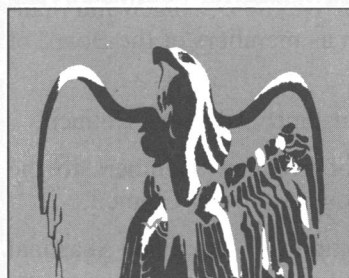

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BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, WASHINGTON, D.C.

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Monetary Policy Report to the Congress

Report submitted to the Congress on February 19, 1986, pursuant to the Full Employment and Balanced Growth Act of 1978.¹

MONETARY POLICY AND THE ECONOMIC OUTLOOK FOR 1986

While there are unusual uncertainties surrounding prospects for prices and economic activity in 1986—stemming in part from questions about the timing and dimension of domestic adjustments to the weaker dollar on exchange markets, about oil price declines, and about the process of fiscal restraint—the overall economic outlook for the year appears generally favorable. Real economic growth probably will pick up somewhat from last year's pace, and inflationary pressures should remain contained. The recent weakness in oil prices, though it has the potential for causing dislocations in energy markets and adding to the strains on some heavily indebted oil-producing countries, should enhance real growth and work to offset the upward impact on the price level this year from the drop of the dollar on exchange markets. Over the course of the year, the prospective movement toward fiscal restraint, and also the more competitive exchange rate, should help correct imbalances that in recent years have threatened the sustainability of economic expansion and affected domestic and international financial markets.

Economic and Financial Background

The past year was one of further progress in the national economy. Although growth in economic activity was slower than that in the earlier phase

of the expansion, increases in output were great enough to reduce the unemployment rate to its lowest level since 1980. Moreover, even as the economic upswing moved into its fourth year, inflationary pressures remained in check. In 1985, prices generally rose less than they had the year before and wage gains were restrained.

Continued economic growth last year was supported by a generally accommodative monetary policy. The demand for narrow money was strong, partly in lagged response to earlier interest rate declines and partly perhaps in response to more conservative cash management practices. M1 expanded relatively rapidly throughout the year, growing about 12 percent, and its velocity exhibited an unusual and large drop of 5½ percent; growth exceeded both the original target range set in February and the wider, rebased range for the second half set in July. However, the broader monetary aggregates behaved more normally and ended the year within their target ranges. M2 expanded about 8½ percent as compared with its range of 6 to 9 percent, and M3 grew around 7½ percent compared with its range of 6 to 9½ percent.

In credit markets, most short-term interest rates declined about a percentage point over last year, while longer-term rates dropped approximately 2 percentage points, partly reflecting an improved outlook for inflation and expectations of greater fiscal restraint. Stock prices also rose substantially during the year. Meanwhile, debt growth was strong, with expansion of domestic nonfinancial debt for the year of 13½ percent, above the monitoring range of 9 to 12 percent set by the Committee. The rapidity of debt creation reflected, in part, borrowings to finance retirements of corporate stock associated with mergers, buy-outs, and share repurchases and the acceleration of state and local debt issues in response to proposed tax law changes.

While output of the U.S. economy, measured by real gross national product, expanded moder-

1. The charts to the report are available on request from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

ately in 1985, domestic sectors increased their purchases of goods and services more rapidly. The difference was reflected in an increasing volume of imports as the volume of exports declined. Thus, all segments of the economy did not share equally in the expansion. Key sectors such as manufacturing, mining, and agriculture continued to face strong competition from foreign producers. Sluggish growth abroad also limited export markets for U.S. producers. In financial markets, a number of institutions had to cope with loan problems associated with the economic pressures and large debt burdens of certain borrowers, including less developed countries and energy and agricultural borrowers in the United States.

Adjustments are in process that should help correct the imbalances that have emerged in recent years. The resolve demonstrated by the Congress and the administration in passing the Balanced Budget and Emergency Deficit Control Act of 1985 has had salutary effects on expectations in financial markets. As budgetary deficits are reduced, more and more domestic saving can be channeled into investment in the plant and equipment needed to improve productivity and sustain economic growth over the long term. The decline in the dollar should help bring about an environment in which U.S. producers will be able to compete more effectively in world markets. The efforts of many banks and other financial intermediaries to bolster capital and reserves, together with lower interest rates, should help financial institutions to strengthen their ability to cope with financial strain. Questions remain, however, about other factors affecting the U.S. economy—including the strength of economic expansion abroad, the impact of a declining dollar on inflation here, and the effect of reduced oil prices on the financial health of domestic energy producers and of a number of oil-exporting developing countries.

Monetary Policy for 1986

The Federal Open Market Committee framed its monetary policy plans for 1986 in light of the fundamental objectives of maintaining sustainable growth of economic activity, making contin-

Ranges of growth for monetary and credit aggregates
Percent change, fourth quarter to fourth quarter

Money or credit aggregate	1986	1985
M1	3 to 8	3 to 8 ¹
M2	6 to 9	6 to 9
M3	6 to 9	6 to 9½
Debt	8 to 11	9 to 12

1. Applied to period from second to fourth quarter.

ued progress over time toward price stability, and working toward better balance in the nation's external transactions. As shown in the accompanying table, the Committee set ranges for the monetary aggregates for the period from the fourth quarter of 1985 to the fourth quarter of 1986 of 3 to 8 percent for M1 and 6 to 9 percent for both M2 and M3; it established a monitoring range of 8 to 11 percent for debt. These are the same ranges that had been tentatively set for 1986 in July of last year, except that the M1 range has been widened to reflect the uncertainties about the behavior of that aggregate, as noted below.

Compared with ranges that had most recently been in effect for 1985, the new ranges involve a reduced upper limit for M3 and a generally lower range for debt. The ranges for M1 and M2 are unchanged. The width of the M1 range reflects continuing uncertainties about the behavior of M1 under varying economic and financial circumstances, given recent experience and the changed composition of the aggregate over the past few years. In particular, the availability of interest-bearing checking accounts that serve both transaction and savings functions may have increased the sensitivity of this aggregate to changes in market rates as well as to other factors influencing the public's allocation of its savings among various financial assets. While the range for M1 is wide enough to allow for some variation in behavior of the aggregate's income velocity in response to changing conditions, the range was set on the assumption that there would not be a large drop in velocity, such as occurred in 1985. In that connection, the Committee will evaluate behavior of M1 in light of its consistency with the other monetary aggregates, economic and financial developments, and the potential for inflationary pressures. In sum, policy implementation will involve continuing

appraisal of the relationships among the various measures of money and credit, their velocity trends, and indicators of economic activity and prices, as well as conditions in domestic credit and foreign exchange markets.

The growth of the broader aggregates in 1986 is not expected to be far different from last year, when their velocities declined somewhat. Last year's velocity experience was closer to the norm for these aggregates than was the case for M1. The final phase of deposit deregulation this year—the removal of minimum balance requirements on money market deposit accounts at the beginning of the year and the elimination of ceiling rates on savings and regular NOW accounts at the end of March—is expected to have only minimal effects on the broad aggregates as well as on M1. Other ceiling-free accounts have been widely available for a number of years, and minimum balance requirements already have been reduced to a relatively low level.

The Committee for some years has had a monitoring range for the total debt of domestic nonfinancial sectors. Historically, debt has expanded about as rapidly as GNP, but in recent years debt has grown more rapidly than the economy, raising some concern about the increasing debt burden. The growth of debt is expected to moderate somewhat in 1986. A diminution of debt financing for purposes of stock retirement is anticipated, and growth of state and local government debt is expected to slow from last year's exceptional pace, absent further changes in the proposed tax law that might prompt a renewed acceleration in borrowing. While the federal deficit is expected to remain at a high level for much of 1986, it should begin declining in the course of the year as greater fiscal restraint takes hold and helps to curb the rate of increase in U.S. government debt.

Economic Projections

The Committee felt that its monetary objectives were consistent with expectations for continued growth in output, further reductions in unemployment, and muted inflation in 1986. While there clearly are a good many uncertainties and risks in the present environment—for instance, the actual outcome for the budget, behavior of

the dollar, and oil prices—the Committee members and nonvoting Reserve Bank Presidents generally believe that prospects for the economy in the year ahead are reasonably favorable. As indicated in the table, their expectations center on real GNP growth of 3 to 3½ percent and on inflation in the range of 3 to 4 percent. The expanding job opportunities associated with the increase in output are expected to lower the unemployment rate gradually, although sluggish productivity performance, if it should continue, would limit the nation's growth potential.

Two key factors in the positive economic outlook are the recent developments in energy and financial markets. The decline in energy prices can be expected to raise the growth of real disposable income and to bolster consumer spending in the months ahead. The marked increase in household financial wealth associated with the rise in stock and bond prices also should provide the basis for continued gains in consumer outlays. This should work to offset the restraint in spending that could be exerted by the runup in household indebtedness and the associated decline in the personal saving rate during the past year. Nevertheless, the high level of debt remains a risk in the outlook for consumer spending.

The rise in stock prices and the decline in interest rates have improved prospects for domestic investment in plant, equipment, and housing. Moreover, while the federal deficit is not likely to drop significantly for some months, as noted earlier, greater fiscal restraint, as it develops, should enhance the availability of domestic saving for private investment and reduce the need to rely on foreign saving. Mortgage rates are at their lowest levels since 1979, and the greater affordability of housing can be expected to buoy residential construction even in the face of some evident overbuilding in the multifamily sector. Similarly, lower costs of capital should—along with some improvement in the competitiveness of U.S. industry owing to the dollar's decline—help to support business investment despite likely weakness in the energy and office building sectors. In the near term, the leanness of manufacturers' stocks suggests the likelihood of some pickup in the rate of inventory accumulation.

Economic projections for 1986

Percent

Change in GNP or unemployment	FOMC members and other FRB Presidents		Adminis- tration	Congressional Budget Office
	Range	Central tendency		
GNP, change from fourth quarter to fourth quarter				
Nominal	5 to 8½	6½ to 7¼	8.0	7.6
Real	2¾ to 4¼	3 to 3½	4.0	3.6
Implicit deflator	2½ to 4½	3 to 4	3.8	3.9
Unemployment rate, average level in the fourth quarter	6¼ to 6¾	About 6½	6.7	6.7 ¹

1. Civilian unemployment rate.

The outlook for the external sector is quite uncertain. The response of U.S. industry, as well as of foreign producers, to the decline of the dollar will take place only over time and will depend on a number of factors, such as the extent to which it is believed the exchange rate change is "permanent" and the strategies firms pursue with respect to the potential trade-off between profit margin and market share. Perhaps more important in the short run, our trade and current account position also will depend on the pace of economic growth abroad: if growth in other countries is relatively slow, that would tend to limit near-term improvement.

With regard to the outlook for inflation, wages in the aggregate have shown no tendency toward acceleration, and recent settlements in major collective bargaining agreements indicate wage gains in manufacturing, construction, and transportation are likely to continue at the moderate pace registered in recent years, even though the unemployment rate is declining. Disappointing productivity performance does raise questions about pressures from the labor cost side, although some pickup in productivity improvement is assumed this year. A decline in oil prices also should be a constructive influence. Nevertheless, it was recognized that a weaker dollar poses a clear risk of greater inflationary pressures.

The projections by FOMC members and non-voting Reserve Bank Presidents of real GNP and prices over 1986 generally are somewhat lower than the administration's projections, although the full range of expectations does encompass the latter. In any event, differences are not large and economic growth at the pace the administration anticipates can be accommodated by the FOMC's targets.

THE PERFORMANCE OF THE ECONOMY DURING THE PAST YEAR

The economy completed a third successive year of expansion in 1985, with real gross national product increasing 2½ percent over the year. The rise in economic activity was sufficient to create 3 million new payroll jobs and the unemployment rate edged down; with a further strong increase in employment in January of this year, the jobless rate for civilians reached a six-year low of 6.7 percent. Meanwhile, most broad measures of price increase indicate that inflation slowed to about a 3½ to 3¾ percent rate in 1985, somewhat less than the pace registered over the previous two years.

Though output and employment continued to grow in 1985, the rate of expansion was slower than some had anticipated, raising some concerns about the sustainability of the recovery. Furthermore, the pattern of developments in the past year had some disturbing aspects: domestic and foreign demands continued to be diverted away from goods and services produced in the United States, draining income from our households and businesses and exacerbating an inventory correction by U.S. firms as their sales lagged; meanwhile, consumers continued to increase their spending at a substantial clip, but only by borrowing at a pace that pushed household debt burdens to still higher levels.

Although the nation as a whole experienced continued growth, the serious sectoral imbalances that had emerged earlier during the recovery became more apparent when gains in activity moderated. Industrial output grew slowly in 1985, and manufacturing and mining employment posted outright declines during much of the year. The agricultural sector remained under acute

pressure, as shrinking export markets and abundant harvests pushed prices sharply lower. As a result, farmers continued to face mounting difficulties in servicing the large volume of debt that had accumulated in the 1970s.

To a considerable extent, these imbalances and stresses are related to fundamental disequilibria in the nation's finances: the continuing huge federal budget deficit and the growing deterioration in the U.S. current account. During the past year, however, policymakers took important steps to address these problems. The Balanced Budget and Emergency Deficit Control Act was passed, establishing a mechanism for deficit reduction and signaling the resolve of the Congress and the administration to achieve meaningful progress on this front. And the financial authorities of the G-5 nations agreed that exchange rates should better reflect underlying economic relationships, which would enhance the prospects for some improvement in our external balance.

The federal budget deficit was of record magnitude in fiscal year 1985. The large federal deficit not only absorbed a significant portion of the saving available to the domestic economy, but also continued to be a source of concern to investors with respect to longer-range potential for inflationary pressures. Not surprisingly, the prospect for some reduction in the deficit contributed to the downward trend in interest rates late last year.

The importance of international economic developments for the performance of the U.S. economy has become increasingly apparent during the current economic expansion. Although the foreign exchange value of the dollar declined over most of the year—encouraged at times by coordinated official intervention activity—changes in spending patterns, which typically lag movements in exchange rates, were not yet evident and imports made further inroads into domestic markets. Meanwhile, slow growth, on average, in much of the rest of the world has failed to provide strong markets for U.S. exports. The net result has been that domestic demands have increased more rapidly than domestic production throughout the course of the expansion.

An important achievement of the current recovery has been the sustained expansion of economic activity without any relinquishing of

progress toward the goal of price stability. The containment of inflation has been aided by the high exchange value of the dollar and excess world supplies of many basic materials, which have left prices unchanged or lower for a wide range of imported goods, industrial commodities, agricultural products, and petroleum. More fundamentally, wage increases in the aggregate have been restrained, limiting upward pressure on costs.

The Household Sector

Spending in the household sector remained strong in 1985, despite a sharp slowing in income growth. Growth in real disposable income rose about 1½ percent, much less than the increase of 4 percent of the previous year. Income growth was limited as wage and salary gains decelerated, interest income weakened, and farm income plummeted. Meanwhile, real personal consumption expenditures advanced 3 percent last year—only a little less than in 1984—buoyed by continued high levels of borrowing. As a result, the personal saving rate fell to an average of about 4½ percent last year, well below historical norms.

The strength in household spending last year reflected further gains in outlays for consumer durables, especially purchases of new automobiles. Sales of new cars totaled more than 11 million units, the strongest selling pace since 1978. Sales of domestic autos picked up to 8¼ million units in response to the general downturn in interest rates, several rounds of price and financing concessions offered by manufacturers, and increased availability of some models that had been in short supply in 1984. Sales of foreign cars climbed to a record level of more than 2¾ million units for the year; a greater volume of exports to the United States was permitted under the Japanese voluntary restraint program for 1985–86, and this accounted for most of the pickup.

Activity in the housing sector was flat in 1985. The number of new homes started last year remained at about the same rate of 1¼ million units posted in the preceding two years. Construction of single-family housing showed no new strength, despite a decline in mortgage rates

to their lowest level in six years and favorable demographic trends. In part, some of the effect of lower mortgage rates may have been offset by a tightening of qualification standards by lenders and mortgage insurers and higher mortgage insurance premiums. Construction of multifamily housing remained at the relatively high level of the two previous years, notwithstanding high and rising vacancy rates for rental units. Rental housing construction was supported by heavy issuance of debt by state and local authorities, partly in anticipation of constraints imposed by tax reform legislation.

Recent trends in consumer balance sheets continued last year. Consumer installment debt, which had climbed sharply in 1984, did so again in 1985, and the ratio of debt to disposable income reached a record high. Growth in financial assets of households has, however, more than kept pace with the rapid rise in debt over the past two years. In particular, the strong gains posted by the stock and bond markets in 1985 provided a substantial boost to household wealth.

Indications of debt-servicing difficulties in the household sector have mounted. Delinquency rates on consumer installment loans have been on the rise since mid-1984, and for some categories—such as bank credit cards—have reached relatively high levels. Moreover, mortgage loan delinquencies persist at the historically high levels that have prevailed since the 1981–82 recession, associated with the influence of lingering high rates of unemployment in some communities, slow income growth, and weak housing prices in certain areas of the country. However, surveys of households continue to show favorable readings on attitudes concerning financial positions, suggesting that these financial strains are currently limited to a small part of the population.

The Business Sector

Economic conditions in the business sector also were mixed last year. After-tax economic profits of nonfinancial corporations as a group increased sharply for a third consecutive year and as a percent of GNP stood at their highest level since

the late 1960s. Many firms in manufacturing and mining industries, however, have encountered significant difficulties brought about by the high value of the dollar. In addition to the influence of the exchange rate, downward pressures on prices and profits in the agricultural and energy sectors have been exacerbated by ample supplies in world markets.

Business spending for equipment and structures advanced 6 percent in real terms in 1985, supported by falling interest rates, declining relative prices for capital equipment, and continued efforts to modernize facilities in order to meet intensified competition. Nevertheless, the growth in business fixed investment was well below the extraordinary pace of the preceding two years. Furthermore, the slowdown in capital outlays was widespread, including many categories of high technology equipment, heavy industrial machinery, and structures. Some deceleration of investment spending may be expected as an expansion progresses and the growth of sales subsides to more sustainable levels. However, the reduced pace of investment last year was reinforced by declining capacity utilization rates in the industrial sector. Moreover, rising vacancy rates for office buildings contributed to slower growth in expenditures for nonresidential structures.

Businesses accumulated inventories at a much reduced pace in 1985, particularly in the manufacturing sector. In real terms, nonfarm business inventories rose \$10 billion last year, after the sharp \$56 billion investment that occurred in 1984. In the manufacturing sector, sluggish orders and stable or falling prices have induced businesses to adopt a cautious approach to inventory accumulation; factory inventories declined over the second half of 1985 and were little changed on net for the year as a whole. In the trade sector, stocks increased over the year, boosted by a large rise in auto inventories in the fourth quarter. Excluding autos, inventories at retail establishments increased about in line with the moderate rise in sales over 1985.

Financial strains have remained evident in several important sectors of the economy. The decline in the exchange value of the dollar has yet to ease significantly the international trading problems of many industrial firms. Moreover,

the activity and earnings of the domestic energy sector have been affected adversely by the weakening of petroleum prices on world markets. The financial condition of U.S. agriculture worsened further in 1985. A large portion of the agricultural sector has continued to struggle with sharply lower prices, diminished export markets, and depressed land values. With farm incomes plunging, debt-servicing problems have created serious strains on both farmers and farm lenders.

The Government Sector

The federal budget deficit rose to \$212 billion in fiscal year 1985. Although the expanding economy continued to boost receipts, outlays rose even faster, with large increases registered for agricultural support payments, interest outlays, and defense purchases. As a percent of GNP, the deficit remained at a historically high level of 5 percent, absorbing a large share of the net saving available to the domestic economy.

Federal government purchases of goods and services, which add directly to GNP and constitute a third of total federal expenditures, posted another strong advance last year. Federal purchases, excluding changes in farm inventories held by the Commodity Credit Corporation (CCC), were up more than 3¾ percent over the year, after adjustment for inflation. Defense outlays continued to provide a major boost to federal purchases, rising 6½ percent over the year. Purchases by the CCC rose sharply, as low market prices encouraged farmers to shift massive inventories of grain to the federal government.

State and local governments increased purchases of goods and services about 3 percent in 1985, after a similar increase in the preceding year. Most of the growth in expenditures last year reflected strong increases in construction outlays as states and localities continued efforts to improve and expand basic infrastructure. With the rise in expenditures exceeding the growth in receipts, the fiscal position of state and local governments weakened throughout the year; aggregate operating and capital account surpluses, which had risen to substantial levels in 1984, were virtually eliminated by the end of last year.

