,247	2,252
48 India	53	54	92	97	118	84	103	125	142	110
49 Indonesia	232	143	131	205	245	208	214	248	245	280
50 Israel	584	888	990	950	1,012	918	1,055	1,125r	1,172	1,081
51 Japan	9,839	12,671	16,946	20,595	21,205	20,663	20,607	20,323r	21,356	21,187
52 Korea	2,336	2,282	3,798	5,523	5,464	5,574	5,885	5,844r	5,697	5,724
53 Philippines	594	680	737	881	1,019	1,169	1,081	1,122r	989	841
54 Thailand	633	758	935	939	947	947	925	974r	876	814
55 Middle East oil-exporting countries[4]	1,746	3,125	1,548	1,120	1,040	1,471	1,258	1,538	1,494	1,436
56 Other Asia	947	1,804	1,813	1,506	1,480	1,876	2,240	1,999	2,236	2,027
57 Africa	2,518	2,221	1,797	2,179	1,977	2,029	2,090	1,933	2,377	1,910
58 Egypt	119	107	114	112	135	123	159	165	151	175
59 Morocco	43	82	103	134	180	166	119	146	223	186
60 South Africa	1,066	860	445	691	469	535	440	375	370	337
61 Zaire	98	164	144	107	98	101	123	98	94	96
62 Oil-exporting countries[5]	510	452	391	378	349	374	469	402	805	410
63 Other	682	556	600	757	746	729	780	747	734	707
64 Other countries	1,090	988	855	943	1,021	1,091	1,185	1,143	1,166	1,122
65 Australia	905	877	673	743	793	879	942	915	859	827
66 All other	186	111	196	200	228	213	243	228	307	295
67 Nonmonetary international and regional organizations[6]	43	56	32	31	38	34	40	34	70	44

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, the German Democratic Republic, Hungary, Poland, and Romania.
3. Included in "Other Latin America and Caribbean" through March 1978.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. 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.

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	1977	1978	1979	1980						1981
				July	Aug.	Sept.	Oct.	Nov.[r]	Dec.[r]	Jan.[p]
1 **Total**	**90,206**	**126,851**	**154,017**	....	....	**187,008**	....	....	**198,663**	....
2 Banks' own claims on foreigners	....	115,603	133,919	151,218	163,401	161,518	162,658	167,396	172,557	166,717
3 Foreign public borrowers	....	10,312	15,580	16,659	17,419	18,969	19,046	20,661	20,668	20,645
4 Own foreign offices[1]	....	41,628	47,475	58,520	64,051	61,879	61,613	62,397	64,968	63,757
5 Unaffiliated foreign banks	....	40,496	40,969	42,007	47,500	46,008	46,574	49,071	50,204	46,079
6 Deposits	....	5,428	6,253	6,165	7,250	7,216	7,136	7,579	8,258	7,190
7 Other	....	35,067	34,716	35,842	40,250	38,792	39,438	41,493	41,947	38,889
8 All other foreigners	....	23,167	29,896	34,032	34,431	34,661	35,425	35,267	36,717	36,236
9 Claims of banks' domestic customers[2]	....	11,248	20,098	....	....	25,490	....	....	26,106	....
10 Deposits	....	480	955	....	....	1,081	....	....	885	....
11 Negotiable and readily transferable instruments[3]	....	5,414	13,124	....	....	15,260	....	....	15,574	....
12 Outstanding collections and other claims[4]	6,176	5,353	6,019	....	....	9,148	....	....	9,648	....
13 MEMO: Customer liability on acceptances	....	14,969	18,058	....	....	23,533	....	....	22,821	....
Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	....	13,162	21,578	25,546[r]	24,245[r]	22,057[r]	22,667[r]	24,491[r]	21,177	n.a.

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' own 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		1980			
	Dec.	Sept.	Dec.	Mar.	June	Sept.	Dec.
1 **Total**	**73,771**	**87,580**	**86,261**	**85,227**	**92,748**	**98,892**	**106,296**
By borrower							
2 Maturity of 1 year or less[1]	58,481	68,404	65,251	63,868	71,368	76,096	82,197
3 Foreign public borrowers	4,633	6,142	7,127	6,778	7,089	8,639	9,573
4 All other foreigners	53,849	62,262	58,125	57,090	64,279	67,458	72,624
5 Maturity of over 1 year[1]	15,289	19,176	21,009	21,359	21,380	22,796	24,099
6 Foreign public borrowers	5,361	7,652	8,114	8,430	8,515	9,592	10,089
7 All other foreigners	9,928	11,524	12,895	12,929	12,865	13,204	14,010
By area							
Maturity of 1 year or less[1]							
8 Europe	15,176	16,799	15,254	13,844	17,141	16,880	18,544
9 Canada	2,670	2,471	1,777	1,818	2,013	2,166	2,721
10 Latin America and Caribbean	20,990	25,690	24,974	23,178	24,417	28,007	32,065
11 Asia	17,579	21,519	21,673	23,358	25,753	26,892	26,440
12 Africa	1,496	1,401	1,080	1,043	1,320	1,401	1,756
13 All other[2]	569	524	493	627	7 4	751	671
Maturity of over 1 year[1]							
14 Europe	3,142	3,653	4,140	4,248	4,033	4,715	5,095
15 Canada	1,426	1,364	1,317	1,214	1,199	1,188	1,447
16 Latin America and Caribbean	8,464	11,771	12,821	13,397	13,902	14,192	15,017
17 Asia	1,407	1,578	1,911	1,728	1,524	2,009	1,862
18 Africa	637	623	652	620	576	567	507
19 All other[2]	214	188	169	152	146	126	171