The Foreign Sector

After registering particularly sharp gains toward the end of 1984 and in the first two months of 1985, the dollar generally fell in international currency trading throughout the remainder of last year. By the end of 1985, the trade-weighted foreign exchange value of the dollar had fallen nearly 25 percent from its peak in February. This decline occurred against the backdrop of a narrowing of the differential between inflation-adjusted, long-term interest rates in the United States and other industrial countries, which at least in part reflected the slowing of economic growth in the United States relative to growth abroad.

It will take some time before the effects of the dollar's depreciation manifest themselves in the external position of the United States, which continued to deteriorate last year. The widening gap between imports and exports boosted the current account deficit to about \$120 billion, up from \$107 billion in 1984.

Merchandise imports continued to rise in 1985, increasing about 3½ percent in real terms over the year. Consumer goods, capital equipment, and industrial materials posted moderate increases. Although prices of imported goods fell for the year as a whole, some firming in the prices of manufactured imports became apparent toward the end of the year, in part attributable to the decline in the value of the dollar.

The volume of merchandise exports declined in 1985; agricultural exports fell abruptly, while exports of nonagricultural goods were essentially unchanged. The failure of growth in other industrial countries, on average, to pick up has limited the expansion of markets for U.S. products. Furthermore, economic growth in developing nations slowed a bit in 1985, as many countries continued to face difficult debt-servicing problems externally and strong inflationary pressures at home.

In this context, the Secretary of the Treasury in October addressed the economic and financial problems confronted by many of these countries. He urged the borrowing countries to undertake comprehensive programs of economic adjustment designed to promote efficiency and economic growth. At the same time, he called upon

the international banking community, the World Bank, and the other multilateral development banks, working with the International Monetary Fund, to provide the assurance that adequate external financing would be available to support such programs during the next several years. The initial response to these proposals has been positive; all parties generally accept that the proposals represent a constructive framework for dealing with the international debt problems of individual countries and for promoting the growth and stability of the world economy.

Labor Markets

With the economy continuing to expand, developments in labor markets remained generally favorable in 1985. The unemployment rate drifted down over the year, as gains in employment exceeded the growth of the labor force. Labor force participation has maintained its upward trend; women continued to enter the workforce in large numbers, in part responding to expanding job opportunities. Overall, the number of persons employed relative to the population rose to a record level.

Nonfarm payrolls expanded 3 million in 1985, somewhat below the unprecedented hiring rate posted during the first two years of the recovery. Although growth in employment in the aggregate continued, the composition of the gains reflected the unevenness of current expansion. Employment in the trade and service sectors accounted for more than two-thirds of the growth in payrolls last year. Government employment rose nearly one-half million, reflecting primarily increased payrolls of state and local governments. In contrast, the weak expansion of output in the manufacturing sector resulted in some trimming of employment over the first three quarters of the year. Although an upturn in manufacturing jobs began in the fall, employment was down about 170,000 over the year.

Wage increases remained restrained in most segments of the labor market last year, despite a further reduction in the unemployment rate. Hourly compensation in the private sector, as measured by the employment cost index, rose about 4 percent in 1985, 1 percentage point less than in the preceding year. Nearly all of the

deceleration of compensation per hour last year reflected a slowing in the growth of fringe benefits; wage rates increased at about the same pace posted in 1984. To a large extent, the recent slowing in the growth of benefits has resulted from lower health care expenses for employers, as cost-sharing arrangements shifted greater responsibilities to employees and programs for hospital cost containment became more widespread.

Meanwhile, labor productivity was nearly unchanged in 1985, after increasing substantially earlier in the recovery. When viewed over a longer period, the underlying trend in productivity in recent years appears to have improved a little from the very low pace of the 1970s, but remains well below the pace earlier in the post-war period. Management and workers have responded to a more competitive environment by modernizing plant and equipment, improving operational efficiency, and making work rules more flexible. Unit labor costs in the nonfarm business sector rose $3\frac{3}{4}$ percent in 1985, higher than the increase during the previous two years but well under the pace registered in the early 1980s.

Price Developments

Most broad measures of prices indicate that inflation was unchanged or perhaps moved a bit lower in 1985, even as the economy was passing through a third year of expanding activity. The consumer price index advanced $3\frac{3}{4}$ percent over 1985, somewhat less than the 4 percent increase posted the previous year. The GNP fixed-weight price index, which includes production for businesses, government, and export, as well as for consumers, increased $3\frac{1}{2}$ percent, about $\frac{1}{2}$ percentage point less than the average increase over the preceding two years. Producer prices of finished goods advanced $1\frac{3}{4}$ percent last year, and prices of intermediate materials were essentially flat.

Progress toward price stability has been sustained by several factors, the most important of which have been subdued inflation expectations, moderate wage increases, and the influence of the high value of the dollar on the prices of imports and goods that compete with imports. In addition, developments in the food and energy

markets continued to restrain the overall rate of inflation in 1985. Energy prices showed little change last year; however, a substantial margin of unutilized productive capacity, continued conservation efforts, and the debt-servicing problems of several important oil producers have all contributed to a situation of surplus availability of oil and to a sharp break in oil prices on world markets at the end of the year. Crop prices at the farm have remained depressed by diminished export demand and high levels of production. Lower prices for crude foods and small increases in processing costs held food prices at the retail level to an increase of $2\frac{3}{4}$ percent last year.

Prices for many basic industrial commodities fell during 1985. Weak expansion of industrial production in the United States and in other major industrial countries has limited the growth in demand for raw and semi-processed materials. Furthermore, the high prices for many raw commodities that prevailed over the 1970s and early 1980s induced a rapid expansion of capacity, particularly in developing countries. With productive capacity in place and with many of these countries facing massive debt-servicing requirements, supplies of commodities on world markets have remained plentiful.

On balance, price increases outside the food and energy area held steady last year. Consumer prices other than food and energy increased about $4\frac{1}{2}$ percent, a bit less than in 1984. The prices of retail goods excluding food and energy were held to a gain of 2 percent in 1985, at least in part by small increases or declines in the prices of products in markets in which import competition is substantial. Price increases for nonenergy services remained at an annual rate of about $5\frac{3}{4}$ percent last year. Capital equipment prices rose $2\frac{3}{4}$ percent in 1985, somewhat more than in 1984.

MONETARY POLICY AND FINANCIAL MARKETS IN 1985

At its meeting in February 1985, the Federal Open Market Committee established ranges for money and credit growth during the year, measured from the fourth quarter of 1984 to the fourth quarter of 1985, of 4 to 7 percent for M1, 6 to 9 percent for M2, and 6 to $9\frac{1}{2}$ percent for M3. The associated monitoring range for the debt of

domestic nonfinancial sectors was set at 9 to 12 percent.

In July, the Committee reaffirmed the ranges for M2, M3, and debt, but established a new M1 growth range of 3 to 8 percent, measured at an annual rate, from the second to the fourth quarter of the year. Over the first half of the year, M1 had grown well above the upper end of its range and velocity had registered an unusually steep decline, apparently reflecting substantial additions to money balances, especially interest-earning transaction balances, spurred by the sharp drop in interest rates since mid-1984. The M1 objective for the second half of the year anticipated a considerable slowing of growth, on the assumption that historically more normal behavior in the velocity of M1 would reemerge. Continued uncertainty about the behavior of the aggregate, however, was signaled in widening the M1 range 2 percentage points.

The unusual pattern of M1 behavior in fact persisted over the second half of the year; growth in the aggregate did not slow, and its velocity registered an even steeper decline. At the same time, the broader monetary aggregates were growing generally within their ranges, while economic growth had slowed to well below the pace of the year before and upward price pressures remained muted. In the fall, the FOMC determined that, under these circumstances, growth in M1 above its range for the second half of the year would be acceptable.

In general, the FOMC last year emphasized the need to evaluate growth in all the aggregates in light of developments in the economy and prices, as well as conditions in financial and foreign exchange markets. Throughout the year, monetary policy remained generally accommodative to emerging demands for money. Pressures on bank reserve positions were varied in a narrow range over the year, and the discount rate was reduced once, by $\frac{1}{2}$ percentage point.

Money, Credit, and Monetary Policy

M1 increased at an annual rate of 12.7 percent from the second to the fourth quarter of the year, compared with its range of 3 to 8 percent for this period; growth for the year as a whole came to 11.9 percent. Much of the unusually strong

Growth of money and credit¹

Percentage changes

Period	M1	M2	M3	Domestic nonfinancial sector debt
<i>Fourth quarter to fourth quarter</i>				
1979	7.5	8.1	10.3	12.4
1980	7.3	9.0	9.6	9.6
1981	5.2 (2.5) ²	9.3	12.3	9.8
1982	8.7	9.1	10.0	9.1
1983	10.4	12.2	9.9	11.2
1984	5.4	8.0	10.5	14.1
1985	11.9 (12.7) ³	8.6	7.4	13.5
<i>Quarterly growth rates</i>				
1985:1	10.1	11.7	10.1	13.5
2	10.5	6.3	5.6	11.9
3	14.5	9.5	7.6	12.2
4	10.6	5.9	5.7	13.7

1. M1, M2, and M3 incorporate effects of benchmark and seasonal adjustments made in February 1986.

2. M1 figure in parentheses is adjusted for shifts to NOW accounts in 1981.

growth in M1 in 1985 and the accompanying decline in velocity seemed to be attributable to lower interest rates, though expansion in the aggregate was stronger, particularly in the second half of the year, than historical evidence on its relationship to income and interest rates would have suggested.² The behavior of this aggregate may have become more sensitive to changes in market rates in recent years owing to the deregulation of certain transaction accounts. By reducing the opportunity cost of holding transaction balances, the creation of NOW and Super NOW accounts has made M1 a much more attractive savings vehicle for households. Moreover, with the rates on NOW accounts fixed and those on Super NOWs being adjusted sluggishly to changing conditions, falling interest rates have led to relatively substantial reductions in incentives to economize on M1 balances, with accompanying declines in velocity. However, considerable uncertainty about the response of M1 to variations in interest rates or income unavoidably persists, as both money holders and depository institutions adapt to the elimination of important regulatory constraints.³

In 1985, the interaction of lower market interest rates with deregulated transaction deposit rates seemed to induce especially heavy inflows

3. M1 figure in parentheses is the annualized growth rate from the second to the fourth quarter of 1985.

to interest-bearing checkable accounts. Spreads between offering rates on these deposits and interest rates on time deposits and market instruments, low by the standards of recent decades, apparently diminished the incentives to keep savings in longer-term instruments, as well as to separate savings from transaction balances. Demand deposits also contributed to the increase in M1 last year, registering unusually rapid growth, especially in the second half. Business demand balances paced the rise, likely reflecting the cumulative effect of lower interest rates on incentives to economize on demand deposits and on compensating balance requirements, as well as generally more cautious cash management practices, possibly in part because banks and corporations sought to reduce risk in response to financial problems that had developed in certain areas of the market.

M2 recorded growth of 8.6 percent in 1985, in the upper part of its range, as its nontransaction component increased 7.6 percent. The shift toward more liquid assets evident in the rapid rise of M1 also affected the distribution of deposits within the nontransaction portion of M2. Small time deposits declined last year, while some very liquid components, such as money market deposit accounts, posted very large increases, and even savings deposits rose 4 percent after several years of declines. However, growth of M2 appears to have been restrained to an extent by some redirection of household portfolios toward such non-M2 instruments as shares in stock and bond mutual funds.

2. Appendix A reviews the behavior of velocity in recent years.

3. Experimental alternative measures of money, which attempt to allow for the varying degree of "moneyness" in components of the monetary aggregates, are discussed in appendix B.

M3 growth slowed to 7.4 percent last year—close to the midpoint of its range—reflecting in part a slower pace of credit expansion at depository institutions and consequently a reduced need to raise funds through managed liability issuance. Thrift institutions, in particular, greatly reduced their net acquisition of assets, partly in response to new Federal Home Loan Bank Board regulations that raised capital requirements for rapidly growing thrifts. The growth of large time deposits issued by thrift institutions slowed to less than 7 percent in 1985, down sharply from the pace of nearly 50 percent recorded in the preceding year.

Expansion in debt of domestic nonfinancial sectors moderated only a little from its elevated 1984 pace and, at 13.5 percent, exceeded its monitoring range of 9 to 12 percent. Last year was the fourth consecutive year in which debt expanded more rapidly than GNP, after more than 20 years in which the ratio of debt to GNP had been generally stable. One factor boosting debt growth relative to spending has been the extraordinary pace of corporate borrowing to retire equity in mergers, buyouts, and stock repurchases. The volume of such borrowing appears to have been as large in 1985 as in 1984. In addition, borrowing surged late last year in the tax-exempt market, when issuance was accelerated in anticipation of possible tax law changes. Even after allowance for these two factors, which together may have accounted for roughly 2 percentage points of debt growth in 1985, the expansion of the debt of domestic nonfinancial sectors remained very strong. An important element in the continued rapid growth of debt and the rise in its ratio to GNP has been the huge size of federal deficits. Although federal debt growth has slowed since 1982, it continued to run at more than 15 percent last year.

In implementing policy during 1985, the Federal Reserve basically accommodated the strong demands for reserves by depository institutions. In the early part of the year—when M1 expansion was very rapid, and M2 and M3 growth was also strong—interest rates backed up somewhat. However, these increases were more than reversed later in the first half, influenced in part by a cut of $\frac{1}{2}$ percentage point in the discount rate from 8 to $7\frac{1}{2}$ percent in May, as economic activity appeared more sluggish, partly reflecting

the drag from the relatively high value of the dollar on exchange markets. Growth of the broader aggregates had slowed appreciably after the early part of the year, though M1 remained well above its range. On balance over the first six months of the year, most market interest rates fell about 1 percentage point, leaving them about 3 to 4 percentage points below their mid-1984 levels. On exchange markets, the dollar, which had risen sharply through February, declined thereafter and by midyear was 9 percent below its February peak on a trade-weighted basis, leaving it just under its level at the end of 1984.

When, at its July meeting, the FOMC reaffirmed its ranges for M2, M3, and debt, and widened and rebased the M1 range, the members anticipated that these ranges would be consistent with continued subdued inflation and some pick-up in economic growth from the sluggish first-half pace. As the summer progressed, however, it became clear that the demand for M1 remained strong. After slowing somewhat in July, M1 spurted again in August and continued to rise at a double-digit annual rate in September. M2 growth also picked up during the summer, climbing above its range in this period.

In the summer, market interest rates reversed a portion of their earlier declines. With both M1 and M2 growing relatively rapidly, economic activity apparently picking up, and the dollar having declined further, the Federal Reserve provided reserves a bit more cautiously for a time. But beginning around mid-autumn, the Federal Reserve was seeking a slight easing in bank reserve conditions, as incoming data suggested that relatively moderate increases in economic activity continued to be in prospect and upward price pressures remained subdued. Meanwhile, M1 growth was continuing strong on balance, but growth in the broader aggregates was slowing.

On balance over the second half of the year, most short-term rates were little changed, ending the year just slightly above their midyear lows and about a percentage point below their levels when 1985 began. However, on exchange markets, the dollar declined more than 15 percent over the second half, impelled in large part by the G-5 announcement in September indicating the desirability of some appreciation of other currencies relative to the dollar and by the ensuing

coordinated intervention by the United States and other key industrial countries.

In long-term debt markets, interest rates generally fell a percentage point or more on balance over the second half, with most of the decline occurring during a fourth-quarter rally that accelerated as the year drew to a close. The downward movement in long-term rates and simultaneous surge in stock market prices were fueled in part by legislative initiatives to mandate reductions in the federal deficit and to pare the government's demands on credit markets. Declining world oil prices and the continued softness in markets for other commodities promoted expectations of lower inflation among market participants, also contributing to the rally.

Other Developments in Financial Markets

Corporations were able to reduce their demands on credit markets in 1985 as strengthening profits and weaker capital expenditures narrowed the sector's financing gap. Nevertheless, business borrowing to finance stock retirements remained high—perhaps \$70 billion in each of the past two years. Spurred by the drop in long-term rates, to six-year lows, corporate credit demands focused on the bond markets. Record amounts of securities were offered publicly by nonfinancial firms in both the domestic and the Eurobond markets last year. On the other hand, short-term borrowing slowed, with bank lending to businesses relatively weak.

Tax-exempt borrowing was extraordinarily strong last year; a surge in bond offerings late in the year lifted 1985 volume to a record high. While more favorable interest rates stimulated borrowing generally, efforts to finance in advance of possible restrictions under a proposed tax law scheduled to take effect after year-end boosted advance refunding and private purpose issues in particular.

Households continued to borrow heavily in 1985. Their debt-servicing burden rose sharply as they continued to add to debt at a double-digit rate at the same time that growth of disposable income slowed. Signs of potential strain appeared, as the delinquency rate for consumer installment loans rose, although most measures of debt quality remained well within past experi-

ence. Consumer credit remained especially strong, growing at nearly the 20 percent rate recorded in 1984. But the growth of home mortgage borrowing, while near its 1983–84 average, was probably restrained somewhat by the tightening of lending standards that accompanied the rise of mortgage loan delinquency rates to record levels.

Strains were evident in financial markets at times in 1985 but did not cause major disruptions in overall market conditions. Financial market concern over credit-quality issues was not severe enough to be reflected in a broad-based widening of yield spreads between corporate and Treasury debt or between private-sector securities of different risk classes. Nevertheless, the agricultural sector of the economy continued to experience serious financial distress and there were pressures on some segments of the financial community at times last year.

Early in the year, privately insured savings and loans in Ohio and, then, in Maryland were closed or limited to small withdrawals after depositor runs in both states. The problem in Ohio was triggered by news of losses at one large thrift institution. Problems developed in Maryland when heightened depositor anxiety in the aftermath of the Ohio crisis combined with news of difficulties at a savings and loan in Maryland. As the difficulties emerged, the Federal Reserve advanced funds at the discount window to the affected institutions to bolster their liquidity. Such lending—whose expansive reserve effect was offset through open market operations—has been repaid in Ohio, where the troubled institutions have been restructured and reopened, but remains outstanding at a number of Maryland thrift institutions.

The thrift industry as a whole showed some improvement in earnings and capital positions last year, although many institutions remained heavily burdened with low-quality or low-yielding assets. Lower interest rates lifted profits from their depressed 1984 levels by reducing the cost of funds and generating capital gains on asset sales. The profitability of commercial banks also appears to have increased in 1985, breaking the downtrend of recent years. Asset quality remained a concern for some institutions, however, and was a major factor in the sharp

increase in the number of bank failures. Banks apparently again increased the rates at which they charged off bad loans and added to loan-loss reserves, reflecting continued financial strains in such industries as agriculture, energy, and real estate. Higher profits along with the rallies in stock and bond markets helped many banks improve their capital positions in 1985, facilitating efforts to comply with more stringent capital adequacy guidelines. As part of its efforts to ensure the continued safety and soundness of the financial system, the Federal Reserve also initiated a program to strengthen supervision of commercial banking operations.

Agricultural finances drew special attention last year. Farm income remained depressed, and falling prices for agricultural products left many farmers unable to meet their debt-servicing requirements. Moreover, declining land prices eroded the value of collateral behind many agricultural loans. Consequently, failures of banks with relatively high proportions of agricultural loans in their portfolios rose to 68 in 1985, from 32 in 1984 and an average of just 6 in each of the preceding three years. The Farm Credit System, which holds about one-third of U.S. agriculture's debt, experienced mounting losses and requested federal aid. Farm Credit securities, which had

been priced very close to Treasury issues of comparable maturity, yielded as much as 100 basis points more than Treasury debt at one point in the fall. Rate spreads narrowed in December, after passage of legislation enabling the Farm Credit System to mobilize its resources more readily and providing for the possibility of a backup source of assistance once internal sources of funds are exhausted.

To ease possible constraints on the availability of credit at agricultural banks over the 1985 growing season, the Federal Reserve in March liberalized its regular seasonal borrowing program and initiated a temporary special seasonal program aimed at making liquidity available to agricultural banks that might experience strong loan demand. Although total seasonal borrowing fell short of the unusually high level in 1984, evidence suggests that these actions increased access to seasonal credit, boosting borrowing somewhat above what would otherwise have been expected, given money market conditions and overall slack loan demand by farmers. In early 1986, the Federal Reserve renewed the temporary seasonal program to assure that agricultural banks would not face liquidity constraints in accommodating the needs of their farm borrowers this year.

APPENDIX A: VELOCITIES OF THE MONETARY AGGREGATES IN THE 1980s

In 1985, the relationship between M1 and nominal GNP diverged substantially from historical patterns as M1 velocity registered a sharp drop of 5½ percent. In contrast to the increases that had doubled velocity over the course of the 1960s and 1970s, last year's decrease left M1 velocity about 8 percent below its 1981 peak level. Velocities of the broader monetary aggregates also declined in 1985, but these declines were not so far off their historical norms.