1. Remaining time to maturity.
2. Includes nonmonetary international and regional organizations.

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	1976	1977	1978[2]	1979				1980			
					Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.p
1	**Total**	**206.8**	**240.0**	**266.2r**	**263.9r**	**275.6**	**293.9**	**303.8**	**308.0r**	**328.2**	**338.6r**	**352.1**
2	G-10 countries and Switzerland	100.3	116.4	124.7r	119.0r	125.3	135.7r	138.4	140.8r	154.3r	158.9	161.7
3	Belgium-Luxembourg	6.1	8.4	9.0	9.4	9.7	10.7	11.1	10.8	13.1	13.5	12.9
4	France	10.0	11.0	12.2	11.7	12.7	12.0	11.7r	12.0	14.0r	13.9	14.0
5	Germany	8.7	9.6	11.3	10.5	10.8	12.8	12.2	11.4	12.7	12.9	11.5
6	Italy	5.8	6.5	6.7	5.7	6.1	6.1	6.4	6.2	6.9	7.2	8.2
7	Netherlands	2.8	3.5	4.4	3.9	4.0	4.7	4.8	4.3	4.5	4.4	4.4
8	Sweden	1.2	1.9	2.1	2.0	2.0	2.3	2.4	2.4	2.7	2.8	2.9
9	Switzerland	3.0	3.6	5.3	4.5	4.7r	5.0	4.7r	4.3r	3.3r	3.4	4.0
10	United Kingdom	41.7	46.5	47.3	46.4	50.3	53.7	56.4	57.6	64.4r	66.7	68.5
11	Canada	5.1	6.4	6.0	5.9	5.5	6.0	6.3	6.8	7.2	7.9	8.4
12	Japan	15.9	18.8	20.6	19.0	19.5	22.3	22.4	25.1r	25.5r	26.1	26.8
13	Other developed countries	15.0	18.6	19.4	18.2	18.2	19.7	19.9	18.8	20.3	20.6	21.2
14	Austria	1.2	1.3	1.7	1.7	1.8	2.0	2.0	1.7	1.8	1.8	1.9
15	Denmark	1.0	1.6	2.0	2.0	1.9	2.0	2.2	2.1	2.2	2.2	2.2
16	Finland	1.1	1.2	1.2	1.2	1.1	1.2	1.2	1.1	1.3	1.2	1.4
17	Greece	1.7	2.2	2.3	2.3	2.2	2.3	2.4	2.4	2.5	2.6	2.8
18	Norway	1.5	1.9	2.1	2.1	2.1	2.3	2.3	2.4	2.4	2.4	2.6
19	Portugal	.4	.6	.6	.6	.5	.7	.7	.6	.6	.7	.6
20	Spain	2.8	3.6	3.5	3.0	3.0	3.3	3.5	3.5	3.9	4.2	4.0
21	Turkey	1.3	1.5	1.5	1.4	1.4	1.4	1.4	1.4	1.4	1.3	1.5
22	Other Western Europe	.7	.9	1.3	1.1	.9	1.5	1.4	1.4	1.6	1.7	1.8
23	South Africa	2.2	2.4	2.0	1.7	1.8	1.7	1.3	1.1	1.5	1.2	1.1
24	Australia	1.2	1.4	1.4	1.3	1.4	1.3	1.3	1.2	1.2	1.2	1.3
25	OPEC countries[3]	12.6	17.6	22.7	22.6	22.7	23.4	22.9	21.8	20.9	21.4	22.8
26	Ecuador	.7	1.1	1.6	1.5	1.6	1.6	1.7	1.8	1.8	1.9	2.1
27	Venezuela	4.1	5.5	7.2	7.2	7.6	7.9	8.7	7.9	7.9	8.5	9.1
28	Indonesia	2.2	2.2	2.0	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.8
29	Middle East countries	4.2	6.9	9.5	9.4	9.0	9.2	8.0	7.8	6.9	6.7	7.0
30	African countries	1.4	1.9	2.5	2.6	2.6	2.8	2.6	2.5	2.5	2.4	2.8
31	Non-OPEC developing countries	44.2	48.7	52.6	53.9	55.9	58.8	62.8	63.7	67.4r	72.8	76.9
	Latin America											
32	Argentina	1.9	2.9	3.0	3.1	3.5	4.1	5.0	5.5	5.6	7.6	7.9
33	Brazil	11.1	12.7	14.9	14.9	15.1	15.1	15.2	15.0	15.3	15.8	16.2
34	Chile	.8	.9	1.6	1.7	1.8	2.2	2.5	2.5	2.7	3.2	3.5
35	Colombia	1.3	1.3	1.4	1.5	1.5	1.7	2.2	2.1	2.2	2.4	2.7
36	Mexico	11.7	11.9	10.8	10.9	10.7	11.4	12.0	12.1	13.6	14.4	15.9
37	Peru	1.8	1.9	1.7	1.6	1.4	1.4	1.5	1.3	1.4	1.5	1.8
38	Other Latin America	2.8	2.6	3.6	3.5	3.3	3.6	3.7	3.6	3.6	3.9	3.9
	Asia											
	China											
39	Mainland	.0	.0	.0	.1	.1	.1	.1	.1	.1	.1	.2
40	Taiwan	2.4	3.1	2.9	3.1	3.3	3.5	3.4	3.6	3.8r	4.1	4.2
41	India	.2	.3	.2	.2	.2	.2	.2	.2	.2	.2	.3
42	Israel	1.0	.9	1.0	1.0	.9	1.0	1.3	.9	1.2	1.1	1.5
43	Korea (South)	3.1	3.9	3.9	4.2	5.0	5.3	5.5	6.5	7.1	7.3	7.1
44	Malaysia[4]	.5	.7	.6	.6	.7	.7	.9	.8	.9	.9	1.0
45	Philippines	2.2	2.5	2.8	3.2	3.7	3.7	4.2	4.4	4.6	4.8	5.0
46	Thailand	.7	1.1	1.2	1.2	1.4	1.6	1.6	1.4	1.5	1.5	1.4
47	Other Asia	.5	.4	.2	.3	.4	.3	.4	.4	.5	.5	.6
	Africa											
48	Egypt	.4	.3	.4	.5	.7	.6	.6	.7	.7	.7	.8
49	Morocco	.3	.5	.6	.6	.5	.5	.6	.5	.5	.6	.7
50	Zaire	.2	.3	.2	.2	.2	.2	.2	.2	.2	.2	.2
51	Other Africa[5]	1.2	.7	1.4	1.4	1.5	1.6	1.7	1.8	1.8	2.0	2.0
52	Eastern Europe	5.2	6.3	6.9	6.7	6.7	7.2	7.3	7.3	7.2	7.3	7.5
53	U.S.S.R.	1.5	1.6	1.3	1.1	.9	.9	.7	.6	.5	.5	.4
54	Yugoslavia	.8	1.1	1.5	1.6	1.7	1.8	1.8	1.9	2.1	2.1	2.3
55	Other	2.9	3.7	4.1	4.0	4.1	4.6	4.8	4.9	4.5r	4.7	4.7
56	Offshore banking centers	24.7	26.1	30.9	33.7	37.0	38.6	40.4	42.6	43.9r	44.1	47.1
57	Bahamas	10.1	9.9	10.4	12.3	14.4	13.0	13.7	14.0	13.6	12.9	13.3
58	Bermuda	.5	.6	.7	.6	.7	.7	.8	.6	.6	.6	.6
59	Cayman Islands and other British West Indies	3.8	3.7	7.4	7.1	7.4	9.5	9.4	11.3	9.5	10.0	10.3
60	Netherlands Antilles	.6	.7	.8	.8	1.0	1.1	1.2	.9	1.2r	1.3	2.0
61	Panama[6]	3.0	3.1	3.0	3.4	3.8	3.4	4.3	4.9	5.6	5.6	6.3
62	Lebanon	.1	.2	.1	.1	.1	.2	.2	.2	.2	.2	.2
63	Hong Kong	2.2	3.7	4.2	4.8	4.9	5.5	6.0	5.7	6.9	7.4	8.1
64	Singapore	4.4	3.7	3.9	4.2	4.2	4.9	4.5	4.7	5.9	5.6	5.9
65	Others[7]	.0	.5	.5	.4	.4	.4	.4	.4	.4	.4	.3
66	Miscellaneous and unallocated[8]	5.0	5.3	9.1	9.5	9.9	10.6	11.7	13.1	14.3	13.7	15.1

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. Beginning with data for June 1978, 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).

3. In addition to the Organization of Petroleum Exporting Countries shown individually, this group includes other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates) as well as Bahrain and Oman (not formally members of OPEC).

4. Foreign branch claims only through December 1976.

5. Excludes Liberia.

6. Includes Canal Zone beginning December 1979.

7. Foreign branch claims only.

8. Includes New Zealand, Liberia, and international and regional organizations.

3.21 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Holdings and Transactions

Millions of dollars

Country or area	1979	1980	1981	1980						1981
			Jan.–Jan.	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.p
	Holdings (end of period)[1]									
1 **Estimated total**[2]	**51,344**	**57,416**	....	**54,884**	**54,120**	**55,869**	**56,553**	**57,217**	**57,416**	**58,482**
2 Foreign countries[2]	45,915	52,828	....	50,590	49,992	51,173	52,075	52,867	52,828	53,948
3 Europe[2]	24,824	24,333	....	25,259	24,643	25,016	24,783	24,708	24,333	25,171
4 Belgium-Luxembourg	60	77	....	45	89	91	78	74	77	80
5 Germany[2]	14,056	12,335	....	13,697	13,097	13,110	12,823	12,758	12,335	12,789
6 Netherlands	1,466	1,884	....	1,547	1,522	1,640	1,658	1,777	1,884	1,954
7 Sweden	647	595	....	650	640	611	607	614	595	555
8 Switzerland[2]	1,868	1,485	....	1,675	1,675	1,566	1,517	1,489	1,485	1,561
9 United Kingdom	6,236	7,180	....	7,074	7,089	7,456	7,538	7,411	7,180	7,435
10 Other Western Europe	491	777	....	571	531	542	562	584	777	796
11 Eastern Europe	0	0	....	0	0	0	0	0	0	....
12 Canada	232	449	....	481	469	480	503	532	449	458
13 Latin America and Caribbean	466	999	....	690	706	768	768	942	999	998
14 Venezuela	103	292	....	248	261	302	292	292	292	292
15 Other Latin America and Caribbean	200	285	....	242	240	241	255	278	285	281
16 Netherlands Antilles	163	421	....	200	205	225	221	372	421	425
17 Asia	19,805	26,110	....	23,575	23,585	24,292	25,331	25,966	26,110	26,335
18 Japan	11,175	9,479	....	9,614	9,465	9,444	9,503	9,547	9,479	9,527
19 Africa	591	922	....	592	592	617	685	715	922	973
20 All other	−3	14	....	−6	−5	0	5	4	14	14
21 Nonmonetary international and regional organizations	5,429	4,588	....	4,294	4,128	4,696	4,478	4,350	4,588	4,534
22 International	5,388	4,548	....	4,234	4,066	4,632	4,430	4,302	4,548	4,505
23 Latin American regional	37	36	....	60	60	65	44	44	36	26
	Transactions (net purchases, or sales (−) during period)									
24 **Total**[2]	**6,397**	**6,072**	**1,066**	**692**	**−767**	**1,752**	**681**	**665**	**198**	**1,066**
25 Foreign countries[2]	6,099	6,913	1,120	795	−598	1,181	903	792	−39	1,120
26 Official institutions	1,697	3,841	887	762	−745	998	664	302	−334	887
27 Other foreign[2]	4,403	3,072	232	33	146	183	240	490	294	232
28 Nonmonetary international and regional organizations	301	−843	−53	−104	−168	571	−222	−127	238	−53
MEMO: Oil-exporting countries										
29 Middle East[3]	−1,014	7,672	325	598	140	601	990	561	358	325
30 Africa[4]	−100	330	51	100	0	25	68	30	207	51

1. 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.

2. Beginning December 1978, includes U.S. Treasury notes publicly issued to private foreign residents denominated in foreign currencies.

3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

4. Comprises Algeria, Gabon, Libya, and Nigeria.

3.22 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS

Millions of dollars, end of period

Assets	1978	1979	1980	1980					1981	
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.p
1 Deposits	367	429	441	336	460	368	368	411	573	422
Assets held in custody										
2 U.S. Treasury securities[1]	117,126	95,075	104,490	96,504	96,227	98,121	102,786	102,417	104,490	106,389
3 Earmarked gold[2]	15,463	15,169	14,893	15,025	14,987	14,986	14,968	14,965	14,893	13,835

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.

3.23 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transactions, and area or country	1979	1980	1981 Jan.–Jan.	1980 July	Aug.	Sept.	Oct.	Nov.	Dec.	1981 Jan.p
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	22,781	40,320	3,419	3,110	3,505	3,569	4,438	4,457	4,345	3,419
2 Foreign sales	21,123	35,044	3,001	2,800	3,301	3,329	3,920	3,588	3,783	3,001
3 **Net purchases, or sales (−)**	**1,658**	**5,276**	**417**	**310**	**203**	**241**	**519**	**869**	**562**	**417**
4 **Foreign countries**	**1,642**	**5,258**	**406**	**308**	**205**	**246**	**524**	**867**	**540**	**406**
5 Europe	217	3,036	296	115	42	−83	300	633	222	296
6 France	122	479	74	62	30	−33	53	109	57	74
7 Germany	−221	184	18	−13	−21	−18	35	121	7	18
8 Netherlands	−71	−328	42	−27	−26	−38	−29	−58	−17	42
9 Switzerland	−519	308	105	−82	−127	−122	83	265	−88	105
10 United Kingdom	964	2,502	177	188	216	153	172	251	299	177
11 Canada	552	847	26	81	13	−22	−66	263	230	26
12 Latin America and Caribbean	−19	143	63	−25	−32	−83	132	57	−12	63
13 Middle East[1]	688	1,206	63	141	183	410	126	−109	177	63
14 Other Asia	211	−4	−24	−5	−22	19	33	18	−68	−24
15 Africa	−14	−1	2	−1	0	2	2	0	−2	2
16 Other countries	7	30	−20	2	21	4	−3	5	−6	−20
17 **Nonmonetary international and regional organizations**	**17**	**18**	**12**	**2**	**−2**	**−5**	**−6**	**2**	**22**	**12**
BONDS[2]										
18 Foreign purchases	8,803	15,356	1,603	1,695	1,087	645	1,612	1,181	946	1,603
19 Foreign sales	7,608	9,968	817	898	589	481	739	902	826	817
20 **Net purchases, or sales (−)**	**1,195**	**5,387**	**787**	**797**	**498**	**165**	**873**	**278**	**121**	**787**
21 **Foreign countries**	**1,330**	**5,453**	**760**	**769**	**475**	**214**	**918**	**283**	**107**	**760**
22 Europe	626	1,585	214	129	27	−23	284	151	−26	214
23 France	11	143	4	8	6	−2	16	12	12	4
24 Germany	58	213	49	−50	−11	4	30	13	22	49
25 Netherlands	−202	−65	6	−26	−7	7	8	−7	17	6
26 Switzerland	−118	54	22	−16	−9	0	1	8	14	22
27 United Kingdom	814	1,252	124	196	53	−5	235	154	−113	124
28 Canada	80	135	7	−2	25	12	9	21	−7	7
29 Latin America and Caribbean	109	185	1	29	32	18	7	11	−5	1
30 Middle East[1]	424	3,416	542	600	382	194	594	105	113	542
31 Other Asia	88	117	−1	13	9	14	24	−3	32	−1
32 Africa	1	5	0	0	0	0	0	0	0	0
33 Other countries	1	10	−4	1	0	−2	0	−1	0	−4
34 **Nonmonetary international and regional organizations**	**−134**	**−65**	**27**	**28**	**23**	**−49**	**−45**	**−4**	**14**	**27**
	Foreign securities									
35 Stocks, net purchases, or sales (−)	−786	−2,239	36	−76	−201	−558	−335	129	−68	36
36 Foreign purchases	4,615	7,870	695	654	605	694	788	927	721	695
37 Foreign sales	5,401	10,108	659	731	805	1,253	1,143	798	788	659
38 Bonds, net purchases, or sales (−)	−3,855	−835	−235	374	−259	−84	−206	91	274	−235
39 Foreign purchases	12,672	17,062	1,142	1,725	1,374	1,231	1,651	1,252	1,786	1,142
40 Foreign sales	16,527	17,898	1,378	1,351	1,634	1,316	1,857	1,161	1,512	1,378
41 **Net purchases, or sales (−), of stocks and bonds**	**−4,641**	**−3,074**	**−200**	**298**	**−460**	**−643**	**−561**	**219**	**206**	**−200**
42 **Foreign countries**	**−3,891**	**−3,950**	**−259**	**−32**	**−384**	**−680**	**−576**	**196**	**−177**	**−259**
43 Europe	−1,646	−958	−116	10	−176	−110	113	−30	−86	−116
44 Canada	−2,601	−2,094	−4	−29	42	−344	−651	327	24	−4
45 Latin America and Caribbean	347	126	51	34	−14	7	−35	−24	−11	51
46 Asia	44	−1,131	−175	−55	−313	−223	−16	−73	−84	−175
47 Africa	−61	24	−10	1	0	−4	29	−1	−13	−10
48 Other countries	25	81	−4	7	76	−6	−16	−3	−7	−4
49 **Nonmonetary international and regional organizations**	**−750**	**876**	**59**	**330**	**−76**	**37**	**15**	**23**	**383**	**59**

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.