The downward trend of M1 velocity so far in the 1980s differs markedly from the annual rate of increase of 3¼ percent averaged during the preceding two decades. Two developments in recent years appear especially pertinent to explaining the changed relationship between M1

and income. First, interest rates at the end of last year were substantially below their peak levels in 1981. With such a decline, the earnings forgone in holding money, with its liquidity advantage, were considerably reduced, and preferences for money relative to other financial assets would be expected to increase in response. As this occurred, the velocity of M1 would be expected to decline.

Second, deposit rate deregulation has changed the pricing behavior and yield comparisons between some M1 deposits and other deposits and financial instruments. Whereas earlier only non-interest-bearing assets—demand deposits and currency—directly served transaction needs, in the 1980s individuals have had available for transaction purposes first NOW accounts with a 5¼ percent ceiling and subsequently Super NOW accounts with higher, competitively set rates.

These institutional changes have reduced pressures for innovations that would enable depositors to conserve on M1 holdings or use them more intensively to support spending. Such innovations had contributed to the previous uptrend in M1 velocity. But also, the proliferation of interest-bearing checkable deposits for individuals, nonprofit organizations, and governmental units has altered the balance of motives for holding M1 deposits, making them more attractive repositories for savings as well as transaction funds and probably increasing the sensitivity of M1 demand to changes in market interest rates. This effect has grown in importance as interest-bearing checkable deposits have grown. Such accounts have proven enormously popular; at the end of last year, almost \$180 billion in interest-bearing checkable accounts was outstanding, including more than \$60 billion in Super NOWs, which have been available for only three years. The total figure compares with outstanding balances of less than \$30 billion when NOW accounts were first authorized on a nationwide basis at the end of 1980. By the end of 1985 interest-bearing checkable deposits had grown to about 30 percent of M1 and 40 percent of the deposit component of that aggregate.

The resulting higher interest rate sensitivity of the public's demand for M1 relates to the fact that when market rates decline, the opportunity cost—the gap between those rates and the fixed ceiling on NOWs—declines in percentage terms much more than do market rates themselves. And the tendency of offering rates on Super NOWs to lag changes in market rates has made their opportunity costs also move like those on fixed-rate accounts in the short run. Recent trends at depository institutions toward applying higher interest rates or lower fees to transaction accounts with higher balances have probably further changed opportunity cost calculations. This “tiering” can have the effect of providing a very high rate of return—and thus a low opportunity cost—on funds added to an account because, for example, per-check charges or other fees may cease to apply at the new larger balance.

Not only does the responsiveness of M1 to interest rates and income seem to have changed in the 1980s, but the behavior of M1 also appears to have become less predictable on other grounds. In part, the increased unpredictability of M1 demand is due to the larger share of savings balances in M1, which has made general portfolio-balance considerations a more important influence. Over the past several years, deposit rate deregulation has given institutions vastly increased freedom to set deposit rates and has provided their customers with a larger menu of assets paying market-related rates. With regulations progressively changing and depositors and depository institutions continually adapting to the changes, uncertainty has increased concerning the impact on money demand of variations in economic and financial conditions, including changes in wealth of money holders. Moreover, since the process of deposit rate deregulation has occurred alongside a general decline in inflation and market interest rates, the reasons for and permanence of apparent shifts in M1 behavior often have been obscured.

The declines in the velocities of M2 and M3 last year were neither as large as in that of M1, nor as far from their longer-term trends. The velocity of M2 has declined in recent years, but on balance has shown little change over recent decades. While last year's drop in the velocity of M2 was about twice the average of the past several years, its size was within historical experience. The decline of M3 velocity was somewhat smaller than in recent years and continued a long-term downtrend in that measure. Nevertheless, the behavior of the broader aggregates probably has been altered by developments in the 1980s. For example, the interest rate responsiveness of M2 probably has declined with deregulation, which has permitted the yields on many of its components to vary with market rates. While this aggregate continues to show strong responses to rates over short periods, over intervals of a half year or more it has been far less affected than M1.

APPENDIX B: EXPERIMENTAL MONEY STOCK INDEXES

Financial deregulation and innovation since the mid-1970s have blurred distinctions between transaction and nontransaction balances. As businesses and consumers have changed their payment practices and portfolios of financial assets, uncertainty about the behavior of conventional monetary aggregates and their ability to foreshadow movements in GNP has intensified. The narrow aggregate M1 has been affected most noticeably. This aggregate consists of currency, demand deposits, and checkable deposits paying interest, mainly NOW accounts. The share of M1 balances paying interest has grown substantially and is held partly for savings purposes. In 1982–83 and again in 1985, growth of M1 was unusually strong relative to GNP. Old M1-A, which includes only currency and demand deposits, was less affected in those years, but because it excludes NOWs, it understates transaction money. In 1981, M1-A was considerably distorted as demand deposits were shifted into NOWs, which had been newly authorized nationwide.

In light of these developments, the Board's staff has investigated several alternative measures of money. This appendix focuses mainly on the transaction money stock measure, MQ. Its components encompass currency and all checkable instruments that serve as means of payment, including money market deposit accounts (MMDAs) and certain money market funds, both of which have limited check-writing features. In contrast to the conventional aggregates, though, MQ is an index number. In general, index numbers are used to combine items that have dissimilar characteristics; an example would be the differing economic values of the various items in the industrial production index. In MQ, components are treated conceptually as differing in the volume of "GNP transactions" each finances per dollar, notwithstanding their common unit of account of one dollar.

MQ and conventional narrow monetary aggregates are alike in that the growth rate of either can be thought of as a weighted average of the growth rates of its components. But the weights applied to the growth rates of components are not equal for these different monetary aggregates.

In conventional M1 and M1-A, the implied weights are simply dollar shares of each component in the total. In MQ, the weights on the growth rates of components reflect not only differences in dollar amounts among components but also differences in the estimated intensity with which the various components are used in carrying out GNP transactions. Thus, instead of dollar quantity shares, MQ uses as weights the estimated share of GNP spending financed by each component.

The implied quantity-share weight on the growth rate of other checkable deposits in M1 growth was about 26 percent in 1985, meaning that the 22 percent growth in this component last year contributed about $5\frac{3}{4}$ percentage points ($26 \text{ percent} \times 22 \text{ percent} = 5\frac{3}{4} \text{ percent}$) to the growth rate of M1. Because they are excluded from M1-A, these deposits receive a zero weight in M1-A growth. The weight on the growth of other checkable deposits in MQ growth was about $12\frac{1}{2}$ percent in 1985, so the rapid growth in this component contributed only about $2\frac{3}{4}$ percentage points to MQ's growth rate over last year.

When applied to the component growth rates, these weights produce the growth rates for MQ and the conventional narrow aggregates. MQ grew somewhat faster in the mid-1970s than M1. Over that period, demand deposit growth, which was relatively weak, received a lower weight in MQ, and currency growth a higher weight, than in M1. Since then, MQ growth has been between growth of M1-A and M1. Although, in principle, MQ tends to adjust automatically for changes in payments practices, the experience in 1981 with major shifts from demand deposits to nationwide NOWs exemplifies the practical difficulties in developing appropriate weighting procedures. Still, M1-A was even more distorted than MQ in 1981. Over 1985, MQ growth was about $1\frac{3}{4}$ percentage points slower than conventional M1 growth but around 2 percentage points faster than M1-A growth.

In 1983, M2 growth was distorted upward by the introduction of MMDAs, but otherwise it has been rather steady since the late 1970s.

Annual velocity growth for MQ, has been between the growth rates of V1 and V1-A since the late 1970s. Over 1985, as over 1982, all three

velocities fell, with V1 registering the steepest declines in both years. Velocities of the broader conventional aggregates, declined at about the same rate as V1 in 1982 but by less than V1 in 1985.

The predictability of MQ's demand, given interest rate spreads and GNP, has been roughly comparable with that of M1 and M1-A demand on average over the 1980s, with all three narrow aggregates exhibiting unexpectedly large increases in 1985 relative to econometric predictions. In 1982-83, however, MQ's demand was more predictable than either M1 or M1-A. None of the three has been appreciably superior in its ability to presage movements in nominal GNP so far in the 1980s, on the basis of statistical relations that held on average over the 1970s; each signaled considerably more nominal GNP growth than actually occurred in 1982-83 and again in 1985. The broader conventional measures performed better than MQ, as well as conventional narrow measures, in these relatively simple tests of their demand and indicator properties for the 1980s, but they were less reliable indicators of GNP in the previous decade.

Research is continuing on the development of MQ and the assessment of its demand and indicator properties. Efforts are under way to refine the procedures used to estimate MQ's weights, as

well as to improve the basic method of weighting major outflows from particular accounts, such as those distorting MQ in 1981. At this time, however, understanding the significance of movements in MQ is hampered not only by limited experience with the aggregate but also by unresolved conceptual and measurement questions.

In addition to MQ, several other monetary indexes have been constructed experimentally. The transaction money stock index, MT, is similar in concept to MQ but focuses on the way money is used for all transactions, including payments associated with financial trading, intermediate output, and so forth, instead of just GNP spending. In a different approach to monetary indexes, these monetary services indexes have been constructed to reflect a broader view of money as providing a range of services, such as liquidity, that goes beyond the means of payment, and these indexes correspondingly encompass broader collections of component assets; such indexes distinguish components by the estimated opportunity cost of holding each monetary asset rather than investing in the highest-yielding alternative financial asset. As with MQ, conceptual and measurement problems remain to be solved for these other experimental indexes, which thus far do not appear to perform as well as conventional aggregates.

Staff Studies

The staffs of the Board of Governors of the Federal Reserve System and of the Federal Reserve Banks undertake studies that cover a wide range of economic and financial subjects. From time to time the results of studies that are of general interest to the professions and to others are summarized in the FEDERAL RESERVE BULLETIN.

The analyses and conclusions set forth are those of the authors and do not necessarily

indicate concurrence by the Board of Governors, by the Federal Reserve Banks, or by the members of their staffs.

Single copies of the full text of each of the studies or papers summarized in the BULLETIN are available without charge. The list of Federal Reserve Board publications at the back of each BULLETIN includes a separate section entitled "Staff Studies" that lists the studies that are currently available.

STUDY SUMMARY

THE OPERATING PERFORMANCE OF ACQUIRED FIRMS IN BANKING BEFORE AND AFTER ACQUISITION

By Stephen A. Rhoades—Staff, Board of Governors

Prepared as a staff paper in late 1985

In recent years, the belief that mergers generally result in the ousting of bad management and the improvement of the performance of the acquired firms has become more prevalent. This study tests the hypotheses that acquiring firms tend (1) to acquire poor performers and (2) to improve the performance of acquired firms.

The statistical analysis focuses on acquired banks both before and after acquisition. Cross-section tests are conducted for each of the six even-numbered years from 1968 through 1978. The tests include the majority of banks acquired by bank holding companies during these years along with 3,600 nonacquired banks for comparison. Operating performance in terms of profit

rates, operating expenses, and the changes in market share of acquired banks for the three years before acquisition and the fourth through sixth years after acquisition is the subject of the investigation.

Test results indicate that acquired banks perform no differently than nonacquired banks either before or after acquisition. The analysis concludes that bank mergers do not tend to rid the system of poorly performing (presumably poorly managed) firms and they do not tend to improve the operating performance of acquired units. These findings are similar to earlier findings for the banking industry and the findings of similar studies for the industrial sector.

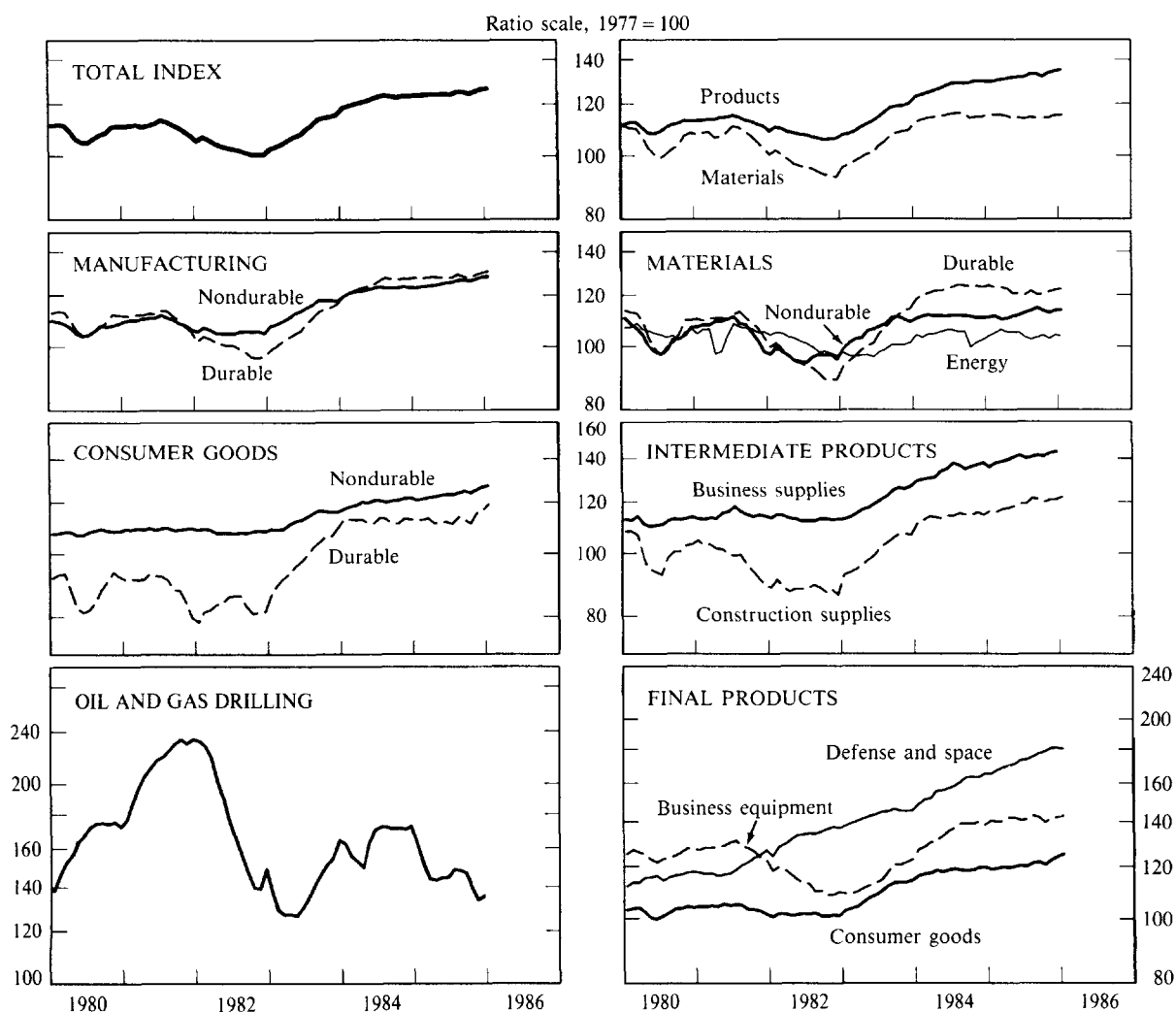
Industrial Production

Released for publication February 14

Industrial production increased an estimated 0.3 percent in January following a rise of 0.7 percent in December and an upward revised gain of 0.8 percent in November. Increases in output were large for consumer goods and construction supplies in January. At 126.7 percent of the 1977

average, the index in January was 2.5 percent higher than that of a year earlier.

In market groups, output of consumer goods increased 0.9 percent in January following sizable gains in November and December. Durable consumer goods rose 2.2 percent in January, reflecting mainly an increase in auto assemblies to a seasonally adjusted annual rate of 8.4 million



All series are seasonally adjusted. Latest figures: January.

Group	1977 = 100		Percentage change from preceding month					Percentage change, Jan. 1985 to Jan. 1986
	1985	1986	1985				1986	
	Dec.	Jan.	Sept.	Oct.	Nov.	Dec.	Jan.	
	Major market groups							
Total industrial production	126.3	126.7	.0	-.6	.8	.7	.3	2.5
Products, total	134.4	135.0	.1	-1.0	1.3	.6	.5	4.2
Final products	134.7	135.4	.0	-1.1	1.4	.7	.5	3.8
Consumer goods	124.2	125.2	.3	-.8	1.6	1.1	.9	5.4
Durable	116.8	119.4	-1.0	-1.4	3.8	1.1	2.2	5.9
Nondurable	126.9	127.4	.7	-.6	.9	1.2	.4	5.2
Business equipment	142.2	143.0	-.6	-1.8	1.5	.3	.6	1.8
Defense and space	180.7	180.4	1.1	.6	1.2	.0	-.2	9.1
Intermediate products	133.2	133.9	.3	-.7	1.0	.4	.5	5.6
Construction supplies	121.1	122.2	-.2	-1.1	.8	.1	.9	5.1
Materials	115.2	115.3	-.3	.0	.0	.9	.1	-.1
	Major industry groups							
Manufacturing	129.3	129.8	-.4	-.4	.9	.8	.4	3.1
Durable	130.1	130.8	-.8	-.4	1.1	.8	.5	2.3
Nondurable	128.2	128.4	.2	-.4	.6	.8	.2	4.3
Mining	107.0	108.2	.1	.0	-1.2	-.1	1.1	-2.1
Utilities	114.4	113.2	2.6	-.7	.5	1.3	-1.1	.2

NOTE. Indexes are seasonally adjusted.

units from the rate of 8.1 million in December. Production of home goods also continued to show gains. Nondurable goods rose 0.4 percent, after having posted stronger increases in November and December.

Output of business equipment increased 0.6 percent in January, regaining its previous peak of August 1985; increases were concentrated in transit equipment. Production of defense and space equipment edged down 0.2 percent in January following no change in December and an increase of 1.2 percent in November. Output of

construction supplies increased 0.9 percent in January. Production of materials edged up in January, as durable goods materials increased 0.3 percent and nondurables 0.1 percent. Output of energy materials declined 0.6 percent.

In industry groups, manufacturing output rose 0.4 percent, with gains of 0.5 percent in durable manufacturing and 0.2 percent in nondurables. Mining activity rose 1.1 percent in January, but output at utilities declined 1.1 percent following a rise of 1.3 percent in December.

Statements to Congress

Statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, February 19, 1986.

I am pleased once again to appear before this committee to discuss the approach of Federal Reserve policy within the larger economic setting at home and abroad.

As you know, 1986 has begun with the economy continuing to move forward after more than three years of expansion. Today, more people are employed relative to the working age population than ever before recorded. Unemployment has continued to fall. Happily, the continuing expansion has so far been achieved while inflation has remained at the lowest rate in more than a decade.

Looking ahead, there are some highly encouraging signs as well. The larger employment increases in recent months are reflected in relatively confident attitudes by consumers. Manufacturing output as a whole, which had been sluggish during much of 1985, is again rising even though many areas continue to face strong competition from abroad. Lower interest rates and higher stock prices—buoyed, in part, by the action of the Congress in improving prospects for declining federal deficits in the years ahead—have made it less expensive to finance new business investment and housing. With few exceptions, excessive inventories, often in the past a harbinger of economic adjustments, appear absent.

While productivity growth has been rather disappointing, wage restraint in much of industry and lower commodity prices have kept costs under control. The sharp break in oil prices should be an important force cutting costs and prices in the period immediately ahead, in the process releasing real purchasing power to U.S. consumers. Moreover, changes in exchange rates and the welcome initiatives taken by the

Congress and the administration toward budgetary restraint offer the potential for dealing with two of the major, and interrelated, imbalances in the economy that I have spoken about with you so often—the enormous fiscal and trade deficits.

Altogether, the opportunity clearly remains for combining sustained expansion with greater price stability in the period ahead, building on the progress of the past three years. In my judgment, the present expansion—already longer than the postwar average for peacetime years—is not about to die from old age or sheer exhaustion. We do not have the pressures on capacity, the excess inventories, the accelerating costs and prices, or the rising interest rates that have typically presaged cyclical downturns in the past.

Yet, any claim that we live in an economy in which every prospect pleases would be idle pretense. There are evident points of economic pressure and financial strain, some of them aggravated by the sharp decline in oil prices. While the adverse trends are being changed, the deficits in our budget and trade accounts will take years to correct. And we have long since passed the time when we could, with any validity, insulate ourselves from the difficulties of neighbors and trading partners to which we are bound by strong ties of finance and trade.

Most of these threats, in magnitude and in combination, are unique, certainly in our postwar experience. They demand our full attention if we are to deal with them successfully.