3.24 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

	Type, and area or country	1978	1979	1979			1980		
				June	Sept.	Dec.	Mar.	June.	Sept.
1	**Total**	**14,879**	**16,950**	**15,519**	**15,700**	**16,950**	**17,373**	**18,472**	**18,406**
2	Payable in dollars	11,516	13,932	12,631	12,692	13,932	14,437	15,105	15,203
3	Payable in foreign currencies[2]	3,363	3,018	2,888	3,008	3,018	2,936	3,366	3,203
	By type								
4	Financial liabilities	6,305	7,311	6,049	6,131	7,311	7,802	8,307	8,125
5	Payable in dollars	3,841	5,101	3,876	3,877	5,101	5,618	5,751	5,707
6	Payable in foreign currencies	2,464	2,210	2,173	2,254	2,210	2,184	2,556	2,418
7	Commercial liabilities	8,574	9,639	9,470	9,568	9,639	9,571	10,165	10,281
8	Trade payables	4,008	4,380	4,302	4,051	4,380	4,138	4,265	4,370
9	Advance receipts and other liabilities	4,566	5,258	5,168	5,518	5,258	5,433	5,899	5,911
10	Payable in dollars	7,675	8,830	8,755	8,815	8,830	8,819	9,355	9,496
11	Payable in foreign currencies	899	808	715	754	808	752	810	785
	By area or country								
	Financial liabilities								
12	Europe	3,903	4,579	3,582	3,713	4,579	4,813	5,392	5,214
13	Belgium-Luxembourg	289	345	355	317	345	360	422	404
14	France	167	168	134	126	168	188	341	327
15	Germany	366	497	283	381	497	520	657	557
16	Netherlands	390	834	401	542	834	801	783	766
17	Switzerland	248	168	235	190	168	172	238	224
18	United Kingdom	2,110	2,372	1,955	1,957	2,372	2,568	2,783	2,761
19	Canada	244	445	290	304	445	383	482	456
20	Latin America and Caribbean	1,357	1,483	1,395	1,347	1,483	1,764	1,633	1,718
21	Bahamas	478	375	477	390	375	459	434	412
22	Bermuda	4	81	2	2	81	83	2	1
23	Brazil	10	18	19	14	18	22	25	20
24	British West Indies	194	514	189	198	514	694	700	685
25	Mexico	102	121	131	122	121	101	101	108
26	Venezuela	49	72	68	71	72	70	72	74
27	Asia	791	795	772	757	795	821	775	705
28	Japan	714	723	706	700	723	737	680	615
29	Middle East oil-exporting countries[3]	32	31	25	19	31	26	31	37
30	Africa	5	4	6	5	4	11	10	11
31	Oil-exporting countries[4]	2	1	2	1	1	1	1	1
32	All other[5]	5	4	5	5	4	10	15	21
	Commercial liabilities								
33	Europe	3,033	3,621	3,303	3,393	3,621	3,682	4,008	4,010
34	Belgium-Luxembourg	75	137	81	103	137	117	132	107
35	France	321	467	353	394	467	503	485	486
36	Germany	529	534	471	539	534	533	714	670
37	Netherlands	246	227	230	206	227	288	245	272
38	Switzerland	302	310	439	348	310	382	462	451
39	United Kingdom	824	1,073	997	1,015	1,073	994	1,120	1,024
40	Canada	667	868	663	717	868	720	591	590
41	Latin America	997	1,323	1,335	1,401	1,323	1,253	1,271	1,361
42	Bahamas	25	69	65	89	69	4	26	8
43	Bermuda	97	32	82	48	32	47	107	114
44	Brazil	74	203	165	186	203	228	151	156
45	British West Indies	53	21	121	21	21	20	37	12
46	Mexico	106	257	216	270	257	235	272	324
47	Venezuela	303	301	323	359	301	211	210	293
48	Asia	2,932	2,865	3,034	2,996	2,865	2,912	3,053	2,889
49	Japan	448	488	516	517	488	578	411	492
50	Middle East oil-exporting countries[3]	1,523	1,017	1,225	1,070	1,017	901	1,019	937
51	Africa	743	728	891	775	728	742	875	1,036
52	Oil-exporting countries[4]	312	384	410	370	384	382	498	633
53	All other[5]	203	233	243	287	233	263	367	396

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Before December 1978, foreign currency data include only liabilities denominated in foreign currencies with an original maturity of less than one year.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.
5. Includes nonmonetary international and regional organizations.

3.25 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type, and area or country	1978	1979	1979			1980		
			June	Sept.	Dec.	Mar.	June	Sept.
1 **Total**	**27,859**	**30,859**	**30,296**	**30,949**	**30,859**	**31,953**	**31,850**	**31,374**
2 Payable in dollars	24,861	27,703	27,394	28,280	27,703	28,956	28,808	28,240
3 Payable in foreign currencies[2]	2,998	3,156	2,902	2,668	3,156	2,997	3,042	3,134
By type								
4 Financial claims	16,522	18,107	19,303	19,176	18,107	19,237	18,499	18,164
5 Deposits	11,062	12,461	13,643	13,730	12,461	13,563	12,658	12,099
6 Payable in dollars	10,000	11,572	12,706	12,830	11,572	12,601	11,778	11,018
7 Payable in foreign currencies	1,061	889	938	901	889	963	879	1,081
8 Other financial claims	5,461	5,646	5,660	5,446	5,646	5,673	5,841	6,065
9 Payable in dollars	3,855	3,792	4,059	4,030	3,792	4,046	4,103	4,395
10 Payable in foreign currencies	1,606	1,854	1,601	1,416	1,854	1,627	1,737	1,670
11 Commercial claims	11,337	12,752	10,993	11,773	12,752	12,716	13,352	13,210
12 Trade receivables	10,778	12,064	10,364	11,061	12,064	12,071	12,656	12,521
13 Advance payments and other claims	559	688	628	712	688	645	695	689
14 Payable in dollars	11,006	12,339	10,629	11,421	12,339	12,309	12,926	12,827
15 Payable in foreign currencies	331	413	363	352	413	407	425	383
By area or country								
Financial claims								
16 Europe	5,218	6,115	5,638	6,562	6,115	5,826	5,835	5,576
17 Belgium-Luxembourg	48	32	54	33	32	19	23	14
18 France	178	177	183	191	177	290	307	381
19 Germany	510	407	361	393	407	298	190	168
20 Netherlands	103	53	62	51	53	39	37	30
21 Switzerland	98	73	81	85	73	89	96	41
22 United Kingdom	4,023	5,053	4,650	5,522	5,053	4,778	4,855	4,546
23 Canada	4,482	4,812	5,146	4,767	4,812	4,882	4,778	4,798
24 Latin America and Caribbean	5,665	6,190	7,433	6,682	6,190	7,512	6,807	6,671
25 Bahamas	2,959	2,680	3,637	3,284	2,680	3,448	2,962	2,757
26 Bermuda	80	30	57	31	30	34	25	65
27 Brazil	151	163	141	133	163	128	120	116
28 British West Indies	1,288	2,001	2,407	1,838	2,001	2,591	2,393	2,283
29 Mexico	163	158	159	156	158	169	178	192
30 Venezuela	150	133	151	139	133	132	139	128
31 Asia	922	693	800	818	693	708	758	792
32 Japan	307	190	217	222	190	226	253	269
33 Middle East oil-exporting countries[3]	18	16	17	21	16	18	16	20
34 Africa	181	253	227	277	253	265	256	260
35 Oil-exporting countries[4]	10	49	23	41	49	40	35	29
36 All other[5]	55	44	61	69	44	43	65	68
Commercial claims								
37 Europe	3,985	4,895	3,833	4,127	4,895	4,751	4,820	4,610
38 Belgium-Luxembourg	144	203	170	179	203	208	255	227
39 France	609	727	470	518	727	703	662	698
40 Germany	399	584	421	448	584	515	504	561
41 Netherlands	267	298	307	262	298	347	297	287
42 Switzerland	198	269	232	224	269	349	429	332
43 United Kingdom	827	905	731	818	905	924	908	979
44 Canada	1,096	843	1,106	1,164	843	862	895	926
45 Latin America and Caribbean	2,547	2,853	2,406	2,595	2,853	2,990	3,281	3,351
46 Bahamas	109	21	98	16	21	19	19	53
47 Bermuda	215	197	118	154	197	135	133	81
48 Brazil	629	647	503	568	647	656	697	709
49 British West Indies	9	16	25	13	16	11	9	17
50 Mexico	506	698	584	648	698	833	921	973
51 Venezuela	292	342	296	346	342	349	394	384
52 Asia	3,082	3,365	2,967	3,116	3,365	3,370	3,540	3,361
53 Japan	976	1,127	1,005	1,128	1,127	1,209	1,130	1,065
54 Middle East oil-exporting countries[3]	717	766	685	701	766	718	829	829
55 Africa	447	556	487	549	556	518	567	699
56 Oil-exporting countries[4]	136	133	139	140	133	114	115	135
57 All other[5]	179	240	194	220	240	225	249	264