Take, for instance, the trade problem. The dollar had risen to extraordinarily high levels by early 1985, with the effect of undercutting our trade position vis-à-vis major industrial competitors. At the same time, the relatively rapid growth in demand for goods and services in the United States, at a time of sluggish growth abroad, attracted a large volume of imports. The net result was to drive our trade deficit to a rate of close to \$150 billion by the end of last year and to about \$125 billion for the year as a whole.

No doubt, given the extreme values the dollar had attained internationally in 1984 and early 1985, an adjustment in exchange rates has been a necessary part of achieving a better competitive equilibrium and of responding to destructive protectionist pressures. That fact was explicitly recognized in the meeting of the finance ministers and the central bankers of the five leading industrialized countries in September. By now, a substantial adjustment in exchange rates has been made, placing our producers in a stronger competitive position.

But we also know, from hard experience here and abroad, that changes in actual trade flows necessarily lag changes in exchange rates by a period extending into years, that currency adjustments can assume a momentum of their own, and that sharp depreciation in the external value of a currency carries pervasive inflationary threats.

No doubt, some depreciation in the dollar, after the rapid runup, could be absorbed without a sharp or immediate impact on domestic prices. But we cannot afford to be complacent. Inevitably, prospects for balance in our internal capital markets—and therefore prospects for interest rates—remain for the time being heavily dependent on the willingness of foreigners to place huge amounts of funds in dollars and on the incentives for Americans to employ their money at home. In essence, the financing of both our current account deficit and our internal capital needs—as long as the government deficit remains so high—is dependent on a historically high net capital inflow. Clearly, the *orderly* balancing of our demands for funds with supply in those circumstances requires continued confidence in our currency.

I recognize and appreciate the importance of the efforts that the Congress and the administration have made to place the budget deficit on a declining trend. I know that effort will continue to require the hardest kind of choices. But we can also see some of the potential benefits in improved market sentiment. The net result should be both to reduce risks of inflation and to make us less dependent on foreign financing in the years ahead.

At the same time, oil imports apart, improvement in our trade balance for the next year or longer is in large part dependent not on deprecia-

tion of our currency but on greater growth by our trading partners. More competitive pricing is of limited value when foreign markets are not growing strongly and when producers abroad do not themselves have expanding, profitable markets at home.

Prospects in that respect remain quite mixed. There have been signs of somewhat stronger growth in Germany and elsewhere in continental Europe. However, it remains questionable whether that growth will, in fact, be strong enough to reduce appreciably continued high levels of unemployment, now averaging more than 10 percent for the continent as a whole. In Japan, where unemployment is historically at much lower levels, growth by those same historical standards is sluggish, with the appreciation of the yen itself a restraining factor.

As appropriately emphasized at the September G-5 meeting, a better world equilibrium, including more rapid improvement in our trade balance, is clearly dependent on structural and other measures to deal with the sources of the imbalances. The Gramm-Rudman-Hollings legislation represents one important approach to that end. Stronger growth patterns in other leading countries are also directly relevant. The opportunities for policies to work toward that result this year appear to be greatly enhanced by the strongly beneficial effects of the declines in oil prices and the appreciation of currencies of other leading countries. Both developments reinforce the already strong prospects for price stability in those countries.

Should oil prices remain close to present levels, that development will also be a powerful force offsetting, and in the short run probably more than offsetting, the direct and indirect effects of the lower international value of the dollar on our overall price performance. At the same time, the effect is to release real purchasing power and cash flow to American consumers and oil-consuming businesses. The potential addition to real consumer income should work in the direction of offsetting the effects on purchasing power that some have foreseen in the full implementation of the deficit reduction program called for by the Gramm-Rudman-Hollings legislation over the course of this year.

With similarly beneficial effects for other consuming countries, that development is part of the

basis for a sense of growing optimism about world economic prospects. But, of course, the effects are sharply adverse for energy producers, affecting important regions in the United States where energy production and exploration loom so large, and therefore prospects for investment as a whole. The added strains for certain already heavily indebted developing countries are even more acute. Moreover, the pervasive pressures on much of the agricultural sector in this country remain, although recent legislation by the Congress addressed—and should help stem—further deterioration.

These sectoral strains and imbalances point up the crucial importance of maintaining the essential safety and soundness of our financial system, and in particular our depository institutions. For a long time, that was something we in this country thought we could take for granted. And it was partly that feeling, combined with accelerating inflation and other factors, that contributed to much more aggressive lending behavior over the years—lending that has led to unanticipated problems in a period of disinflation and greater competitive pressures. Today, measures to protect the basic financial fabric necessarily assume a high priority, and that effort will require appropriate action by the Congress as well as by the regulatory authorities.

Finally, in surveying the economic setting for monetary policy, I must call your attention to the disappointing record with respect to productivity over recent years viewed generally, at least as recorded by the standard national statistics. Developments in that respect during 1985, when productivity for nonfarm businesses as a whole showed no growth, are hard to explain. In manufacturing, where recorded performance is substantially better than in other sectors, the slower productivity growth may be a reflection of the leveling of output. But other sectors were growing relatively fast, without reflection in productivity improvement.

Perhaps part of the seeming problem lies in the inherent difficulty in measuring the volume and quality of output in the dominant service sector of the economy. But the results do raise further questions about the growth potential of the economy as recorded by the GNP statistics—how fast can we expect the GNP to grow in a sustained way without excessive pressures on human or

physical capacity. Over the past six months, for instance, the unemployment rate has dropped a full $\frac{1}{2}$ percentage point—desirable in itself but accompanied by a recorded annual rate of output growth of only $2\frac{3}{4}$ percent.

In the end, it is largely productivity that governs prospects for growth in per capita income; together with growth in the number of workers, it sets a limit on our total economic growth. Fortunately, in developing monetary policies now, we do not need to reach precise judgments about our long-term growth potential; today, capacity utilization is still somewhat below, and unemployment somewhat above, average levels for periods of business prosperity. Recent productivity trends, nonetheless, do introduce an unwelcome cautionary note about the longer run.

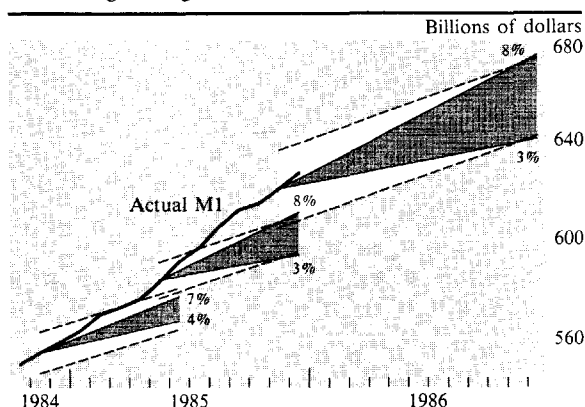
MONETARY POLICY

Any description of the opportunities and risks in the current economic situation points up the fact that the formulation and implementation of monetary policy need to take account of a variety of sometimes conflicting objectives and criteria. In the current setting, other policy approaches—toward the budget, toward international finance, toward trade, and toward other areas—are obviously critical to the success of the common effort, just as the pervasive and indirect effects of monetary policy can bear upon the success of other policies beyond the strictly financial. Moreover, institutional and economic changes have strongly affected the behavior of certain policy guideposts—notably M1 and debt—relative to other economic magnitudes. Consequently, I do not believe that in current circumstances there is any escape from the need for a substantial element of judgment in the conduct of Federal Reserve policies.

That need was illustrated in 1985. Over the course of the year, monetary policy remained in a generally accommodative mode in the sense that pressures on bank reserve positions were both limited and little changed. The discount rate was reduced once in the spring, from 8 to $7\frac{1}{2}$ percent, and most market interest rates declined 1 to 2 percentage points, generally reaching the lowest levels since mid-1979 or before.

As illustrated in charts 2 and 3, the broader

1. M1 target ranges and actual M1



Monthly data.

monetary aggregates, M2 and M3, remained generally within the ranges targeted at the start of the year. At the same time, however, the narrowly defined measure of the “money supply,” M1, grew persistently above the range set both at the start of the year and again after the range was reset in July. (See chart 1). That aggregate ended the year almost 12 percent above the year-earlier level, an historically high rate of growth.

In technical terms, that large “overshoot” was permitted in the light of a persistent and sizable decline in M1 “velocity”—that is, the relationship between M1 and the nominal GNP. That decline in velocity was apparent whether measured contemporaneously or with a one- or two-quarter lag between money and GNP. In other words, the exceptional growth in M1 seemed to be matched by an equally exceptional decline in velocity, suggesting that the high M1 growth in 1985 does not imply the same inflationary potential, at least for the near term, as in the past.

Less abstractly, the judgment of the Federal Open Market Committee as the year developed was that the rather strong restrictive action that would have been necessary to maintain M1 within its targeted range was not justified in the light of the different signals conveyed by the much more restrained growth in M2 and M3, the slower growth in overall economic activity, the margins of capacity that remained, and the continuing progress toward price stability. For much of the year, the dollar remained high, and that fact was another strong signal that monetary policy was not unduly liberal.

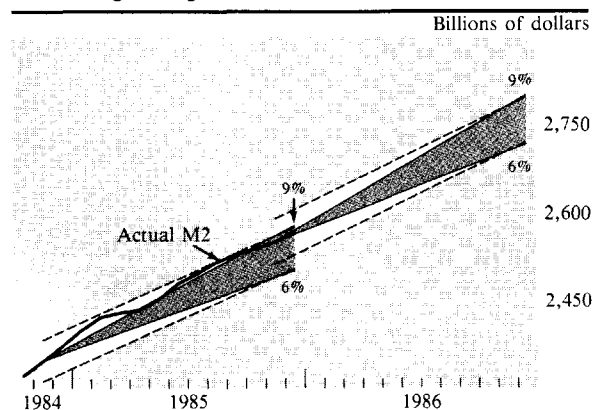
We were aware, of course, of some conflicting

evidence. During much of 1984 and 1985, domestic *demand*—the spending of consumers, businesses, and governments—continued to expand at a rate well beyond the rate of domestic *output*, measured by the GNP. In fact, the rate of demand increase, if maintained, would probably be beyond our long-term growth potential. In that sense we continued to live beyond our means, at the expense of a widening trade deficit.

Moreover, private as well as public debt continued to accumulate at a historically rapid rate, running above the “monitoring range” of 9 to 12 percent set out at the start of the year. The aggregate debt statistics, portrayed in relation to GNP in chart 4, exaggerate the problem to some degree. There has been massive issuance of tax-exempt securities in anticipation of tax law changes, for reinvestment in Treasury securities, in pending subsequent refundings, and for financing home purchases and industrial development. These activities lead to “double counting” in the aggregate statistics because both the new municipal debt and the debt acquired in employing the funds borrowed are included in the total. At the same time, substitution of debt for equity by businesses continued unabated, with about \$100 billion of equity retired by a combination of stock repurchase programs, so-called leveraged buyouts, and as part of mergers and acquisitions.

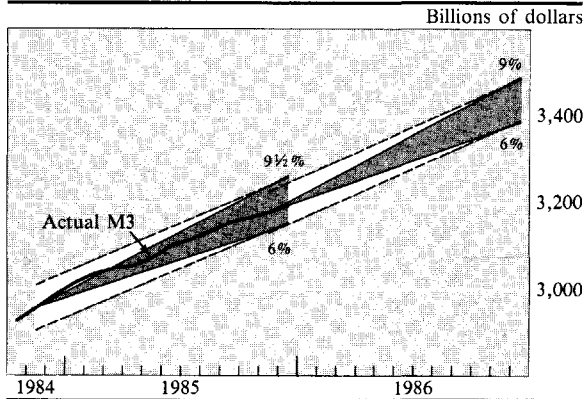
The strongly rising stock market and lower interest rates had the effect of greatly increasing consumer wealth, measured by current market values, and lowering the cost of capital to business. Nonetheless, the trend of debt creation, with its implications of greater leveraging and

2. M2 target ranges and actual M2



Monthly data.

3. M3 target ranges and actual M3



Monthly data.

potential financial fragility, remains disquieting, particularly in an environment of progress toward greater price stability. Indeed, as I suggested earlier, there is already ample evidence in the financial area of the consequences for individual institutions of extended financial positions and unduly loose credit standards. The crises in the thrift industry in Maryland and Ohio, where federal insurance and supervision were absent, illustrated in an extreme form the consequences of essentially speculative lending and lax market practices.

A more pointed question for the deliberations of the FOMC has been the lasting significance of the sizable increase in M1. We are well aware, as I have often reported to this committee, of the long history and of the economic analysis that relate excessive money growth to inflation over time. The operational question remains as to what, in specific circumstances, is, in fact, excessive in the light of recent velocity behavior. That question is greatly complicated by the changed composition of M1, which now includes accounts that receive interest close to market levels and clearly have a large "savings" as well as a "transaction-oriented" component. The disinflationary process and the associated decline in market interest rates also have implications for the willingness to hold money.

Enough evidence has now accumulated since the peak inflation years to suggest the following two conclusions:

1. The long upward trend in velocity of 3 percent or so characteristic of most of the post-war period—when inflation and interest rates

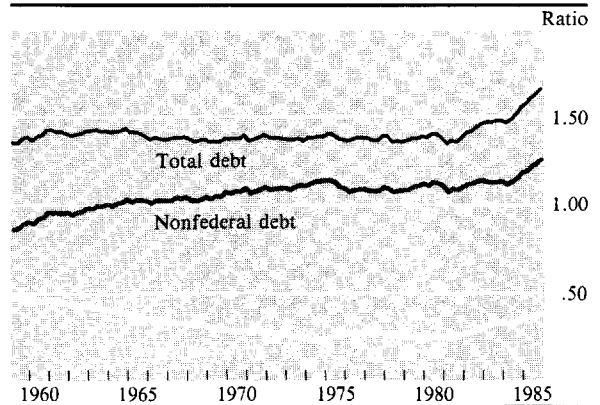
were generally trending upward—will probably not be typical of a world in which inflation and interest rates are trending downward and in which M1 has a growing savings component.

2. M1 may be more sensitive to short-term fluctuations in interest rates.

For 1985 specifically, our work strongly indicates that much of the unexpected decline in M1 velocity was a response to the sharp reduction in interest rates late in 1984, continuing at a lesser pace over much of last year. In a context of contained inflation, a generally strong dollar, and more muted economic growth, the decline in interest rates did not appear in itself to risk excessive economic stimulation, with renewed inflationary potential. Moreover, neither of the broader monetary aggregates, which remained within their target ranges, confirmed excessive monetary expansion.

Looking ahead to 1986, the FOMC decided to take account of the greater uncertainty associated with the relationship between M1 and economic activity and prices by adopting a relatively broad M1 target range of 3 to 8 percent. While wider, that range is centered on the same midpoint, 5½ percent, as the tentative 4 to 7 percent range that was set out last July. In fixing that range, the Committee anticipated that velocity would not drop at nearly the rate of 1985. Without some reversal of the sharp drop in velocity last year, growth toward the upper end of the range could well be appropriate. More broadly, the Committee agreed that changes in M1 would be evaluated in the light of the presence—or the absence—of confirming evidence of excessive

4. Ratio of domestic nonfinancial sector debt to GNP



Monthly data.

growth in M2 and M3. For both those aggregates, the tentative growth ranges of 6 to 9 percent set in July were reaffirmed.¹

In establishing these target ranges, members of the Federal Reserve Board and the Reserve Bank Presidents anticipated that the economy would grow somewhat more rapidly than in 1985 and that the unemployment rate would continue to decline gradually. Views on the outlook for prices were rather mixed, with some anticipating measurable further progress toward stability, particularly in the light of the oil price decline, while others expected that the consequences of the lower exchange rate may, for a time, put stronger upward pressure on prices. While the "central tendency" of the projections for real growth is lower than that of the administration, so are most of the projections of prices by participants in the FOMC. The differences are not so large as to suggest, in themselves, inconsistency with the monetary growth targets; indeed, several Board Members and Presidents anticipated real growth in the area of 4 percent. I might also note that the somewhat lower unemployment rate generally anticipated by the Committee participants suggests more limited productivity growth than that implied by the administration projections.

Monetary policy is implemented day by day and week by week by determining the appropriate degree of pressure on bank reserve positions in the light of monetary growth, judged in the context of the flow of information about the economy, the outlook for prices, and domestic and international financial markets, including the value of the dollar in the foreign exchange markets. In the latter connection, circumstances now are, of course, very different from those during most of 1985. The potential inflationary implications of further depreciation of the dollar, while likely to be offset for some time by lower oil prices, need to be fully considered in the implementation of policy.

At present, with the various monetary aggregates at reasonable levels relative to their new target ranges, and taking account of the cross-currents in other factors bearing on policy imple-

mentation, there has been no occasion for significant change in the degree of pressure on bank reserve positions. As you know, both intermediate- and long-term interest rates have been declining to the lowest levels seen in years and the stock market has been ebullient. The justification, and the sustainability, of those developments lies in a combination of prospects for budgetary restraint, the favorable impact of lower oil prices, and improved inflationary expectations and performance. The challenge for monetary policy, insofar as it can contribute, is to help assure that those favorable prospects for maintaining progress toward stability can be a reality in the context of a growing economy. The implementation of policy will be conducted in the light of that objective.

RELATED APPROACHES

I referred earlier to the pressures in some areas of the credit markets growing in large part out of the backwash of overly aggressive lending policies in the earlier climate of accelerating inflation. Indeed, those concerns have been aggravated in more recent years by a continued highly aggressive approach by some institutions seeking high returns, with their own liabilities effectively underwritten by federal insurance. These problems, and appropriate responses to them, are too large a subject for me to deal with in the time available today; we have discussed them before on a number of occasions.

I do want to report, however, that the Federal Reserve has under way a number of initiatives to help deal with the problems more effectively. These initiatives include strengthening our force of examiners and supervisory personnel so that they are equipped to meet higher standards in the frequency and intensity of examination of member banks and holding companies. Certain regulatory steps have been undertaken as well. Specifically, we have issued for public comment a proposal for a framework of "adjusted capital-asset ratios" designed to supplement our present capital standards. The proposed standards are designed to take account of the different characteristics of bank assets and to incorporate allowance for off-balance-sheet risks that have been proliferating rapidly at major banks here and

1. These new ranges, and the related monitoring range for debt, in comparison with ranges for 1985 are shown in the table on page 214 of this BULLETIN.

abroad in recent years. I know other regulatory agencies have comparable initiatives under way in the supervisory and regulatory area.

By its nature, this supervisory effort must be a continuing process, although it has particular relevance in this turbulent period.

Moreover, I can only emphasize to you again my longstanding concern that you act, and act soon, to modernize our basic laws governing the structure and nature of our depository system. After decades of little change in the legal structure, technological and market developments have together created a new competitive environment. That change, without a coherent legislative framework, has sown enormous confusion about the proper and legitimate role of banks, bank holding companies, thrift institutions, and their commercial and financial competitors. Regulatory decisions attempting to apply current laws, sometimes conflicting in themselves, are regularly challenged in the courts. The results are capricious as both regulatory bodies and the courts inevitably reach different conclusions in ambiguous circumstances.

The courts themselves in recent decisions have emphasized the need for fresh congressional guidance. I can only reiterate my own view that, without such a review, the banking and thrift industries are left adrift, driven to exploit perceived loopholes in present law, on the one hand, while, on the other hand, their basic and regulated business is undercut by commercial organizations and investment houses operating without the protections provided by the federal "safety net." The result is a clear threat not only to the coherence but also to the safety and soundness of the whole. Time is growing short.

From another perspective, the decline in oil prices has presented an enormous new challenge to a few countries that have been heavily dependent on oil resources for the development of their own economies. The problem is particularly acute with respect to Mexico, with which we have close trade and financial relationships, but it is certainly not limited to that country.

In the broadest terms, the initiatives outlined by Secretary Baker some months ago for managing a "second stage" of the international debt crisis provide a constructive and needed overall framework for dealing with problems. He emphasized the importance of achieving a solution

in the context of overall financial and economic policies conducive to sustained growth. That solution, in turn, requires complementary actions by the borrowing countries, by creditors, and by multilateral development institutions alike.

In essence, the borrowing countries themselves—"Baker Plan" or not—appear to have the strongest kind of incentives to take those actions necessary to improve the efficiency and competitiveness of their own economies, including the development of their potentially vast non-oil resources. Those fundamental measures will be more effective, with faster results, to the degree those nations also have greater assurance of access to growing external markets for their products. Resistance to protectionism should, of course, be easier to achieve in a context of an expanding world economy, the prospects for which should be enhanced by the same decline in oil prices that makes the pressures more acute for oil-producing countries.

The restructuring process can be greatly assisted by cooperation with such institutions as the World Bank and the Inter-American Development Bank, which have funds available for substantially larger loan programs in support of fundamental economic adjustments, and with the International Monetary Fund. On that basis, I believe necessary margins of external private investment or loans can continue to be made available prudently to meet essential external needs. Indeed, without complementary policies by international institutions and creditors, the will to find constructive outward-looking solutions to the problems by the borrowers themselves will inevitably be undermined, and the adverse implications would extend far beyond the economic arena.

For some heavily indebted countries that either import a sizable portion of their energy requirements or are essentially neutral in that respect, recent developments should ease the task. But I do not in any way want to minimize the challenge for others—for Mexico, Ecuador, Nigeria, and Venezuela. What I do suggest is that the fundamental premises of the total effort by borrowers and creditors alike in managing the debt situation remain valid. I believe that, with will and wisdom, the basis remains for working through this inevitably difficult period in a way

that ultimately will reinforce prospects for longer-term growth.

CONCLUSION

I conclude as I started.

With constructive policy responses, recent developments carry the potential for enhancing prospects here and elsewhere for a sustained period of growth in a context of price stability. Those are the common goals of the Congress, the administration, and the Federal Reserve.

But if those goals are to be actually achieved, we also must clearly recognize, and collectively deal effectively with, points of strain and danger, some of them stemming from the very successes of the past.

Economic history is replete with examples of countries that, in attempting to correct overvaluation of their currencies, failed to take advantage of their improved competitive positions. Too often, they lapsed into a debilitating and self-defeating cycle of external depreciation and internal inflation, at the expense of an eroding loss of confidence, higher interest rates, and impaired growth.

It would be foolish to presume that the United States is somehow immune from that threat—we had too much adverse experience in the 1970s to indulge in wishful thinking in that respect. Instead, in our monetary and fiscal policies, we need to be realistic about the danger and be fully sensitive to the need to maintain confidence in our currency.

Fortunately, the sharp decline in energy prices now under way should, for months ahead, help assure satisfactory price performance overall, making the job of maintaining progress toward stability much easier. But those lower prices are no unmitigated blessing. They create new uncertainties and stresses for some regions of the economy, for some financial sectors, and particularly for some important developing countries and trading partners. Those stresses need to be contained and dealt with in a constructive way, and we need to guard against conditions that might lead to a repetition of past energy shortages.

The sense of greater confidence about our fiscal prospects still needs to be converted into

reality. Whatever the fortunes of the Gramm–Rudman–Hollings legislation in the courts or the merits of that particular approach toward the problem, the direction and broad spirit of the effort is essential if we are to correct deep-seated imbalances that, sooner or later, would only undercut our bright prospects.

The success of all our efforts is dependent in substantial part on complementary policies by other countries—their success in enhancing *their* growth and stability, in opening markets to others, and in helping to deal with points of strain in the international financial fabric.

Most other industrialized countries have, as a matter of priority, been deeply concerned with restoring price stability and reducing fiscal deficits. Remarkable strides have been made toward those goals. However, their growth, at least until now, has been heavily dependent upon rising trade and current account surpluses. Today, there appears to be a prime opportunity for encouraging “home grown” expansion, larger imports, and better international balance.

For the longer run, I welcome the call by the President to consider what steps might be desirable to achieve and maintain greater exchange rate stability internationally. No one should think that task is a simple one. It cannot in any way substitute for disciplined and complementary domestic policies among the leading nations. Indeed, meaningful progress would imply even greater demands on those policies and on international cooperation. But surely we have had enough experience, here and elsewhere, with the distorting effects of extreme exchange-rate volatility to make that effort to reexamine the international system worthwhile. In a fundamental sense, that is a corollary of the simple observable fact that the economic fortunes of all countries—including the United States—are inextricably interlocked.

We have come too far, and the stakes are too high, to fail to rise to the evident new challenges.

We have to recognize that depreciation of our currency does not in itself provide a fundamental solution, and is, in fact, a two-edged sword.

The budgetary effort must be sustained.

If we expect to benefit from the break in energy prices, we must collectively respond to the points of strain.

We need to be patient when patience is re-

quired. The trade and budgetary and financial problems will be with us for some time; at the same time, we need to be insistent in carrying through the measures to deal with them constructively.

In much of this, I recognize that the Federal Reserve and monetary policy have a vital part to play. Given the crosscurrents in the economy and sometimes conflicting signals among the guideposts to policy in today's setting, there will

be a high premium on careful judgment. But through it all the basic objective does not change. We are convinced that sustained growth in the United States—and much more—is dependent upon maintaining progress toward price stability over time. And given our weight in the world, that same stability must be one of the foundation stones of a prosperous, integrated global economy. □

Chairman Volcker presented identical testimony before the Senate Committee on Banking, Housing, and Urban Affairs, February 20, 1986.

Statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System, before the Committee on the Budget, U.S. House of Representatives, February 26, 1986.

I appreciate the opportunity to appear before this committee today. As you know, the Federal Reserve submitted its semiannual monetary policy report to the Congress last week. That report, which we have distributed to you, describes in detail our plans for monetary policy, including the Federal Open Market Committee's ranges for growth of money and credit. A copy of my statement to the banking committees has also been provided. My prepared remarks this morning will be brief and confined to more general considerations of domestic and international economic policies within the context of recent and prospective developments.

The past year was one of further progress in the nation's economy. Although the growth of domestic production slowed last year, the rise in output was still sufficient to generate 3 million new payroll jobs and to reduce the unemployment rate significantly further. Moreover, growth was sustained consistent with maintaining the progress that had been achieved on the inflation front.

As we move into 1986, the prospects for extending the economic advances of the past year appear, by and large, to be good. The latest reports on employment, industrial production, and housing activity show further increases around the turn of the year. Confidence appears well maintained, cost increases have been re-

strained, and interest rates, particularly in the long-term area, have moved significantly lower. The sharp recent declines in the oil price, given the weight of energy in the economy, appear to assure favorable price performance in the months immediately ahead.

In this context, the Federal Open Market Committee at its meeting earlier this month reaffirmed the tentative ranges that it had established last July for the broader monetary and credit aggregates, M2 and M3. For M1, the target range was widened to take account of the greater uncertainty surrounding the behavior of this aggregate, but the midpoint of the range was the same as that tentatively agreed on six months earlier.

In deciding upon these ranges, the Committee understood that particular uncertainty had surrounded the recent behavior of M1 and its velocity. Consequently, evaluation of the significance of changes in M1 will continue to be made in light of the trend in the other monetary aggregates. Moreover, evaluation of the outlook for business activity and prices, as well as conditions in domestic and international markets, will, as in the past, contribute to the operational judgments of the Committee in determining the proper degree of pressure on reserve positions.

Consistent with this approach and the ranges set out, members of the Federal Reserve Board and the Reserve Bank Presidents expect that the economy will grow somewhat faster this year than in 1985. Views on the outlook for inflation were more diverse; some expected additional slowing, while others anticipated a moderate

pickup from the 1985 inflation rate. The "central tendency" of the projections of real GNP and inflation for 1986 generally is a little lower than the administration's forecasts of about 4 percent each, and is closer to the growth projections of the Congressional Budget Office (CBO). However, the differences are not large. Indeed, the full range of expectations expressed by Board Members and Bank Presidents does encompass both the administration's and the CBO's figures.

Although prospects for economic performance in 1986 appear favorable at this time, there are inevitably some important uncertainties and points of strain. The two major, and interrelated, imbalances that I have stressed so often in the past—the enormous trade and fiscal deficits—remain. But there is a potentially crucial difference from the situation a year ago. The actions by the Congress and the administration on the budget carry the clear promise of progress toward better budgetary balance in the years ahead. At the same time, a substantial adjustment in exchange rates has occurred during the past 12 months, improving the competitive position of American firms and contributing over time to a reduction in our trade deficit.

At the same time, we have to understand that both developments—substantially reduced budget and trade deficits—will require hard and persistent efforts over a considerable period, measured in years. In the meantime, financing both deficits will require a large continuing net inflow of funds from abroad. That requirement is a major reason we must keep in mind the need to maintain confidence in our currency and the potentially inflationary effects of rapid depreciation. A clear appreciation in the marketplace of improved prospects for the deficit is a major element of protection against those risks, and that is why I welcome the efforts made by the administration, the Congress, and this committee to place the budget deficit on a declining trend.

I recognize that reducing the deficit requires difficult decisions. From my particular position, I will refrain from responding to your invitation as to where specific budgetary cuts should be made; that process involves intensely political choices entirely in the domain of the Congress and the administration. As I have indicated many times before, from a purely economic perspective, the performance of the economy over time in terms

of efficiency and incentives tends to be better served by approaching deficit-cutting from the spending side rather than from the tax side. Only if sufficient spending cuts cannot, in fact, be enacted to place the deficit on a solidly declining trend does the question of substantial action on the revenue side become relevant.

The potential benefits of smaller budget deficits already can be seen in improved market sentiment. As you know, both intermediate- and long-term interest rates have declined sharply in recent months, interest rates generally are at the lowest level since 1979, and the stock market has continued to set new records. Although other factors have played a role in these developments—for example, lower oil prices—the prospects for budgetary restraint clearly have been a critical factor. The effects of lower interest rates are beginning to be felt in housing activity, where sales of single-family homes are at a six-year high and housing starts are up most recently. Lower rates and higher stock prices should assist other private investment decisions as well.

In the short run, as they become effective, deficit-reduction actions, taking account of their direct impact, restrain the growth of income and potential economic activity. Those direct effects may, of course, be balanced by other economic developments, including in part the beneficial effects of lower interest rates, stimulated by the budget reductions themselves. The precise balance of these forces is hard to foresee—at present, for instance, the decline in oil prices is releasing purchasing power to American consumers.

The balance of these forces, currently and prospectively, is, of course, an important element in the judgments that we must make on monetary policy, but I know of no way to express realistically a kind of mathematical "tradeoff" in light of all the crosscurrents in the economy.

Trade and budget deficits are not the only imbalances that pose uncertainties for the economic outlook. Pervasive pressures remain in much of the agricultural sector, and key manufacturing industries continue to face strong competition from foreign producers. In financial markets, a number of institutions have had to cope with loan problems associated with sectoral economic pressures, the large debt burdens of some

borrowers at home or abroad, and the disinflationary process. Beyond implications for monetary policy, this situation poses challenges for banking supervisors and other public policies; the recently enacted farm bill, for instance, will provide substantial elements of support for the agricultural sector. As I noted earlier, the decline in the foreign exchange value of the dollar will help bring about an environment in which U.S. producers will be able to compete more effectively in world markets. And the efforts of many depository institutions to bolster capital and reserves should help these institutions to cope with financial strain.

It would be foolish, of course, to think that we have prepared in advance for every eventuality. Indeed, a number of questions remain, including the strength of economic expansion abroad, the impact of a declining dollar on U.S. inflation, and the effect of lower oil prices on the financial health of domestic energy producers and of a number of oil-exporting developing countries. But adverse shocks in these areas, or others, should be manageable if there is cooperative effort among all involved parties here and abroad.

You asked me to comment on any areas of federal spending in which across-the-board

spending cuts could have disruptive effects in financial markets. Given our particular responsibilities, I must, in that connection, note that the ability of the Federal Reserve and other bank regulatory agencies to add resources to our supervisory efforts will inevitably be impacted. While voluntarily complying with the spirit of Gramm–Rudman–Hollings legislation, we intend to limit the impact of cuts in that high priority area as much as feasible. Our sister agencies, in some instances, may have less flexibility.

This strikes me as one example of needing to make the hard budget choices as a matter of considered national priority rather than falling back on inevitably arbitrary “across-the-board” sequestering procedures, however important the latter may be in encouraging discipline.

Let me conclude my remarks by noting that we at the Federal Reserve share common goals with the Congress and the administration—maintaining sustainable growth of economic activity in a context of greater price stability. Substantial progress has been made over the past year. We also have to recognize that we still have some distance to travel, and that indeed the effort is never ending. But we have come too far, and the stakes are too high, to fail to meet the challenge now. □

Announcements

WAYNE D. ANGELL AND MANUEL H. JOHNSON: APPOINTMENT AS MEMBERS OF THE BOARD OF GOVERNORS

President Reagan on October 10, 1985, announced his intention to appoint Wayne D. Angell and Manuel H. Johnson as members of the Board of Governors of the Federal Reserve System. Messrs. Angell and Johnson were subsequently confirmed by the Senate on February 5, 1986. The oaths of office were administered by Chairman Volcker on February 7 at a ceremony in the Board Room. The texts of the White House announcements follow:

THE WHITE HOUSE

Office of the Press Secretary

The President announced on October 10, 1985, his intention to nominate Wayne D. Angell of Kansas, District 10, to be a Member of the Board of Governors of the Federal Reserve System for the unexpired term of fourteen years from February 1, 1980, vice Lyle Elden Gramley resigned.

Dr. Angell is currently Director, Federal Reserve Bank of Kansas City. He was first elected to the Bank in 1979. He has been a professor of Economics at Ottawa University, Ottawa, Kansas, since 1956, and Dean of the College, 1969-72. Dr. Angell has served on the Advisory Committee to the staff of the Federal Reserve Board of Governors, 1972-73.

He graduated from Ottawa University, B.A., 1952; University of Kansas, M.A., 1953 and Ph.D., 1957. He was born June 28, 1930, in Liberal, Kansas, is married and has three children. Dr. Angell resides in Ottawa, Kansas.

THE WHITE HOUSE

Office of the Press Secretary

The President announced on October 10, 1985, his intention to nominate Manuel H. Johnson of Virginia, District 5, to be a Member of the Board of Governors of the Federal Reserve System for a term of fourteen years from February 1, 1986, vice J. Charles Partee's term expiring.

Dr. Johnson is currently an Assistant Secretary for Economic Policy at the Department of the Treasury, 1982, and previously served as Deputy Assistant Secretary for Economic Policy, 1981-82. Dr. Johnson was an Associate Professor of Economics at George Mason University in Fairfax, Virginia, 1980-81, and an Assistant Professor of Economics, 1977-80. He was an instructor and Research Associate at Florida State University in the Department of Economics, 1973-76.

Dr. Johnson graduated from Troy State University, B.S. 1973; Florida State University, M.S. 1974, and Ph.D. 1977. He was born February 10, 1949, in Troy, Alabama, is married, and has two children. Dr. Johnson resides in Fairfax, Virginia.

MEETING OF CONSUMER ADVISORY COUNCIL

The Federal Reserve Board announced that its Consumer Advisory Council met on March 20 and 21, in sessions open to the public. The council's function is to advise the Board on the exercise of the Board's responsibilities under the Consumer Credit Protection Act and on other matters on which the Board seeks its advice.

APPOINTMENT OF NEW MEMBERS TO THE THRIFT INSTITUTIONS ADVISORY COUNCIL

The Federal Reserve Board announced on February 6, 1986, the appointment of five new members of its Thrift Institutions Advisory Council and designated Richard H. Deihl, Chairman of the Board and Chief Executive Officer, Home Savings of America, Los Angeles, California, as President of the council for 1986. At the same time, Michael R. Wise, Chairman and Chief Executive Officer, Silverado Banking, Denver, Colorado, was designated Vice President of the council for 1986.

The Council is an advisory group made up of twelve representatives from thrift institutions. The panel was established by the Board in 1980 and includes savings and loan, savings bank, and

credit union representatives. The council meets at least four times each year with the Board of Governors to discuss developments relating to thrift institutions, the housing industry, mortgage finance, and certain regulatory issues.

The new members appointed to the council are the following:

John C. Dicus, President, Capitol Federal Savings and Loan Association, Topeka, Kansas; Jamie J. Jackson, President, Commonwealth Financial Group, Houston, Texas; Donald F. McCormick, Chairman of the Board, Howard Savings Bank, Livingston, New Jersey; Herschel Rosenthal, President, Flagler Federal Savings and Loan Association, Miami, Florida; and Gary L. Sirmon, President, First Federal Savings and Loan Association, Walla Walla, Washington.

Reappointed to the council, in addition to Messrs. Deihl and Wise, are the following:

Elliott G. Carr, President and Chief Executive Officer, the Cape Cod Five Cents Savings Bank, Orleans, Massachusetts; M. Todd Cooke, Vice Chairman, Meritor Financial Group, Philadelphia, Pennsylvania; Harold W. Greenwood, Jr., Chairman, President, and Chief Executive Officer, Midwest Federal Savings and Loan Association, Minneapolis, Minnesota; John A. Hardin, Chairman and President, First Federal Savings Bank, Rock Hill, South Carolina; and Frances Lesnieski, President, Michigan State University Federal Credit Union, East Lansing, Michigan.

RENEWAL OF TEMPORARY SIMPLIFIED SEASONAL CREDIT PROGRAM

The Federal Reserve announced on February 18, 1986, renewal in a slightly modified form of the temporary simplified seasonal credit program for 1986. This program, which was also in place last year, is designed to make funds available at the discount window to agricultural banks experiencing especially strong loan demands.

While liquidity at farm banks appears generally ample, the temporary program will complement the long-standing regular seasonal credit program, which had been eased last year, to further assure that small and medium-sized agricultural banks will not face liquidity constraints in accommodating the needs of their farm borrowers over the forthcoming planting and production cycle.

Under the temporary program banks may borrow at the discount window to fund half of their loan growth in excess of 2 percent from a base level, up to a maximum equal to 5 percent of deposits.

The Board made the following two modifications in the temporary program to enhance its usefulness to potential borrowers: (1) it gave banks the option of borrowing at the basic discount rate—currently 7½ percent—or at a fixed rate ½ percentage point over the basic rate; (2) it gave banks additional flexibility in determining the base from which loan growth will be measured.

CHANGES IN BOARD STAFF

The Board of Governors has announced the following changes in the official staff:

David B. Humphrey, Assistant Director, Division of Research and Statistics, resigned, effective February 28, 1986.

Anthony F. Cole, Special Assistant to the Board, resigned, effective February 28, 1986.

SYSTEM MEMBERSHIP: ADMISSION OF STATE BANKS

The following banks were admitted to membership in the Federal Reserve System during the period February 1 through February 28, 1986:

Alabama

Fayette First Bank of Fayette

Colorado

Arvada Arvada First Industrial Bank

Littleton Littleton First Industrial Bank

Longmont Longmont First Industrial Bank

Westminster United Bank of Westminster

Georgia

Atlanta Georgia Bankers Bank

Indiana

Hartford City First National Bank of
Hartford City

Ohio

Beachwood Commerce Exchange Bank

Texas

Friendswood First American Bank &
Trust of Friendswood

Plano Commerce Bank of Plano

San Antonio First American Bank

Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON DECEMBER 16–17, 1985

Domestic Policy Directive

The information reviewed at this meeting suggested that economic activity was expanding at a relatively modest pace. The underlying trend in inflation appeared to have changed little, as broad measures of prices and wages were rising at rates close to those recorded earlier in the year.

Total nonfarm payroll employment increased further in November, though less than in October, and the civilian unemployment rate edged down to 7.0 percent. Over the two-month period employment gains averaged 270,000, about equal to the average monthly increase in the third quarter. Most of the growth in employment continued to be in service industries and at finance and trade establishments. But manufacturing employment, after contracting during the first three quarters of the year, rose substantially in October and moved up further in November. Moreover, the length of the factory workweek remained at a relatively high level.

The index of industrial production rose an estimated 0.4 percent in November, reversing the drop in October. Output of defense and space equipment continued at a brisk pace over the two-month period. For most other broad categories of products and equipment, gains in November roughly retraced the declines posted in October.

Total retail sales rose in November and gains were recorded at most major types of stores, with particularly large increases registered at general merchandise outlets. But sales had dropped sharply in October—attributable largely to a reduction of more than 17 percent in sales at automotive outlets that was associated with the ending of financing and price concessions on

1985 automobiles—and the November increase only partially offset that decline. For the two-month period sales were 1 percent below the average for the third quarter. Sales of domestic automobiles remained relatively sluggish in November, and manufacturers reintroduced some limited financing incentives. In early December domestic auto sales picked up to an annual rate of nearly 7½ million units, about 1 million units above the sales pace in October and November but still below recent and planned production levels.

In November, total private housing starts fell substantially, more than reversing the appreciable gain in the previous month. An especially sharp drop in starts of single-family homes accounted for most of the decline. Over the two-month period total starts were at an average annual rate of 1.65 million units, about the same as in the third quarter. Newly issued permits for residential construction averaged somewhat below the rate recorded for the third quarter. Sales of existing homes picked up in October (the latest month for which data were available) from their third-quarter pace, but sales of new homes dropped. Interest rates at savings and loan associations on new commitments for fixed-rate conventional home mortgage loans had stabilized in the 12⅓ to 12¼ percent range from August through most of October, but declined considerably in recent weeks: the average contract rate fell from about 12 percent in early November to a bit above 11¼ percent by mid-December.