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Prior to December 1978, foreign currency data include only liabilities denominated in foreign currencies with an original maturity of less than one year.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.
5. Includes nonmonetary international and regional organizations.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Percent per annum

Country	Rate on Feb. 28, 1981		Country	Rate on Feb. 28, 1981		Country	Rate on Feb. 28, 1981	
	Per-cent	Month effective		Per-cent	Month effective		Per-cent	Month effective
Argentina	169.80	Feb. 1981	France[1]	12.0	Feb. 1981	Sweden	12.0	Jan. 1981
Austria	6.75	Mar. 1980	Germany, Fed. Rep. of	7.5	May 1980	Switzerland	4.0	Feb. 1981
Belgium	12.0	July 1980	Italy	16.5	Sept. 1980	United Kingdom	14.0	Nov. 1980
Brazil	40.0	June 1980	Japan	7.25	Nov. 1980	Venezuela	10.0	July 1980
Canada	17.08	Feb. 1981	Netherlands	8.0	Oct. 1980			
Denmark	11.00	Oct. 1980	Norway	9.0	Nov. 1979			

1. As from February 1981, the rate at which the bank of France discounts Treasury bills for seven to ten days.

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	1978	1979	1980	1980					1981	
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
1 Eurodollars	8.74	11.96	14.00	10.82	12.07	13.55	16.46	19.47	18.07	17.18
2 United Kingdom	9.18	13.60	16.59	16.45	15.89	15.87	15.84	14.64	14.20	13.12
3 Canada	8.52	11.91	13.12	10.47	10.73	11.71	12.96	16.83	16.98	17.28
4 Germany	3.67	6.64	9.45	8.93	8.90	8.99	9.37	10.11	9.41	10.74
5 Switzerland	0.74	2.04	5.79	5.52	5.57	5.40	5.53	6.61	5.68	7.09
6 Netherlands	6.53	9.33	10.60	9.97	10.31	9.63	9.59	9.69	9.36	9.78
7 France	8.10	9.44	12.18	11.20	11.81	11.69	11.26	11.52	11.38	11.87
8 Italy	11.40	11.85	17.50	17.30	17.50	18.16	17.51	17.47	17.34	17.50
9 Belgium	7.14	10.48	14.06	12.52	12.35	12.24	12.40	12.75	12.41	12.52
10 Japan	4.75	6.10	11.45	12.04	11.46	10.98	9.74	9.60	9.00	8.52

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, Gensaki rate.

3.28 FOREIGN EXCHANGE RATES

Cents per unit of foreign currency

Country/currency	1978	1979	1980	1980					1981	
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
1 Australia/dollar	114.41	111.77	114.00	115.77	117.04	117.43	116.75	116.86	118.19	116.26
2 Austria/schilling	6.8958	7.4799	7.7349	7.8840	7.8916	7.6714	7.3433	7.1549	7.0297	6.6033
3 Belgium/franc	3.1809	3.4098	3.4247	3.4883	3.4844	3.3875	3.2457	3.1543	3.0962	2.8972
4 Canada/dollar	87.729	85.386	85.530	86.263	85.861	85.538	84.286	83.560	83.974	83.442
5 Denmark/krone	18.156	19.010	17.766	18.070	18.068	17.639	16.962	16.573	16.181	15.152
6 Finland/markka	24.337	27.732	26.892	27.353	27.428	27.122	26.452	25.903	25.752	24.656
7 France/franc	22.218	23.504	23.694	24.106	24.056	23.489	22.515	21.925	21.539	20.142
8 Germany/deutsche mark	49.867	54.561	55.089	55.867	55.883	54.280	52.113	50.769	49.771	46.757
9 India/rupee	12.207	12.265	12.686	12.849	12.903	12.932	12.868	12.608	12.567	12.164
10 Ireland/pound	191.84	204.65	205.77	210.62	210.34	203.88	194.59	189.01	185.54	173.31
11 Italy/lira	.11782	.12035	.11694	.11801	.11742	.11441	.11000	.10704	.10478	.09807
12 Japan/yen	.47981	.45834	.44311	.44666	.46644	.47777	.46928	.47747	.49419	.48615
13 Malaysia/ringgit	43.210	45.720	45.967	46.484	47.127	46.902	46.187	45.406	44.994	44.196
14 Mexico/peso	4.3896	4.3826	4.3535	4.3389	4.3443	4.3324	4.3166	4.3071	4.2792	4.2544
15 Netherlands/guilder	46.284	49.843	50.369	51.305	51.398	50.052	48.102	46.730	45.810	42.870
16 New Zealand/dollar	103.64	102.23	97.337	97.738	98.309	98.069	96.770	95.404	96.137	93.414
17 Norway/krone	19.079	19.747	20.261	20.555	20.676	20.421	19.938	19.370	19.087	18.485
18 Portugal/escudo	2.2782	2.0437	1.9980	2.0163	2.0096	1.9756	1.9178	1.8773	1.8591	1.7722
19 South Africa/rand	115.01	118.72	128.54	131.55	132.73	133.13	133.20	132.83	133.69	129.27
20 Spain/peseta	1.3073	1.4896	1.3958	1.3810	1.3639	1.3423	1.3085	1.2653	1.2409	1.1686
21 Sri Lanka/rupee	6.3834	6.4226	6.1947	6.2980	6.3196	5.9707	5.8139	5.7379	5.9525	5.5975
22 Sweden/krona	22.139	23.323	23.647	23.953	24.072	23.845	23.240	22.722	22.490	21.734
23 Switzerland/franc	56.283	60.121	59.697	60.527	61.012	60.185	57.942	56.022	54.907	51.502
24 United Kingdom/pound	191.84	212.24	232.58	237.04	240.12	241.64	239.41	234.59	240.29	229.41
MEMO:										
25 United States/dollar[1]	92.39	88.09	87.39	86.09	85.50	86.59	89.31	90.99	91.38	96.02

1. Index of weighted average exchange value of U.S. dollar against currencies of other G-10 countries plus Switzerland. March 1973 = 100. Weights are 1972–76 global trade of each of the 10 countries. Series revised as of August 1978. For description and back data, see "Index of the Weighted-Average Exchange Value of the U.S. Dollar: Revision" on page 700 of the August 1978 BULLETIN.

NOTE. Averages of certified noon buying rates in New York for cable transfers.