Incoming information generally suggested sluggishness in business capital spending. In October shipments of nondefense capital goods picked up after changing little in the third quarter, but new orders for such goods fell appreciably. Outlays for nonresidential construction have been essentially flat over recent months. Moreover, recent surveys of business capital spending

plans suggested little real growth in that sector for next year.

Recent monthly data on prices have shown higher rates of increase than those recorded in the spring and summer, reflecting what was expected to be a temporary spurt in prices of food and energy-related items. The producer price index for finished goods rose 0.9 and 0.8 percent in October and November respectively, after falling in three of the preceding four months. Thus far in 1985, the index had increased at an annual rate of about 1½ percent, slightly below the rate in 1984. The consumer price index rose 0.3 percent in October, slightly above the 0.2 percent monthly increase recorded from May through September. Over the first 10 months of the year, consumer prices increased at an annual rate of about 3¼ percent, compared with a rise of 4 percent in 1984. The rate of increase in the index of average hourly earnings through November of this year remained close to the 3 percent pace posted over the course of 1984.

The trade-weighted value of the dollar against major foreign currencies had declined about 2½ percent on balance since the Committee's meeting on November 4–5, though in recent weeks the dollar's value had tended to stabilize. Revised data on merchandise trade for the third quarter confirmed that the deficit had widened further, to an estimated annual rate of \$133 billion, as non-oil imports rose and exports fell somewhat.

At its meeting on November 4–5, 1985, the Committee had adopted a directive that called for maintaining generally the existing degree of pressure on reserve positions. That action was expected to be consistent with growth of both M2 and M3 at an annual rate of about 6 percent for the period from September to December. Over the same period, M1 also was expected to expand at an annual rate of around 6 percent, but in light of its very rapid growth in the third quarter, the members indicated that slower growth in that aggregate would be acceptable. The members agreed that somewhat greater reserve restraint might, and somewhat lesser restraint would, be acceptable depending on the behavior of the monetary aggregates over the intermeeting period and taking account of ap-

praisals of the strength of the business expansion, the performance of the dollar on foreign exchange markets, progress against inflation, and conditions in domestic and international credit markets. It was understood that policy might be implemented with somewhat more flexibility than usual, given the sensitivity of economic and financial conditions and exchange market developments. The intermeeting range for the federal funds rate was retained at 6 to 10 percent.

After declining slightly in October, M1 expanded at an annual rate of about 13 percent in November. Growth in M2 and M3 continued quite moderate in November, at annual rates of about 6½ and 5 percent respectively. Through November, M1 expanded at a pace well above the range set by the Committee in July of 3 to 8 percent at an annual rate over the period from the second quarter to the fourth quarter of the year; M2 grew at a rate a bit below the upper limit of its range of 6 to 9 percent for the year and M3 expanded at a rate near the midpoint of its range of 6 to 9½ percent for 1985. Expansion in total domestic nonfinancial debt apparently was quite rapid in November, and growth in that aggregate remained somewhat above the upper end of its 9 to 12 percent monitoring range for the year.

Given expansion in the broader monetary aggregates at a pace close to the Committee's expectations for the September-to-December period and within their longer-run ranges as well, and with account taken of economic and financial developments, open market operations during the intermeeting interval were directed toward maintaining approximately unchanged conditions of reserve availability. Reserve management was complicated by the concentrated settlement of large Treasury security issues delayed by debt ceiling problems and by a computer breakdown at a major bank that led to an overnight loan from the Federal Reserve discount window in excess of \$22 billion—an unprecedented amount. Excluding that borrowing, seasonal plus adjustment credit from the discount window averaged around \$725 million during the two complete reserve maintenance periods after the Committee's meeting in early November. During that period, excess reserves

were unusually large, affected for a time by a maldistribution of reserves in the wake of the \$22 billion borrowing. Thus far in the current maintenance period, borrowing was running about \$175 million.

The federal funds rate averaged around 8 percent during the intermeeting period, but exhibited considerable day-to-day and week-to-week volatility associated with the extraordinary level of borrowing noted above and pressures related to the need to finance a very large volume of Treasury issues. Rates on Treasury bills generally fell about 20 to 35 basis points over the intermeeting interval, while other short-term rates typically moved down about 10 to 15 basis points. Long-term interest rates dropped appreciably further over the period, falling about $\frac{1}{2}$ to $\frac{3}{4}$ percentage point.

In the Committee's discussion of the economic situation and outlook, individual members expressed somewhat differing views regarding prospects for economic growth in 1986. The staff projections presented at this meeting had suggested that growth in real GNP would continue at a relatively modest pace in 1986, with the average unemployment rate and the rate of increase in prices during the coming year expected to change little from the rates in 1985. While the staff projection was seen as a plausible assessment of the outlook, several members emphasized that any current forecast was subject to a great deal of uncertainty. They referred, for example, to the difficulty of evaluating the potential impact of deficit reduction and tax reform legislation, and to the uncertainties surrounding the outlook for the U.S. trade balance. Some members concluded that the economy might prove to be somewhat stronger than the staff was projecting, but several stressed the possibility of appreciably slower growth. In this connection, one member cautioned that a sluggish expansion would be vulnerable to an actual downturn in the event of adverse developments in particular sectors of the economy.

In the course of the discussion, some members commented that a sector-by-sector review of the economy tended to suggest a relatively weak expansion in 1986, and one clearly subject to downside risks, but several members also cited a number of broad factors that they felt would tend

to sustain overall economic growth. These factors included the appreciable fall in longer-term interest rates, including mortgage rates, and the rise in stock market prices over the course of recent weeks, the decline in the foreign exchange value of the dollar, and the substantial growth in money. On the negative side, members referred to the rapid rise in debt burdens, the exposure of financial institutions to domestic and international debt problems, and the difficulties in some sectors of the economy. Also mentioned was the possibility that as legislation to reduce future federal deficits became effective it would tend to exert a dampening influence on economic activity, although such legislation was urgently needed to foster the longer-run health of financial markets and the economy.

Turning to particular sectors of the economy, the members again underscored the variation in conditions among industries and their uneven contribution to current and prospective economic activity. Moderate growth was considered to be a reasonable expectation for many sectors of the economy. At the same time, the members expressed concern about the persisting problems and financial strains in some industries such as agriculture and a number of manufacturing and extractive businesses, notably those that competed actively with foreign producers. In agriculture, prices remained generally depressed despite recent increases in some crop and especially in livestock prices, and many producers and lenders continued under severe financial pressure. Reference was also made to the loss of momentum in investment spending, associated in part with the aging of the business expansion but also reflecting uncertainties about still pending tax reform legislation. Consumer spending was thought likely to expand further, but its growth would probably be inhibited by the buildup in consumer debt that had already taken place. In the housing market, starts had been lower than many expected, given the reductions in mortgage interest rates.

The reduced value of the dollar could be expected to foster some improvement in the trade balance over time, with favorable implications for domestic economic activity, though with the potential for adding to upward price pressures. Export demand might also be

enhanced by somewhat faster growth in some major European economies. Some members suggested, however, that the prospective improvement in the trade balance might be restrained in the event of foreign retaliation to any new protectionist measures adopted by the United States. The dollar had tended to stabilize in recent weeks, but members remained concerned that a renewed decline, particularly if it should be precipitate, would have disruptive repercussions.

With regard to the outlook for inflation, the members saw little reason at this time to expect significant changes from the rates of increase experienced in 1985. The reduced value of the dollar in foreign exchange markets would tend to exert some upward pressure on prices, but continued softness in world commodity prices, especially oil, could have offsetting effects. Inflationary sentiment appeared to have diminished, as evidenced by the recent performance of the stock and bond markets, and with continuing competition from abroad, price competition could be expected to remain intense in many markets. Moreover, the general pattern of labor settlements so far did not suggest any substantial acceleration of cost pressures during the year ahead.

At its meeting in July the Committee had agreed on tentative growth ranges of 4 to 7 percent for M1 and 6 to 9 percent for both M2 and M3 for the period from the fourth quarter of 1985 to the fourth quarter of 1986. The associated range for growth in total domestic nonfinancial debt was set at 8 to 11 percent for 1986. At this meeting the Committee reviewed background technical factors bearing on the ranges for 1986, including the implications of the final phase of deposit deregulation early in the year. It was anticipated that at its next meeting the Committee would reassess the tentative ranges and establish definite ranges as required by the Full Employment and Balanced Growth Act of 1978 (the Humphrey-Hawkins Act).

In the Committee's discussion of policy implementation for the period ahead, the members differed to some extent in their views concerning an appropriate degree of pressure on reserve positions. Some favored directing open market operations, at least initially, toward maintaining

approximately unchanged conditions of reserve availability. A majority, however, indicated a preference for moving toward implementing some slight easing of reserve conditions. Several also commented that decisions about the precise degree of reserve pressure should depend in part on whether the discount rate was reduced, and if so by how much.

Members who leaned toward maintaining prevailing reserve conditions expressed particular concern about the rate of growth in money and credit and the inflationary implications of further rapid growth. They agreed that the outlook for economic expansion remained uncertain, but in their view business activity was likely to be satisfactory, given current reserve conditions, especially in view of recent developments in financial markets, the lower dollar, and the build-up in money and liquidity. Other members, while recognizing the risks of unduly rapid monetary growth, were more concerned that the rate of economic expansion might remain inadequate. In that context, some thought that the recent declines in longer-term interest rates, which would help sustain the economy, were premised to an extent on expectations of an easier monetary policy. One member commented that real interest rates were still relatively high in any event and were exerting a restraining influence on economic activity. It was also noted that reduced interest rates would lessen, though by no means eliminate, the financial strains in some sectors of the economy and the external debt problems of several developing countries.

The members agreed that the extent of any easing was constrained by a number of considerations, including the need to avoid unduly rapid expansion in money and credit and the potential vulnerability of the dollar to a relative decline in U.S. interest rates. It was also suggested that a sharp move toward ease under present circumstances might well foster a resurgence of inflationary expectations, with adverse repercussions over time on financial markets and the sustainability of the economic expansion.

According to an analysis prepared for this meeting, the degree of pressures on reserve positions being considered by the members was likely to be associated with some slowing in M1 growth during the early months of 1986, while

the broader aggregates might continue to expand at moderate rates. While the final phase of deposit deregulation was expected to have little net impact on monetary growth during the first quarter, the members recognized that the relationship between money and GNP remained subject to a great deal of uncertainty. They noted that the demand for M1 had deviated considerably from historical experience and that it was very difficult to predict when the unusual weakness in M1 velocity, which had been evident for several quarters, would be reversed and a more normal pattern would emerge. In the circumstances, some sentiment was expressed for further reducing the emphasis on M1, but a majority of the members agreed that it should be retained as one guide among others for the conduct of monetary policy.

In keeping with past practice, the members considered the question of possible intermeeting adjustments in the degree of pressure on reserve positions. While no member wanted to rule out possible adjustments in either direction, most believed that policy implementation should be especially alert to the potential need for some further easing in light of the relatively sluggish performance of the economy and the generally favorable outlook for prices and wages. Policy implementation also needed to take account of the behavior of the monetary aggregates, conditions in domestic and international financial markets, and developments in foreign exchange markets, as well as the impact of a reduction in the discount rate, should one take place. It was also suggested that the Committee's expectations with regard to the short-run growth of the aggregates be stated with less precision than in the past and that the behavior of M1, in particular, be evaluated in the context of other economic and financial developments, including the growth of the broader aggregates. In one view, however, any substantial deviation of M1 growth from expectations should be resisted—in either direction—by an appropriate adjustment in the degree of reserve pressure.

At the conclusion of the Committee's discussion, most of the members indicated that they favored or could accept a directive that called for some limited decrease in the degree of pressure on reserve positions. The members expected

such an approach to policy implementation to be consistent with growth of M2 and M3 at annual rates of 6 to 8 percent for the four-month period from November to March. Over the same period they expected the expansion of M1 to slow to an annual rate of 7 to 9 percent, though the outlook for M1 growth continued to be subject to unusual uncertainty. Somewhat greater reserve restraint might, and somewhat lesser restraint would, be acceptable over the intermeeting period depending on the growth of the monetary aggregates, the strength of the business expansion, the performance of the dollar on foreign exchange markets, progress against inflation, and conditions in domestic and international credit markets. The members agreed that the intermeeting range for the federal funds rate, which provides a mechanism for initiating consultation of the Committee when its boundaries are persistently exceeded, should be left unchanged at 6 to 10 percent.

At the conclusion of the meeting, the following domestic policy directive was issued to the Federal Reserve Bank of New York:

The information reviewed at this meeting suggests that economic activity is expanding at a relatively modest pace in the current quarter. Total nonfarm payroll employment increased further in November, though less than in October, and the civilian unemployment rate edged down to 7.0 percent. Retail sales and industrial production picked up in November after declining in October. After strengthening in October, housing starts fell appreciably in November. Incoming information generally suggests relatively sluggish business capital spending. Revised merchandise trade data for the third quarter confirm that the deficit widened further, as non-oil imports continued to increase and exports fell somewhat. Broad measures of prices and wages appear to be rising at rates close to those recorded earlier in the year.

After declining in October, M1 grew substantially in November while growth in M2 and M3 continued quite moderate. Expansion in total domestic nonfinancial debt has remained rapid. Through November, M1 expanded at a rate well above the long-run range set by the Committee, M2 grew at a rate a bit below the upper end of its range for the year, and M3 expanded at a rate near the mid-point of its range for 1985. Treasury bill rates have fallen somewhat while other short-term market interest rates have changed little on balance since the November meeting of the Committee; long-term rates have moved appreciably lower over the period. The trade-weighted value of the dollar against major foreign currencies has declined on balance since the Committee's meeting in early November, though the dollar has tended to stabilize more recently.

The Federal Open Market Committee seeks to foster monetary and financial conditions that will help to reduce inflation further, promote growth in output on a sustainable basis, and contribute to an improved pattern of international transactions. In furtherance of these objectives the Committee at the July meeting reaffirmed ranges for the year of 6 to 9 percent for M2 and 6 to 9½ percent for M3. The associated range for total domestic nonfinancial debt was reaffirmed at 9 to 12 percent. With respect to M1, the base was moved forward to the second quarter of 1985 and a range was established at an annual growth rate of 3 to 8 percent. The range takes account of expectations of a return of velocity growth toward more usual patterns, following the sharp decline in velocity during the first half of the year, while also recognizing a higher degree of uncertainty regarding that behavior. The appropriateness of the new range will continue to be reexamined in the light of evidence with respect to economic and financial developments including developments in foreign exchange markets. More generally, the Committee agreed that growth in the aggregates may be in the upper parts of their ranges, depending on continuing developments with respect to velocity and provided that inflationary pressures remain subdued.

For 1986 the Committee agreed on tentative ranges of monetary growth, measured from the fourth quarter of 1985 to the fourth quarter of 1986, of 4 to 7 percent for M1, 6 to 9 percent for M2, and 6 to 9 percent for M3. The associated range for growth in total domestic nonfinancial debt was provisionally set at 8 to 11 percent for 1986. With respect to M1 particularly, the Committee recognized that uncertainties surrounding recent behavior of velocity would require careful reappraisal of the target range at the beginning of 1986. Moreover, in establishing ranges for next year, the Committee also recognized that account would need to

be taken of experience with institutional and depository behavior in response to the completion of deposit rate deregulation early in the year.

In the implementation of policy for the immediate future, the Committee seeks to decrease somewhat the existing degree of pressure on reserve positions. This action is expected to be consistent with growth in M2 and M3 over the period from November to March at annual rates of about 6 to 8 percent; while the behavior of M1 continues to be subject to unusual uncertainty, growth at an annual rate of 7 to 9 percent over the period is anticipated. Somewhat greater reserve restraint might, and somewhat lesser reserve restraint would, be acceptable depending on behavior of the aggregates, the strength of the business expansion, developments in foreign exchange markets, progress against inflation, and conditions in domestic and international credit markets. The Chairman may call for Committee consultation if it appears to the Manager for Domestic Operations that reserve conditions during the period before the next meeting are likely to be associated with a federal funds rate persistently outside a range of 6 to 10 percent.

Votes for this action: Messrs. Volcker, Corrigan, Forrestal, Guffey, Keehn, Martin, Partee, Rice, and Ms. Seger. Vote against this action: Mr. Black. Absent and not voting: Messrs. Balles and Wallich. (Mr. Guffey voted as alternate for Mr. Balles.)

Mr. Black dissented because he was concerned about the rapid growth of M1 and he did not think a decrease in the degree of pressure on reserve positions was desirable under present circumstances.

Legal Developments

AMENDMENT TO RULES REGARDING DELEGATION OF AUTHORITY

The Board of Governors is amending its Rules Regarding Delegation of Authority to authorize the Director of the Division of Banking Supervision and Regulation, in consultation with the General Counsel, to permit foreign subsidiaries of U.S. banking organizations to hold shares of U.S. affiliates as part of an internal reorganization or transfer of funds.

Effective February 21, 1986, the Board amends its Rules Regarding Delegation of Authority as follows:

Part 265—Rules Regarding Delegation of Authority

1. The authority citation for 12 C.F.R. Part 265 continues to read as follows:

Authority: 12 U.S.C. § 248.

2. Part 265 is amended by adding a new paragraph 265.2(c)(34) to read as follows:

Section 265.2—Specific Functions Delegated to Board Employees and to Federal Reserve Banks

(34) Under the provisions of Subpart A of part 211 of this chapter (Regulation K) and after consultation with the General Counsel, to permit a foreign subsidiary of a bank holding company to invest in shares of a U.S. affiliate of the bank holding company where the investment is made as part of an internal corporate reorganization or an internal transfer of funds, subject to such conditions and terms as the Director and the General Counsel deem appropriate and consistent with the purposes of Regulation K.

ORDERS ISSUED UNDER BANK HOLDING COMPANY ACT, BANK SERVICE CORPORATION ACT, AND FEDERAL RESERVE ACT

Orders Issued Under Section 3 of the Bank Holding Company Act

Fidelcor, Inc.
Philadelphia, Pennsylvania

Order Approving Merger of Bank Holding Companies

Fidelcor, Inc., Philadelphia, Pennsylvania, a bank holding company within the meaning of the Bank Holding Company Act (12 U.S.C. § 1841 *et seq.* ("Act")), has applied for the Board's approval under section 3(a)(5) of the Act (12 U.S.C. § 1842(a)(5)) to acquire by merger IVB Financial Corporation, Philadelphia, Pennsylvania ("IVB"). As a result of the acquisition, Applicant would acquire indirectly IVB's subsidiary bank, Industrial Valley Bank and Trust Company, Philadelphia, Pennsylvania ("Industrial Valley Bank").

Notice of the application, affording an opportunity for interested persons to submit comments, has been given in accordance with section 3(b) of the Act (50 *Federal Register* 48,641 (1985)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the Act.¹

Applicant is the fourth largest commercial banking organization in Pennsylvania, with total deposits of approximately \$4.7 billion, representing 5.5 percent of the total deposits in commercial banks in the state. IVB is the eleventh largest commercial banking organization in Pennsylvania, with total deposits of approximately \$1.7 billion, representing 2.0 percent of the total deposits in commercial banks in the state. Upon consummation of the proposed acquisition, Applicant would remain the fourth largest banking organization in Pennsylvania, controlling 7.5 percent of the total deposits in commercial banks in the state. Con-

1. The Board received a protest from the Eastern North Philadelphia Initiative Coalition and Philadelphia ACORN, both of Philadelphia, Pennsylvania, alleging that the subsidiary banks of Applicant and IVB were not fulfilling their responsibility under the Community Reinvestment Act to help meet the credit needs of their communities. The protestants withdrew their protests following several meetings with Applicant and Applicant's adoption of an undertaking designed to help meet the credit needs of the communities served by Applicant and IVB.

summation of the proposed transaction would not have a significant effect on the concentration of banking resources in Pennsylvania.

Both Applicant and Bank operate in the Philadelphia banking market.² Applicant is the second largest of 49 commercial banking organizations operating in the market, controlling deposits of \$3.6 billion, representing 13.4 percent of the total deposits in commercial banking organizations therein. Bank is the eighth largest banking organization in the market, controlling deposits of \$1.4 billion, representing 5.1 percent of the total deposits in commercial banking organizations in the market.