Guide to Tabular Presentation, Statistical Releases, and Special Tables

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

SPECIAL TABLES

Published Irregularly, with Latest Bulletin Reference

Special tables begin on following page.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, June 30, 1980[1]

Millions of dollars

Item	All states[2]			New York		California Total[3]	Illinois Branches	Other states[2]	
	Total	Branches	Agencies	Branches	Agencies			Branches	Agencies
1 **Total assets[4]**	**122,529**	**74,767**	**47,763**	**64,774**	**20,671**	**25,782**	**5,941**	**4,028**	**1,333**
2 Cash and due from depository institutions	17,340	14,342	2,999	13,575	2,756	219	671	96	24
3 Currency and coin (U.S. and foreign)	16	13	3	10	1	2	1	2	0
4 Balances with Federal Reserve Banks	22	17	5	14	5	0	3	0	0
5 Balances with other central banks	1	1	0	1	0	0	0	0	0
6 Demand balances with commercial banks in United States	8,611	6,604	2,008	6,418	1,916	87	141	44	5
7 All other balances with depository institutions in United States and with banks in foreign countries	7,894	7,038	855	6,465	723	113	524	49	19
8 Time and savings balances with commercial banks in United States	3,700	3,401	300	3,246	243	45	109	46	11
9 Balances with other depository institutions in United States	431	431	0	430	0	0	0	0	0
10 Balances with banks in foreign countries	3,763	3,207	556	2,789	480	67	415	3	9
11 Foreign branches of U.S. banks	813	624	189	544	171	17	80	0	1
12 Other banks in foreign countries	2,949	2,583	366	2,245	308	50	335	3	8
13 Cash items in process of collection	796	669	128	666	111	17	1	1	0
14 **Total securities, loans, and lease financing receivables**	**75,602**	**49,778**	**25,824**	**42,428**	**12,438**	**12,172**	**4,873**	**2,465**	**1,226**
15 Total securities, book value	2,929	1,667	1,263	1,441	1,136	127	123	102	0
16 U.S. Treasury	1,918	1,018	900	895	840	60	25	98	0
17 Obligations of other U.S. government agencies and corporations	299	80	220	77	201	20	0	1	0
18 Obligations of states and political subdivisions in United States	159	124	36	93	1	35	28	3	0
19 Other bonds, notes, debentures and corporate stock	553	445	108	376	95	13	69	0	0
20 Federal funds sold and securities purchased under agreements to resell	5,640	3,013	2,626	2,876	2,279	350	110	22	4
By holder									
21 Commercial banks in United States	5,368	2,795	2,574	2,710	2,237	339	57	22	4
22 Others	271	219	53	166	42	10	53	0	0
By type									
23 One-day maturity or continuing contract	5,536	2,975	2,561	2,854	2,218	346	94	22	4
24 Securities purchased under agreements to resell	132	60	72	19	52	20	41	0	0
25 Other	5,404	2,915	2,489	2,834	2,166	326	53	22	4
26 Other securities purchased under agreements to resell	104	38	66	22	62	4	16	0	0
27 Total loans, gross	72,760	48,161	24,599	41,035	11,315	12,070	4,751	2,364	1,226
28 LESS: Unearned income on loans	90	52	38	50	13	25	1	1	0
29 EQUALS: Loans, net	72,670	48,109	24,561	40,985	11,302	12,045	4,750	2,363	1,226
Total loans, gross, by category									
30 Real estate loans	1,704	243	1,460	120	651	693	19	95	126
31 Loans to financial institutions	23,933	18,764	5,169	17,273	2,794	2,323	1,430	61	51
32 Commercial banks in United States	11,651	9,278	2,373	8,470	1,074	1,287	755	53	12
33 U.S. branches and agencies of other foreign banks	10,714	8,560	2,155	7,809	903	1,252	699	52	0
34 Other commercial banks	937	718	219	661	172	35	56	1	12
35 Banks in foreign countries	11,285	8,791	2,494	8,274	1,479	980	515	2	35
36 Foreign branches of U.S. banks	1,456	1,086	371	1,006	277	94	77	2	0
37 Other	9,829	7,705	2,123	7,267	1,202	886	438	0	35
38 Other financial institutions	997	695	302	529	241	56	160	6	5
39 Loans for purchasing or carrying securities	735	362	372	337	354	19	20	5	0
40 Commercial and industrial loans	38,304	22,901	15,403	17,679	6,297	8,114	3,076	2,143	994
41 U.S. addressees (domicile)	23,863	14,102	9,761	10,053	3,391	5,445	2,738	1,310	927
42 Non-U.S. addressees (domicile)	14,440	8,799	5,642	7,626	2,906	2,669	339	834	67
43 Loans to individuals for household, family, and other personal expenditures	101	67	34	51	17	17	4	11	0
44 All other loans	7,985	5,824	2,161	5,575	1,202	904	202	47	55
45 Loans to foreign governments and official institutions	6,665	4,725	1,940	4,516	1,021	864	189	19	55
46 Other	1,320	1,099	221	1,058	181	40	13	28	0
47 Lease financing receivables	3	2	1	2	0	1	0	0	0
48 All other assets	23,947	7,634	16,313	5,895	3,197	13,041	288	1,446	80
49 Customers' liability on acceptances outstanding	7,617	3,711	3,906	3,618	2,728	1,151	61	32	27
50 U.S. addressees (domicile)	4,000	2,092	1,908	2,044	899	988	37	11	21
51 Non-U.S. addressees (domicile)	3,616	1,618	1,998	1,573	1,829	163	24	21	6
52 Net due from related banking institutions[5]	12,777	1,527	11,250	160	0	11,229	0	1,366	21
53 Other	3,553	2,396	1,157	2,117	469	661	227	48	31

4.30 Continued

Item	All states[2]			New York		California Total[3]	Illinois Branches	Other states[2]	
	Total	Branches	Agencies	Branches	Agencies			Branches	Agencies
54 **Total liabilities[4]**	**122,529**	**74,767**	**47,763**	**64,774**	**20,671**	**25,782**	**5,941**	**4,028**	**1,333**
55 Total deposits and credit balances	34,069	29,632	4,437	26,675	3,634	760	479	2,472	48
56 Individuals, partnerships, and corporations	16,918	16,171	747	13,519	305	413	287	2,360	34
57 U.S. addressees (domicile)	14,252	14,049	203	11,511	130	66	215	2,317	12
58 Non-U.S. addressees (domicile)	2,666	2,122	544	2,008	175	348	71	43	21
59 U.S. government, states, and political subdivisions in United States	103	103	0	29	0	0	3	71	0
60 All other	17,048	13,359	3,690	13,128	3,329	346	190	41	14
61 Foreign governments and official institutions	2,927	2,672	255	2,550	91	165	112	10	0
62 Commercial banks in United States	5,743	4,638	1,105	4,631	1,095	1	3	4	9
63 U.S. branches and agencies of other foreign banks	841	832	9	831	8	0	0	0	1
64 Other commercial banks in United States	4,902	3,806	1,096	3,799	1,087	1	3	4	8
65 Banks in foreign countries	2,707	2,318	389	2,266	267	119	40	12	3
66 Foreign branches of U.S. banks	48	39	8	37	0	8	0	2	0
67 Other banks in foreign countries	2,660	2,279	381	2,229	267	111	40	10	3
68 Certified and officers' checks, travelers checks, and letters of credit sold for cash	5,671	3,731	1,940	3,681	1,877	61	35	15	2
69 Demand deposits	140915	8,910	2,005	8,655	1,877	116	133	120	15
70 Individuals, partnerships, and corporations	1,526	1,479	47	1,280	0	38	93	104	11
71 U.S. addressees (domicile)	981	968	12	798	0	7	72	96	7
72 Non-U.S. addressees (domicile)	545	511	34	482	0	31	21	8	4
73 U.S. government, states, and political subdivisions in United States	14	14	0	13	0	0	0	0	0
74 All other	9,375	7,417	1,958	7,361	1,877	78	40	15	4
75 Foreign governments and official institutions	723	714	9	712	0	9	1	0	0
76 Commercial banks in United States	1,953	1,951	2	1,949	0	1	1	1	1
77 U.S. branches and agencies of other foreign banks	165	164	1	164	0	0	0	0	1
78 Other commercial banks in United States	1,788	1,787	1	1,785	0	1	1	0	0
79 Banks in foreign countries	1,028	1,021	7	1,019	0	7	2	0	1
80 Certified and officers' checks, travelers checks, and letters of credit sold for cash	5,671	3,731	1,940	3,681	1,877	61	35	15	2
81 Time deposits	20,952	20,372	581	17,726	0	556	324	2,322	25
82 Individual, partnerships, and corporations	14,654	14,342	312	11,944	0	296	171	2,226	17
83 U.S. addressees (domicile)	12,876	12,871	5	10,553	0	6	124	2,193	0
84 Non-U.S. addressees (domicile)	1,778	1,471	307	1,391	0	290	47	33	17
85 U.S. government, states, and political subdivisions in United States	89	89	0	16	0	0	3	71	0
86 All other	6,209	5,941	268	5,766	0	260	150	25	8
87 Foreign governments and official institutions	2,109	1,958	151	1,838	0	151	110	10	0
88 Commercial banks in United States	2,695	2,686	8	2,681	0	0	2	3	8
89 U.S. branches and agencies of other foreign banks	668	668	0	668	0	0	0	0	0
90 Other commercial banks in United States	2,027	2,019	8	2,014	0	0	2	3	8
91 Banks in foreign countries	1,406	1,297	109	1,247	0	108	38	12	0
92 Savings deposits	377	351	26	295	0	28	23	31	0
93 Individuals, partnerships, and corporations	376	350	26	295	0	28	23	31	0
94 U.S. addressees (domicile)	209	209	0	161	0	1	19	29	0
95 Non-U.S. addressees (domicile)	167	141	26	134	0	26	4	2	0
96 U.S. government, states, and political subdivisions in United States	0	0	0	0	0	0	0	0	0
97 All other	1	1	0	1	0	0	0	0	0
98 Credit balances	1,826	0	1,825	0	1,757	60	0	0	8
99 Individuals, partnerships, and corporations	362	0	362	0	305	51	0	0	6
100 U.S. addressees (domicile)	185	0	185	0	130	51	0	0	5
101 Non-U.S. addressees (domicile)	177	0	177	0	175	1	0	0	1
102 U.S. government, states, and political subdivisions in United States	0	0	0	0	0	0	0	0	0
103 All other	1,463	0	1,463	0	1,452	9	0	0	2
104 Foreign governments and official institutions	95	0	95	0	91	4	0	0	0
105 Commercial banks in United States	1,095	0	1,095	0	1,095	0	0	0	0
106 U.S. branches and agencies of other foreign banks	8	0	8	0	8	0	0	0	0
107 Other commercial banks in United States	1,087	0	1,087	0	1,087	0	0	0	0
108 Banks in foreign countries	273	0	273	0	267	4	0	0	2

For notes see page A71.

4.30 Continued

Item	All states[2] Total	All states[2] Branches	All states[2] Agencies	New York Branches	New York Agencies	California Total[3]	Illinois Branches	Other states[2] Branches	Other states[2] Agencies
109 Federal funds purchased and sold under agreement to repurchase	11,547	6,448	5,099	5,635	2,529	2,416	664	149	154
By holder									
110 Commercial banks in United States	10,536	5,937	4,598	5,144	2,172	2,403	644	149	23
111 Others	1,012	511	501	491	357	13	19	0	131
By type									
112 One-day maturity or continuing contract	11,346	6,254	5,092	5,451	2,529	2,410	654	149	153
113 Securities sold under agreements to repurchase	500	431	69	425	3	66	7	0	0
114 Other	10,845	5,823	5,023	5,026	2,526	2,344	647	149	153
115 Other securities sold under agreements to repurchase	201	194	7	184	0	7	9	0	1
116 Other liabilities for borrowed money	33,383	11,673	21,710	9,691	3,756	17,916	1,545	437	37
117 Owed to banks	30,485	10,370	20,115	8,526	3,460	16,618	1,497	346	37
118 U.S. addressees (domicile)	24,920	6,352	18,568	5,042	2,926	15,614	966	344	28
119 Non-U.S. addressees (domicile)	5,565	4,018	1,547	3,484	534	1,004	531	2	9
120 Owed to others	2,898	1,304	1,595	1,164	296	1,299	49	91	0
121 U.S. addressees (domicile)	2,142	960	1,182	843	80	1,102	30	87	0
122 Non-U.S. addressees (domicile)	756	344	413	322	216	196	19	3	0
123 All other liabilities	43,529	27,013	16,516	22,772	10,751	4,690	3,253	969	1,094
124 Acceptances executed and outstanding	8,103	3,809	4,294	3,702	2,504	1,763	73	34	27
125 Net due to related banking institutions[5]	32,379	20,798	11,581	16,911	8.017	2,533	2,976	893	1,049
126 Other	3,047	2,406	642	2,159	230	394	203	43	18
MEMO									
127 Time deposits of $100,000 or more	19,680	19,259	421	16,810	0	408	176	2,272	14
128 Certificates of deposit (CDs) in denominations of $100,000 or more	16,526	16,210	316	13,818	0	314	154	2,237	3
129 Other	3,154	3,049	105	2,992	0	93	22	35	11
130 Savings deposits authorized for automatic transfer and NOW accounts	56	55	1	52	0	1	0	2	0
131 Money market time certificates of $10,000 and less than $100,000 with original maturities of 26 weeks	330	326	4	294	0	4	13	19	1
132 Time certificates of deposit in denominations of $100,000 or more with remaining maturity of more than 12 months	1,395	1,311	84	1,230	0	82	14	67	2
133 Acceptances refinanced with a U.S.-chartered bank	1,560	734	826	616	321	506	10	108	0
134 Statutory or regulatory asset pledge requirement	44,791	34,720	10,071	30,167	10,027	30	4,501	51	15
135 Statutory or regulatory asset maintenance requirement	4,765	4,536	229	2,953	173	18	157	1,426	38
136 Commercial letters of credit	7,976	4,543	3,433	4,087	1,060	2,331	236	220	42
137 Standby letters of credit, total	3,361	2,275	1,086	1,953	489	472	215	106	126
138 U.S. addressees (domicile)	2,447	1,662	785	1,477	314	412	111	74	59
139 Non-U.S. addressees (domicile)	914	613	301	476	175	60	104	33	67
140 Standby letters of credit conveyed to others through participations (included in total standby letters of credit)	48	20	29	18	6	20	0	2	3
141 Holdings of commercial paper included in total gross loans	857	710	147	694	97	50	15	0	0
142 Holdings of acceptances included in total commercial and industrial loans	3,573	1,832	1,741	1,749	617	1,119	48	35	4
143 Immediately available funds with a maturity greater than one day (included in other liabilities for borrowed money)	15,713	5,092	10,621	3,956	2,139	8,471	901	235	11
144 Gross due from related banking institutions[5]	43,781	17,674	26,107	15,338	11,732	14,278	473	1,863	98
145 U.S. addressees (domicile)	14,668	3,398	11,271	2,308	1,618	9,636	102	987	17
146 Branches and agencies in United States	14,411	3,265	11,146	2,176	1,587	9,543	102	987	16
147 In the same state as reporter	584	84	500	67	0	492	0	17	8
148 In other states	13,828	3,181	10,646	2,109	1,587	9,051	102	970	8
149 U.S. banking subsidiaries[6]	257	132	125	132	31	93	0	0	1
150 Non-U.S. addressees (domicile)	29,113	14,276	14,837	13,030	10,114	4,642	371	875	81
151 Head office and non-U.S. branches and agencies	27,117	13,488	13,629	12,263	8,909	4,639	354	872	80
152 Non-U.S. banking companies and offices	1,996	789	1,208	767	1,205	2	17	4	1
153 Gross due to related banking institutions[5]	63,383	36,945	26,438	32,088	19,749	5,581	3,450	1,389	1,125
154 U.S. addressees (domicile)	15,257	7,836	7,421	5,192	4,592	2,346	1,758	885	484
155 Branches and agencies in United States	15,043	7,731	7,312	5,111	4,507	2,326	1,737	883	478
156 In the same state as reporter	566	81	485	55	7	477	0	27	0
157 In other states	14,477	7,650	6,828	5,056	4,500	1,849	1,737	856	478
158 U.S. banking subsidiaries[6]	214	104	109	81	84	19	21	2	5
159 Non-U.S. addressees (domicile)	48,126	29,110	19,017	26,896	15,158	3,236	1,692	504	641
160 Head office and non-U.S. branches and agencies	46,186	27,381	18,805	25,243	15,077	3,106	1,616	504	639
161 Non-U.S. banking companies and offices	1,940	1,729	212	1,653	80	129	76	0	2