The Philadelphia banking market is relatively unconcentrated, with a four-firm concentration ratio of 47.2 percent. Upon consummation of this proposal, Applicant would control 18.5 percent of the total deposits in commercial banking organizations in the market, and the market would remain relatively unconcentrated, with a four-firm concentration ratio of 52.3 percent. The Herfindahl-Hirschman Index ("HHI") is 815 and would increase by 137 points to 952 upon consummation of this proposal.³

Although consummation of the proposal would eliminate some existing competition between Applicant and Bank in the Philadelphia banking market, numerous other commercial banking organizations would remain as competitors after consummation of the proposal. In addition, the presence of 172 thrift institutions that control approximately 48.0 percent of the market's total deposits mitigates the anticompetitive effects of the transaction.⁴ Thrift institutions already exert a considerable influence in the market as providers of NOW accounts and consumer loans. In addition, many of the thrift institutions are engaged in the business of making commercial loans and are providing an alternative for such services in the Philadelphia banking market. Based upon the above considerations, the Board concludes that consummation of the

proposal is not likely to substantially lessen competition in the relevant banking market.⁵

The Board also has examined the effects of this proposal on probable future competition with respect to the Allentown/Bethlehem banking market,⁶ the only market in which one, but not both, of the parties to the proposal competes. In view of the fact that the market is not considered to be highly concentrated,⁷ the Board concludes that consummation of this proposal would not have any significant adverse effects on probable future competition in any relevant market.

The financial and managerial resources of Applicant, its subsidiary banks, and Bank are generally satisfactory and consistent with approval, and considerations relating to the convenience and needs of the community to be served also are consistent with approval, particularly in light of commitments made by Applicant in connection with this application.

Based on the foregoing and other facts of record, the Board has determined that the proposed acquisition is in the public interest and that the application should be, and hereby is, approved. The transaction shall not be consummated before the thirtieth calendar day following the effective day 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 Philadelphia pursuant to delegated authority.

By order of the Board of Governors, effective February 25, 1986.

Voting for this action: Vice Chairman Martin and Governors Wallich, Rice, Seger, Angell, and Johnson. Absent and not voting: Chairman Volcker.

WILLIAM W. WILES
Secretary of the Board

[SEAL]

2. The Philadelphia banking market is approximated by the Philadelphia PMSA, which is comprised of Philadelphia, Bucks, Montgomery, Chester, and Delaware Counties in Pennsylvania; and Burlington, Camden, and Gloucester Counties in New Jersey.

3. Under the U.S. Department of Justice "Merger Guidelines," as revised in 1984, a market in which a post-merger HHI is below 1000 is unconcentrated. The Department of Justice has stated that it will not challenge any merger producing an HHI below 1000, except in extraordinary circumstances.

4. The Board has previously indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks. *National City Corporation*, 70 FEDERAL RESERVE BULLETIN 743 (1984); *NCNB Bancorporation*, 70 FEDERAL RESERVE BULLETIN 225 (1984); *General Bancshares Corporation*, 69 FEDERAL RESERVE BULLETIN 802 (1983); *First Tennessee National Corporation*, 69 FEDERAL RESERVE BULLETIN 298 (1983).

5. If 50 percent of deposits held by thrift institutions in the Philadelphia banking market were included in the calculation of market concentration, the share of total deposits held by the four largest organizations in the market would be 42.6 percent. Applicant would control 8.9 percent of the market's deposits and Bank would control 3.6 percent of the market's deposits. The HHI would increase by 64 points to 626.

6. The Allentown/Bethlehem banking market is approximated by the Allentown/Bethlehem MSA, which is comprised of Carbon, Northampton, and Lehigh Counties in Pennsylvania; and Warren County in New Jersey.

7. The three largest commercial banking organizations in the Allentown/Bethlehem market control only 55.2 percent of the deposits in commercial banks in the market.

Guaranty Development Company
Livingston, Montana

Order Denying Acquisition of Bank

Guaranty Development Company, Livingston, Montana, a bank holding company within the meaning of the Bank Holding Company Act ("Act") (12 U.S.C. §1841 *et seq.*), has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire 99.5 percent of the voting shares of First Citizens Bank of Bozeman, Bozeman, Montana ("Bank").

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

Applicant, a multibank holding company organized under the laws of Montana, controls three banks, First Security Bank of Livingston, Livingston, Montana ("Livingston Bank"); First Security Bank of Big Timber, Big Timber, Montana ("Big Timber Bank"); and American Bank of Billings, Billings, Montana ("American Bank"), with deposits of \$47.5 million, \$10.4 million, and \$20.1 million respectively.¹ Applicant controls total deposits of \$78.0 million and is the tenth largest commercial banking organization in the state, controlling 1.3 percent of total deposits in commercial banking organizations in the state. Applicant seeks to acquire Bank, the 72nd largest commercial banking organization in the state, controlling deposits of \$14.7 million, representing 0.3 percent of total deposits in commercial banking organizations in the state. Upon consummation of this proposal, Applicant would become the ninth largest commercial banking organization in the state, controlling 1.6 percent of total deposits in commercial banking organizations in the state. Consummation of this proposal would not result in a significant increase in the concentration of banking resources in Montana.

Applicant and Bank both compete in the Bozeman banking market.² Applicant is the third largest commercial banking organization in the Bozeman banking market, controlling \$47.5 million in deposits, representing 10.6 percent of total deposits in commercial banks in the market. Bank is the eighth largest commercial banking organization in the market, control-

ling \$14.7 million in deposits, representing 3.3 percent of total deposits in commercial banks in the market. Upon consummation of this proposal, Applicant would remain the third largest commercial banking organization in the Bozeman banking market, controlling 13.9 percent of total deposits in commercial banking organizations in the market.

The Bozeman banking market is considered to be highly concentrated, with the four largest commercial banking organizations controlling 80.1 percent of the total deposits in commercial banks in the market. The Herfindahl-Hirschman Index is 2132 and would increase by only 70 points to 2202 upon consummation of the proposal.³

Although consummation of the proposal would eliminate some existing competition between Applicant and Bank in the Bozeman banking market, eight other commercial banking organizations would remain as competitors after consummation of the proposal. In addition, the presence of five thrift institutions that control approximately 14.7 percent of the market's total deposits mitigates the anticompetitive effects of the transaction.⁴ These thrift institutions offer NOW accounts and make consumer and commercial loans. Based upon the above considerations, the Board concludes that consummation of the proposed transaction is not likely to have a significant adverse effect on existing competition in the Bozeman banking market.⁵

The Board has indicated on previous occasions that a bank holding company should serve as a source of financial strength to its subsidiary banks, and that the Board would closely examine the condition of an applicant in each case with this consideration in mind.

3. Under the revised Department of Justice Merger Guidelines (49 *Federal Register* 26,823 (June 29, 1984)), any market in which the post-merger HHI is over 1800 is considered highly concentrated, and the Department is likely to challenge a merger that increases the HHI by more than 50 points unless other factors indicate that the merger will not substantially lessen competition. The Department of Justice has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating an anticompetitive effect) unless the post-merger HHI is at least 1800 and the merger increases the HHI by at least 200 points.

The Department has not advised the Board of any objection to this transaction.

4. All thrift institution data are as of June 30, 1984. The Board has previously determined that thrift institutions have become, or at least have the potential to become, major competitors of banks. *National City Corporation*, 70 *FEDERAL RESERVE BULLETIN* 743 (1984); *NCNB Corporation*, 70 *FEDERAL RESERVE BULLETIN* 225 (1984).

5. If 50 percent of the deposits held by thrift institutions were included in the calculation of market concentration, the share of total deposits held by the four largest organizations in the market would be 73.7 percent. Applicant would control 9.8 percent of the market's deposits and Bank would control 3.0 percent of the market's deposits. Upon consummation of the proposed acquisition, the four-firm concentration ratio would increase to 76.7 percent and the HHI would increase by only 61 points to 1937.

1. All banking data are as of June 30, 1985.

2. The Bozeman banking market consists of Gallatin and Park Counties in Montana.

In connection with this proposal, Applicant would incur debt. Using projections based upon Applicant's subsidiary banks' condition and performance in recent years and other facts of record, the Board concludes that Applicant may not have sufficient financial flexibility to be able to reduce its indebtedness in a satisfactory manner while maintaining adequate capital levels at its subsidiary banks. In these circumstances, it is the Board's view that Applicant's resources should be devoted to its existing organization. Accordingly, based on these and other facts of record, including Applicant's previous failure to meet its debt-servicing projections, the Board concludes that considerations relating to Applicant's financial resources and future prospects are adverse and weigh against approval of this application.

Applicant has proposed no new services for Bank upon consummation of this proposal. Considerations relating to the convenience and needs of the community to be served are consistent with, but lend no weight toward, approval of this application.

On the basis of all of the facts of record, the Board concludes that the banking considerations involved in this proposal are adverse and are not outweighed by any relevant competitive or convenience and needs considerations. Accordingly, it is the Board's judgment that approval of the application would not be in the public interest and that the application should be, and hereby is, denied for the reasons summarized above.

By order of the Board of Governors, effective February 26, 1986.

Voting for this action: Vice Chairman Martin and Governors Wallich, Rice, Seger, Angell, and Johnson. Absent and not voting: Chairman Volcker.

[SEAL] WILLIAM W. WILES
Secretary of the Board

The Mitsubishi Trust and Banking Corporation
Tokyo, Japan

Order Approving the Formation of a Bank Holding Company

The Mitsubishi Trust and Banking Corporation, Tokyo, Japan, has applied under section 3(a)(1) of the Bank Holding Company Act ("Act"), 12 U.S.C. § 1842(a)(1), for the Board's prior approval to acquire 100 percent of the voting shares of Mitsubishi Trust & Banking Corporation (U.S.A.) ("Bank"), New York, New York, a *de novo* bank.

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

Applicant, with total assets of approximately \$58.3 billion,¹ is the 25th largest bank world-wide, and the 12th largest privately owned bank and the largest trust company in Japan. Applicant operates a branch in New York, New York, and an agency in Los Angeles, California, which have total assets of \$3.6 billion and \$1.9 billion, respectively.² Applicant has selected New York as its home state under the Board's Regulation K, 12 C.F.R. § 211.22(b).

Bank will serve the Metropolitan New York banking market,³ and seek business primarily from United States companies that are not affiliated with Japanese firms. Based upon the facts of record, including the *de novo* status of Bank, the Board concludes that the proposed transaction would have no adverse effect on competition. Accordingly, competitive considerations are consistent with approval.

Section 3(c) of the Act requires the Board in every case to consider the financial resources of the applicant organization and the bank or bank holding company to be acquired. The Board has previously stated that it believes that the principles of national treatment and competitive equity require that, in general, foreign banks seeking to establish or acquire banking organizations in the United States should meet the same general standards of strength, experience and reputation as are required of domestic banking organizations and should be able to serve on a continuing basis as a source of strength to their banking operations in the United States.⁴ The Board also is aware, however, that foreign banks operate outside the United States in accordance with different regulatory and supervisory requirements, accounting principles, asset quality standards, and banking practices and traditions, and that these differences make it difficult to compare the capital positions of domestic and foreign banks.

The appropriate balancing of these concerns raises a number of complex issues that the Board believes

1. As of March 31, 1985.

2. As of September 30, 1985.

3. The Metropolitan New York banking market is defined to include New York City, Nassau, Putnam, Rockland, Westchester, and western Suffolk Counties in New York State; the northeastern two-thirds of Bergen County and eastern Hudson County in New Jersey; and southwestern Fairfield County in Connecticut.

4. *E.g.*, *The Industrial Bank of Japan, Ltd.*, 72 FEDERAL RESERVE BULLETIN 71 (1986); *The Mitsubishi Bank, Limited*, 70 FEDERAL RESERVE BULLETIN 518 (1984).

require careful consideration and are currently under review. In this regard, the Board is currently reexamining the capital standards of United States banking organizations on a basis that may afford greater comparability with those of foreign banks. Consultations also are being pursued with foreign banking authorities concerning appropriate capital standards for international banks. Pending the outcome of the policy review, the Board has determined to consider on a case-by-case basis the issues raised by foreign bank applications to acquire domestic banks.

In the present instance, the primary capital ratio of Applicant as publicly reported is well below the Board's capital guidelines.⁵ However, after certain adjustments to take account of Japanese banking and accounting practices (particularly equity securities that are carried on Applicant's balance sheet at historical cost, which is substantially below their market value) the capital ratio more nearly approximates U.S. standards. The Board has also considered other factors that mitigate the Board's concern. The Board has placed significant weight on the fact that Applicant will establish Bank *de novo*, and that Bank will be strongly capitalized and small in relation to Applicant. Applicant is in compliance with the capital and other financial requirements of Japanese banking organizations. Applicant also has a stable funding base that consists of a substantial amount of deposits with maturities of at least five years.

The Board expects that Applicant will maintain Bank as among the more strongly capitalized banking organizations of comparable size in the United States. Based on these and other facts of record, the Board concludes that the financial and managerial factors are consistent with approval of this application. Considerations relating to the convenience and needs of the community to be served also are consistent with approval.

Based upon the foregoing and other facts of record, the Board has determined that consummation of the transaction would be in the public interest and that the application should be, and hereby is, 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, and Bank shall be opened for business not later than six months after the effective date of this Order. The latter two periods may be extended for good cause by the Board or the Federal Reserve Bank of New York, pursuant to delegated authority.

By order of the Board of Governors, effective February 19, 1986.

Voting for this action: Chairman Volcker and Governors Martin, Wallich, Rice, Angell, and Johnson. Voting against this action: Governor Seger.

JAMES MCAFEE
[SEAL] Associate Secretary of the Board

Dissenting Statement of Governor Seger

I dissent from the Board's action in this case. I believe that foreign banking organizations whose publicly reported capital is well below the Board's capital guidelines for U.S. banking organizations have an unfair competitive advantage in the United States over domestic banking organizations and should therefore be judged against the same financial and managerial standards, including the Board's capital adequacy guidelines, as are applied to domestic banking organizations.

In addition, I am concerned, that while this application would permit a large Japanese banking organization to acquire a bank in the U.S., U.S. banking organizations are not permitted to make comparable acquisitions in Japan. While some progress is being made in opening Japanese markets to U.S. banking organizations, U.S. banking organizations and other financial institutions, in my opinion, are still far from being afforded the full opportunity to compete in Japan.

February 19, 1986

Orders Issued Under Sections 3 and 4 of the Bank Holding Company Act

Bancorp of Mississippi, Inc.
Tupelo, Mississippi

Order Approving the Acquisition of Shares in a Bank Holding Company

Bancorp of Mississippi, Inc., Tupelo, Mississippi, a bank holding company within the meaning of the Bank Holding Company Act (12 U.S.C. § 1841 *et seq.*) ("Act" or "BHC 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 4.99 percent of the voting shares, and up to \$7.1 million principal amount of convertible subordinated debentures, of First Mississippi National Corporation, Hattiesburg, Mississippi

5. *Capital Adequacy Guidelines*, 50 *Federal Register* 16,057 (1985), 71 *FEDERAL RESERVE BULLETIN* 445 (1985).

("First Mississippi").¹ As a result of this transaction, Applicant would indirectly acquire an interest in First Mississippi National Bank, Hattiesburg, Mississippi ("Bank").

Applicant has also applied under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) to acquire an indirect interest in Continental Leasing Corporation, Hattiesburg, Mississippi, a company that engages in the origination and servicing of equipment leases. This activity has been determined by the Board to be closely related to banking and permissible for bank holding companies under section 225.25(b)(5) of Regulation Y (12 C.F.R. § 225.25(b)(5)).

Notice of the applications, affording an opportunity for interested persons to submit comments, has been given in accordance with sections 3 and 4 of the Act (50 *Federal Register* 45,666 (1985)). The time for filing comments 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 and the considerations specified in section 4(c)(8) of the Act.

Applicant, the fourth largest commercial banking organization in Mississippi, controls one subsidiary bank with total deposits of \$517.2 million, representing 3.9 percent of the total deposits in commercial banks in the state.² First Mississippi, the seventh largest commercial banking organization in the state, controls one subsidiary bank with total deposits of \$315.7 million, representing 2.4 percent of the total deposits in commercial banks in Mississippi. Upon consummation of the proposed transaction, Applicant would become the third largest banking organization in Mississippi, and would control total deposits of \$832.9 million, representing 6.2 percent of the total deposits in commercial banks in the state. Consummation of the proposed acquisition would not have a significant adverse effect on the concentration of banking resources in Mississippi.

Applicant's subsidiary bank, Bank of Mississippi, and Bank do not compete in the same banking markets,³ and the principals of Applicant do not control any other commercial banks in the markets in which

Bank has offices. The Board concludes that the proposed transaction would have no adverse effect on existing competition in any relevant market.

The Board has also examined the effects of the proposed transaction on probable future competition in the relevant geographic markets. In evaluating the effects of a proposal on probable future competition, the Board considers market concentration, the number of probable future entrants into the market, the size of the bank to be acquired, and the attractiveness of the market for entry on a *de novo* or foothold basis absent approval of the acquisition. After consideration of these factors in the context of the specific facts of this case, the Board has concluded that consummation of the proposed transaction would not have a significant adverse effect on probable future competition in any relevant market.

First Mississippi operates in three banking markets in which Applicant is not represented: the Biloxi, Jackson, and Hattiesburg banking markets. The record indicates that Bank is not a market leader in either the Biloxi or the Jackson banking markets and that the Biloxi market is only moderately concentrated, with the three largest commercial banks holding 69 percent of the total deposits in commercial banks in the market. Bank's other market, the Hattiesburg banking market, is not located in a Metropolitan Statistical Area. On the basis of these considerations and other facts of record, the Board concludes that elimination of Applicant as a probable future entrant into the markets served by First Mississippi would not have a substantial anticompetitive effect in any of those markets.

The financial and managerial resources and future prospects of Applicant, First Mississippi, and their subsidiary banks are consistent with approval of these applications. Considerations relating to the convenience and needs of the communities to be served also are consistent with approval.

Although Applicant would directly acquire only 4.99 percent of First Mississippi's voting shares, as a result of the proposal Applicant would also acquire such measures of control over First Mississippi as to require a determination that it would control First Mississippi for purposes of the BHC Act. Under the terms of the Debenture and Stock Purchase Agreement ("Debenture Agreement") between the parties, First Mississippi would, upon Applicant's acquisition of the shares and debentures, immediately use its best efforts to give Applicant 42 percent of the seats on its board of directors. Applicant would also obtain the right to name two directors to the board of Bank. In addition, the Debenture Agreement requires the prior approval by Applicant of certain major corporate actions of First Mississippi, and also requires that Applicant and

1. Because current Mississippi law prohibits multibank holding companies, the convertibility of the debentures into voting shares of First Mississippi is conditioned upon enactment of an amendment to Mississippi law that would have the effect of permitting Applicant to convert the debentures. Should such an amendment be enacted, Applicant would gain control, upon conversion of the debentures, of up to 41.96 percent of First Mississippi's voting shares.

2. Deposit data are as of December 31, 1984.

3. Bank of Mississippi operates offices in twelve banking markets: Tupelo, Memphis, Calhoun County, Alcorn County, Pontotoc County, Itawamba County, Monroe County, Grenada County, Chicasaw County, Winston County, Clay County, and Lowndes County. Bank operates offices in three banking markets: Biloxi, Jackson, and Hattiesburg.

First Mississippi enter into a consulting agreement pursuant to which Applicant would provide First Mississippi with policy and operations advice.

The BHC Act defines control to include any situation where the Board determines that a company directly or indirectly exercises a controlling influence over the management or policies of a bank, without regard to whether that company owns or controls voting shares of a bank or has the ability to elect a majority of the banks' board of directors.⁴ In the Board's judgment, Applicant will exercise control or a controlling influence over First Mississippi for purposes of section 2(a)(2) of the BHC Act and the Board's regulations thereunder.⁵ Applicant has indicated its concurrence in this conclusion by filing this application.

In acting on an application under the BHC Act, the Board is required to consider, in addition to the competitive, financial, managerial, and convenience and needs factors set out in the Act, whether the proposal would comply with the provisions of relevant state law. The Board may not approve an application that would result in a violation of state law.⁶

Under current Mississippi law, Applicant is prohibited from becoming a multibank holding company. The Mississippi banking statutes provide that no corporation shall operate in Mississippi if "any object, purpose, or power of such corporation be, directly or indirectly, the organization, ownership or operation of banks in groups or chains, or in systems commonly referred to as group banking systems or chain banking systems."⁷ According to the Attorney General of the State of Mississippi, "group banking" means the control of a bank by a holding company that also controls another independent bank. Neither the statute nor any Mississippi banking regulation contains a definition of the terms "group banking system" or "group banking." Furthermore, according to the Mississippi Commissioner of Banking, there have been no court decisions or opinions by the Mississippi Attorney General defining the circumstances under which a one-bank holding company would be found to control another bank so as to violate the Mississippi statute.