4.30 Continued

Item	All states[2]			New York		California Total[3]	Illinois Branches	Other states[3]	
	Total	Branches	Agencies	Branches	Agencies			Branches	Agencies
Average for 30 calendar days (or calendar month) ending with report date									
162 Total assets	126,918	76,433	50,485	66,417	23,436	25,805	5,813	4,183	1,264
163 Cash and due from depository institutions	14,198	11,889	2,309	11,197	2,080	207	615	77	22
164 Federal funds sold and securities purchased under agreements to resell	7,206	5,069	2,137	4,900	1,846	288	152	14	5
165 Total loans	71,167	46,958	24,209	40,008	11,002	12,062	4,596	2,343	1,156
166 Loans to banks in foreign countries	10,942	8,361	2,581	7,846	1,498	1,049	513	2	34
167 Total deposits and credit balances	34,639	31,258	3,380	28,277	2,592	746	418	2,558	48
168 Time CDs in denominations of $100,000 or more	15,424	15,036	389	12,588	76	311	150	2,297	2
169 Federal funds purchased and securities sold under agreements to repurchase	8,589	4,567	4,022	3,947	1,518	2,375	523	97	128
170 Other liabilities for borrowed money	33,663	12,899	20,764	10,914	2,794	17,932	1,527	457	38
171 Number of reports filed[7]	306	135	171	79	63	86	31	24	23

1. Data are aggregates of categories reported on the quarterly form FFIEC 002, "Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks." This form was first used for reporting data as of June 30, 1980. From November 1972 through May 1980, U.S. branches and agencies of foreign banks had filed a monthly FR 886a report. Aggregate data from that report were available through the Federal Reserve statistical release G.11, last issued on July 10, 1980. Data in this table and in the G.11 tables are not strictly comparable because of differences in reporting panels and in definitions of balance sheet items.
2. Includes the District of Columbia.
3. Agencies account for virtually all of the assets and liabilities reported in California.
4. Total assets and total liabilities include *net* balances, if any, due from or due to related banking institutions in the United States and in foreign countries (see footnote 5). On the former monthly branch and agency report, available through the G.11 statistical release, *gross* balances were included in total assets and total liabilities. Therefore, total asset and total liability figures in this table are not comparable to those in the G.11 tables.
5. "Related banking institutions" includes the foreign head office and other U.S. and foreign branches and agencies of the bank, the bank's parent holding company, and majority-owned banking subsidiaries of the bank and of its parent holding company (including subsidiaries owned both directly and indirectly). Gross amounts due from and due to related banking institutions are shown as memo items.
6. "U.S. banking subsidiaries" refers to U.S. banking subsidiaries majority-owned by the foreign bank and by related foreign banks and includes U.S. offices of U.S.-chartered commercial banks, of Edge Act and Agreement corporations, and of New York State (Article XII) investment companies.
7. In some cases two or more offices of a foreign bank within the same metropolitan area file a consolidated report.

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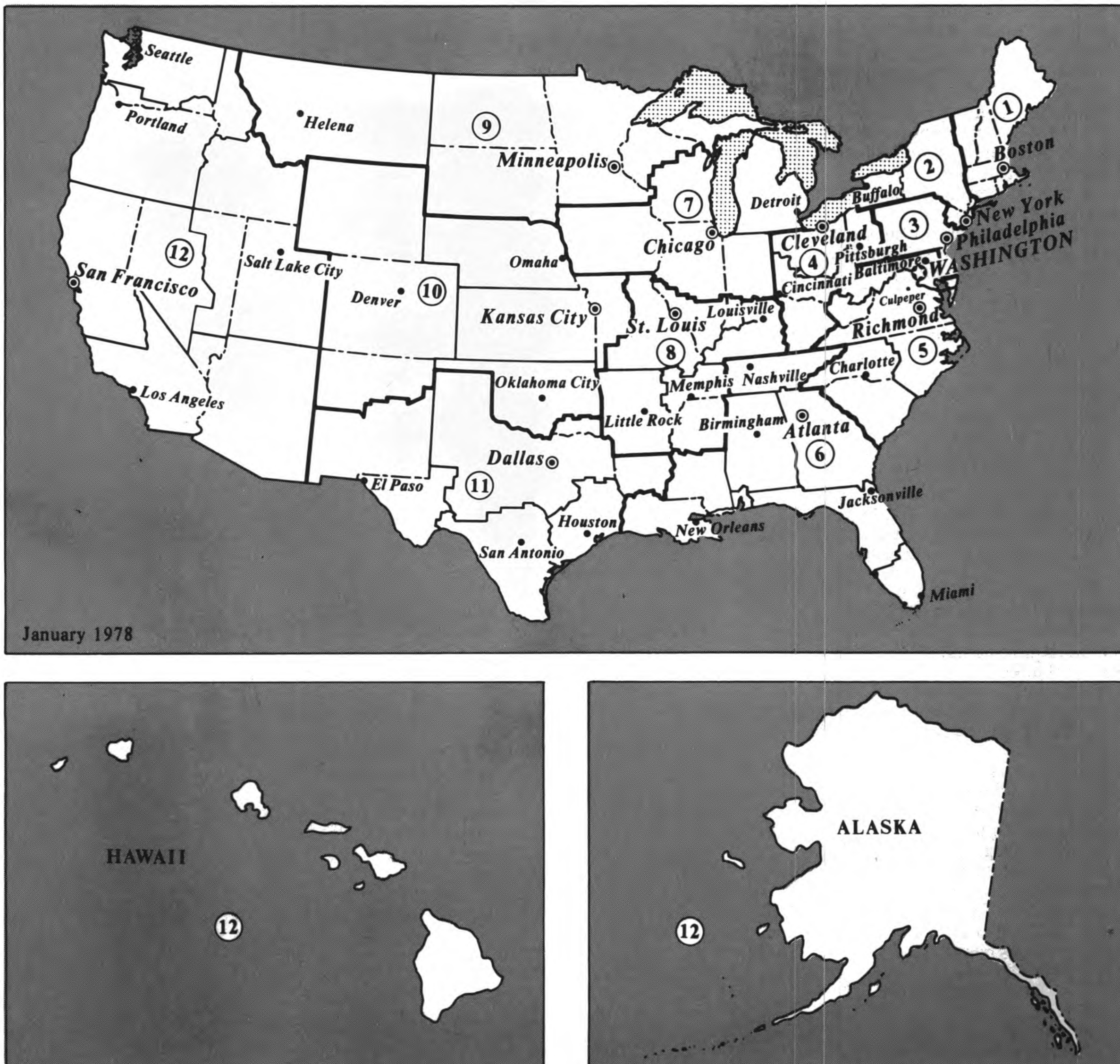

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