The Attorney General of Mississippi, however, has provided an Official Opinion to the effect that, based

on the terms of Applicant's agreement with First Mississippi, Applicant's proposed acquisition of shares and debentures does not constitute a violation of Mississippi law. Furthermore, the Commissioner of Banking has concurred with the Attorney General's Opinion, and has found that the terms of the Debenture Agreement would not give Applicant the "type of control" over First Mississippi that would make Applicant a prohibited group banking system under Mississippi's statute.

In determining the consistency of a proposed bank holding company acquisition with state law, the Board has given substantial weight to the opinion of a state Attorney General or relevant state administrative agency in the absence of a dispositive judicial decision concerning the relevant provisions and where the Board's review of the opinion reveals that it is consistent with the statutory language being interpreted and the purpose of the statute.⁸ In this case, the Board concludes that the opinions of the Mississippi Attorney General and Commissioner of Banking may be relied upon by the Board as evidence of the consistency of this proposal with Mississippi law. In view of these opinions and of all other facts of record, the Board concludes that consummation of the proposed transaction would not violate Mississippi law.⁹

Applicant has also applied, pursuant to section 4(c)(8) of the Act, to acquire an indirect interest in First Mississippi's nonbanking subsidiary, Continental Leasing Corporation, which engages in the origination and servicing of equipment leases. There is no evidence in the record that approval of this proposal would result in undue concentration of resources, unfair competition, conflicts of interest, unsound banking practices, or other adverse effects. Accordingly, the Board has determined that the balance of the public interest factors it must consider under section 4(c)(8) of the Act is favorable and consistent with approval.

Based on the foregoing and other facts of record, the Board has determined that the proposed transaction would be in the public interest. Accordingly, the applications under sections 3 and 4 of the Act are approved for the reasons summarized above. The

4. 12 U.S.C. § 1841(a)(2)(C).

5. 12 U.S.C. § 1841(a)(2); 12 C.F.R. § 225.31(d)(2)(i) (setting forth a rebuttable presumption of control in the case of an agreement pursuant to which significant influence is exercised over the management or operations of a bank). See also Policy Statement on Nonvoting Equity Investments by Bank Holding Companies, 12 C.F.R. § 225.143.

6. *Whitney National Bank in Jefferson Parish v. Bank of New Orleans & Trust Co.*, 379 U.S. 441 (1965).

7. Miss. Code Ann. § 81-7-19 (1972).

8. See, e.g., *Fourth Financial Corporation*, 69 FEDERAL RESERVE BULLETIN 95 (1983); *Credit and Commerce American Holdings, N.V.*, 65 FEDERAL RESERVE BULLETIN 254 (1979).

9. The Board's determination that control exists for the purposes of the BHC Act does not compel the Board to find that Applicant would control First Mississippi in a manner inconsistent with Mississippi law. See *Fourth Financial Corporation*, 69 FEDERAL RESERVE BULLETIN 95 (1983), and *Northwest Kansas Banc Shares, Inc.*, 69 FEDERAL RESERVE BULLETIN 98 (1983), in which the Board determined that control existed for purposes of the BHC Act but not for purposes of Kansas banking law.

acquisition of an interest in First Mississippi's subsidiary bank shall not be consummated before the thirtieth calendar day following the effective date of this Order, and neither the banking acquisition nor the nonbanking acquisition shall occur 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 St. Louis, acting pursuant to delegated authority. The determination with respect to Applicant's acquisition of an interest in Continental Leasing Corporation is subject to all of the conditions set forth in Regulation Y, including sections 225.4(d) and 225.23(b) (12 C.F.R. §§ 225.4(d) and 225.23(b)), and to the Board's authority to require such modifications or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and prevent evasions of, the provisions and purposes of the Act and the Board's regulations and orders issued thereunder.

By order of the Board of Governors, effective February 26, 1986.

Voting for this action: Vice Chairman Martin and Governors Wallich, Rice, Seger, Angell, and Johnson. Absent and not voting: Chairman Volcker.

WILLIAM W. WILES
Secretary of the Board

[SEAL]

Citizens and Southern Georgia Corporation Atlanta, Georgia

Order Approving Acquisition of a Bank and Nonbanking Companies

Citizens and Southern Georgia Corporation, Atlanta, Georgia, a bank holding company within the meaning of the Bank Holding Company Act (12 U.S.C. § 1841 *et seq.*) ("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 the successor by merger to The Citizens and Southern Corporation, Columbia, South Carolina ("C&S-South Carolina").¹ As a result of the acquisition, Applicant would acquire indirectly C&S-South Carolina's subsidiary bank, The Citizens and

Southern National Bank of South Carolina, Columbia, South Carolina ("South Carolina Bank").

Applicant has also applied for the Board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. § 225.23) to acquire C&S-South Carolina's nonbanking subsidiaries, all located in Columbia, South Carolina: Carolina Credit Life Insurance Company ("Carolina Life"), a company that engages in underwriting as reinsurer credit life and disability insurance directly related to extensions of credit by South Carolina Bank; Citizens and Southern Systems, Inc. ("C&S Systems"), a company that engages in data processing activities; C&S Financial Services, Inc. ("C&S Financial"), an inactive company that formerly engaged in equipment leasing; and Bank Management Advisory Services, Inc. ("Bank Advisory"), an inactive company that formerly provided management and operations consulting services to non-affiliated banks. These activities have been determined by the Board to be closely related to banking and permissible for bank holding companies under sections 225.25(b)(5), (7), (9), and (11) of Regulation Y (12 C.F.R. § 225.25(b)(5), (7), (9), and (11)). The determination related to the authority of bank holding companies to underwrite credit life and disability insurance in connection with extensions of credit has not been affected by amendments to section 4(c)(8) of the Act limiting the permissible insurance investments of bank holding companies.²

Notice of the applications, affording an opportunity for interested persons to submit comments, has been given in accordance with sections 3 and 4 of the Act (50 *Federal Register* 50,346 (1985)). The time for filing comments 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 and the considerations specified in section 4(c)(8) of the Act.

Applicant is the largest commercial banking organization in Georgia, with six subsidiary banks in Georgia that control aggregate deposits of approximately \$5.4 billion, representing 17.9 percent of the total deposits in commercial banks in Georgia.³ Through its subsidiary, Landmark Banking Corporation of Florida, Applicant is also the sixth largest commercial banking organization in Florida. Its 22 subsidiary banks in Florida control aggregate deposits of approximately \$3.2 billion, representing 4.9 percent of the total deposits in commercial banks in that state. C&S-South Carolina is the second largest commercial banking organization in South Carolina, with one subsidiary bank that holds deposits of approximately \$2.4 billion,

1. Applicant has also applied under section 3(a)(1) of the Act (12 U.S.C. § 1842(a)(1)) for approval for its wholly owned inactive subsidiary, Citizens and Southern Acquisition Corporation, Atlanta, Georgia ("Acquisition Corporation"), to become a bank holding company through merger with C&S-South Carolina. Acquisition Corporation would be the surviving corporation in the merger and would change its name to The Citizens and Southern Corporation.

2. See Garn-St Germain Depository Institutions Act of 1982, Pub. L. No. 97-320, § 601, 96 Stat. 1469, 1536-38 (1982).

3. State banking data are as of December 31, 1984.

representing 22.3 percent of the total deposits in commercial banks in South Carolina.

Section 3(d) of the Act (12 U.S.C. § 1842(d)), the Douglas Amendment, prohibits the Board from approving an application by a bank holding company to acquire control of any bank located outside of the holding company's home state,⁴ unless the acquisition is "specifically authorized by the statute laws of the State in which such bank is located, by language to that effect and not merely by implication." The statute laws of South Carolina authorize the acquisition of a bank or bank holding company in South Carolina by a bank holding company that has its principal place of business in a state within a defined "Southern Region," including Georgia, and that has more than 80 percent of the total deposits held by its bank subsidiaries at bank subsidiaries located within the Southern Region.⁵ Such acquisitions are permitted if the laws of the state in which the acquiring institution has its principal place of business would permit the acquisition of the acquiror bank holding company by the South Carolina bank holding company sought to be acquired.⁶ Applicant is a Southern Region bank holding company under the South Carolina act,⁷ and its principal place of business is in Georgia. Georgia has enacted a similar statute,⁸ which permits the acquisition of a Georgia bank or bank holding company, such as Applicant, by a bank holding company located in South Carolina, such as C&S-South Carolina.

Based on its review of the relevant South Carolina and Georgia statutes, the Board has determined that the Georgia statute and the proposed acquisition satisfy the conditions of the South Carolina regional interstate banking statute and that South Carolina has by statute expressly authorized a Georgia bank holding company, such as Applicant, to acquire a South Carolina bank holding company, such as C&S-South Carolina. Accordingly, the Board concludes that approval of Applicant's proposal to acquire a bank in South Carolina is not barred by the Douglas Amendment.

Applicant's primary subsidiary bank in Georgia, Citizens and Southern National Bank, competes with South Carolina Bank in the Augusta, Georgia, banking market.⁹ Applicant is the second largest of ten commercial banking organizations in the Augusta banking

market, with \$186 million in deposits therein, representing 16.5 percent of the total deposits in commercial banks in the market.¹⁰ C&S-South Carolina is the fourth largest commercial banking organization in the Augusta banking market with \$110.4 million in deposits, representing 9.8 percent of the total deposits in commercial banks in the market. Upon consummation of the proposed acquisition, Applicant would remain the second largest commercial banking organization in the Augusta banking market, and would control 26.4 percent of the total deposits in commercial banks in the market.

The share of deposits held by the four largest commercial banking organizations in the Augusta market is 82.3 percent and would increase to 90.3 percent upon consummation of the proposed transaction. The market's Herfindahl-Hirschman Index ("HHI") is 2513 and would increase 325 points to 2838 upon consummation of the proposed transaction, making this proposal one that would be subject to challenge under the Department of Justice Merger Guidelines.¹¹

Although consummation of the proposed acquisition would eliminate existing competition between Applicant and C&S-South Carolina in the Augusta banking market, numerous other commercial banking organizations would remain as competitors after consummation of the proposal. In addition, the Board has concluded that the effect of this proposal on existing competition is mitigated by the extent of competition offered by thrift institutions in the market.¹²

Five thrift institutions in the Augusta banking market hold 40.1 percent of the total deposits in depository institutions in the market. One of the thrift institutions, Bankers First Federal Savings and Loan Association, Augusta, Georgia ("Bankers First"), is the second largest depository institution in the market with depos-

10. Market deposit data are as of June 30, 1984.

11. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), any market in which the post-merger HHI is above 1800 is considered highly concentrated. In such markets, the Department is likely to challenge any merger that produces an increase in the HHI of more than 50 points unless other factors indicate that the merger will not substantially lessen competition. If the increase in the HHI exceeds 100 points and the HHI substantially exceeds 1800, the Department has indicated that only in extraordinary cases will other factors establish that the merger is not likely substantially to lessen competition. Other factors include the post-merger HHI, the increase in the HHI, changing market conditions, the financial condition of the firm to be acquired, ease of entry, nature of the product, substitute products, similarities in firms that are subject to the transaction, and increased efficiencies that may result from the transaction.

The Department has not advised the Board of any objection to this transaction.

12. The Board has previously determined that thrift institutions have become, or at least have the potential to become, major competitors of banks. *NCNB Corporation*, 70 *FEDERAL RESERVE BULLETIN* 225 (1984); *Sun Banks, Inc.*, 69 *FEDERAL RESERVE BULLETIN* 934 (1983); *First Tennessee National Corporation*, 69 *FEDERAL RESERVE BULLETIN* 298 (1983).

4. A bank holding company's home state is that state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date on which the company became a bank holding company, whichever is later.

5. S.C. Code Ann. § 34-24-30 (Law. Co-op. Supp. 1985).

6. S.C. Code Ann. § 34-24-50(b).

7. All of the deposits of Applicant's bank subsidiaries are held by banks located in states within the Southern Region.

8. Ga. Code Ann. §§ 7-1-620 to 7-1-625 (Supp. 1985).

9. The Augusta banking market is approximated by Richmond and Columbia Counties, Georgia, and Aiken County, South Carolina.

its of \$353.1 million. The fourth and sixth largest depository institutions in the market are also thrift institutions. All of the thrift institutions in the market actively compete with commercial banks in offering transaction accounts and making consumer loans. The record indicates that, as of June 1984, approximately 15 percent of the market's consumer loans were made by thrift institutions. In addition, three of the five thrift institutions are engaged in commercial lending. One of these, Bankers First, has embarked on a program to triple the size of its commercial loan portfolio. On the basis of these facts, the Board considers the presence of thrift institutions to be a significant factor in assessing the competitive effects of this proposal.¹³ Accordingly, in view of the competition provided by thrift institutions, and the number and size of competitors remaining in the market, the Board concludes that consummation of the proposed acquisition is not likely to have a significant adverse effect on competition in the Augusta banking market.

The Board has also examined the effect of Applicant's acquisition of C&S-South Carolina on probable future competition in the relevant geographic markets in light of the Board's proposed guidelines for assessing the competitive effects of market-extension mergers or acquisitions.¹⁴ In view of the existence of numerous other potential entrants from states within the southeastern interstate banking region into each of the markets served by C&S-South Carolina or Applicant, the Board has concluded that consummation of the proposed transaction would not have any significant adverse effects on probable future competition in any relevant market.

With respect to the financial and managerial resources of Applicant and the effect of the proposed transaction, the Board has stated and continues to believe that capital adequacy is an especially important factor in the analysis of bank holding company proposals, and that it will consider the implications of a significant level of intangible assets in evaluating an application.¹⁵ Under its Capital Adequacy Guide-

lines,¹⁶ the Board has stated that, in reviewing acquisition proposals, it will take into consideration both the stated primary capital ratio and the primary capital ratio after deducting intangibles. In acting on applications under the Guidelines, the Board will also take into account the nature and amount of intangible assets and, as appropriate, will adjust capital ratios to include intangible assets on a case-by-case basis.

In its assessment of Applicant's capital, the Board has considered the fact that, at the time of consummation of this proposal, Applicant would meet the minimum capital ratios required under the Board's Guidelines without undue reliance on intangible assets and with no reliance on goodwill. Moreover, Applicant has submitted a capital plan by which it will continue to improve its tangible primary capital ratio and its total capital ratio. Based upon these and other facts of record, the Board concludes that the financial and managerial resources and future prospects of Applicant, C&S-South Carolina, and their respective subsidiary banks are consistent with approval. Considerations relating to the convenience and needs of the communities to be served also are consistent with approval of Applicant's proposal to acquire South Carolina Bank. The Board concludes that banking factors are consistent with approval of this application.

Applicant has also applied, under section 4(c)(8) of the Act, to acquire the nonbanking subsidiaries of C&S-South Carolina: Carolina Life, C&S Systems, C&S Financial, and Bank Advisory.¹⁷ The market shares of C&S-South Carolina's nonbanking subsidiaries are *de minimis*. After consideration of all of the facts of record, the Board concludes that Applicant's acquisition of C&S-South Carolina's nonbanking subsidiaries would not significantly affect competition in any relevant market. Furthermore, there is no evidence in the record to indicate that approval of this proposal would result in undue concentration of resources, unfair competition, conflicts of interests, unsound banking practices, or other adverse effects on the public interest. Accordingly, the Board has determined that the balance of the public interest factors it must consider under section 4(c)(8) of the Act is favorable and consistent with approval of the applications to acquire C&S-South Carolina's nonbanking subsidiaries.

13. If 50 percent of the deposits held by thrift institutions were included in the calculation of market concentration, Applicant would control 12.4 percent of the total deposits in the market and Bank would control 7.4 percent. Consummation of the proposed acquisition would increase the HHI by 182 points to 1783 and would increase the four-firm concentration ratio from 66.1 percent to 73.4 percent.

14. "Proposed Policy Statement of the Board of Governors of the Federal Reserve System for Assessing Competitive Factors Under the Bank Merger Act and the Bank Holding Company Act," 47 *Federal Register* 9017 (1982). Although the proposed policy statement has not been adopted by the Board, the Board has applied the criteria set forth in the proposed policy statement in its analysis of the effects of proposals on probable future competition.

15. See *Citizens Financial Corporation*, 71 *FEDERAL RESERVE BULLETIN* 585 (1985); *Security Banks of Montana*, 71 *FEDERAL RESERVE BULLETIN* 246 (1985).

16. Capital Adequacy Guidelines, 71 *FEDERAL RESERVE BULLETIN* 445 (1985).

17. Both C&S Financial, which was engaged in equipment leasing, and Bank Advisory, which was engaged in management consulting for non-affiliated banks, are currently inactive. C&S Financial, however, continues to receive revenues from leasing contracts entered into before 1983.

Based on the foregoing and other facts of record, the Board has determined that the applications under sections 3 and 4 of the Act should be and hereby are approved. The acquisition of South Carolina Bank shall not be consummated before the thirtieth calendar day following the effective date of this Order, and neither the banking acquisition nor the nonbanking acquisitions shall occur 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 Atlanta, acting pursuant to delegated authority. The determination with respect to Applicant's acquisition of C&S-South Carolina's nonbanking subsidiaries is subject to all of the conditions set forth in Regulation Y, including sections 225.4(d) and 225.23(b) (12 C.F.R. §§ 225.4(d) and 225.23(b)), and to the Board's authority to require such modifications or termination of activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and prevent evasions thereof, the provisions and purposes of the Act and the Board's regulations and orders issued thereunder.

By order of the Board of Governors, effective February 4, 1986.

Voting for this action: Chairman Volcker and Governors Martin, Wallich, and Partee. Governor Wallich abstained from the insurance portion of these applications. Absent and not voting: Governors Rice and Seger.

JAMES MCAFEE

[SEAL]

Associate Secretary of the Board

First Union Corporation
Charlotte, North Carolina

Order Approving Acquisition of a Bank Holding Company and Acquisition of Nonbank Companies

First Union Corporation, Charlotte, North Carolina, a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended (the "Act") (12 U.S.C. §§ 1841 *et seq.*), has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire the successor by merger of Southern Bancorporation, Inc., Greenville, South Carolina ("Southern"), also a bank holding company, and thereby to acquire indirectly Southern Bank and Trust Company, Greenville, South Carolina ("Bank").

Applicant has also applied for the Board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regula-

tion Y (12 C.F.R. § 225.23) to acquire the following nonbank subsidiaries of Southern:

1. World Acceptance Corporation, Greenville, South Carolina ("World"), which engages in making, acquiring, and servicing loans or other extensions of credit as a consumer finance company and acting as agent in the sale of credit life, disability, or involuntary unemployment insurance related to specific extensions of credit and property and casualty insurance related to extensions of credit where such extensions of credit are less than \$10,000. The Board has found these activities to be permissible for bank holding companies under sections 225.25(b)(1) and (8) of Regulation Y. (12 C.F.R. §§ 225.25(b)(1) and (8)). In addition, World's credit related property and casualty insurance activities are closely related to banking under section 4(c)(8)(B) of the Act. (12 U.S.C. § 1843(c)(8)(B)).
2. Southern International Corporation, Charlotte, North Carolina ("Southern International"), a joint venture company formed with Southern National Corporation, Lumberton, North Carolina ("Southern National"), an unaffiliated bank holding company, which engages in lending, data processing, management consulting and international finance activities. The Board has found these activities to be permissible for bank holding companies under sections 225.25(b)(1), (b)(7), and (b)(11) of the Board's Regulation Y.¹ (12 C.F.R. §§ 225.25(b)(1), (b)(7), and (b)(11)).

Notice of these applications, affording opportunity for interested persons to submit comments, has been given in accordance with sections 3 and 4 of the Act (51 *Federal Register* 65 and 4810 (January 2 and February 7, 1986)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors and considerations set forth in sections 3(c) and 4(c)(8) of the Act.² (12 U.S.C. §§ 1842(c) and 1843(c)(8)).

1. The Board also found these activities to be closely related to banking and permissible for bank holding companies by Order approving the applications of Southern and Southern National to acquire Southern International. *Southern Bancorporation, Inc. and Southern National Corporation*, 69 *FEDERAL RESERVE BULLETIN* 224 (1983).

2. The Board received a comment on behalf of the National Association of Life Underwriters and the National Association of Professional Insurance Agents in connection with Applicant's proposed acquisition of World. This comment urges the Board to ensure that World's insurance activities are conducted in accordance with the standards established by section 4(c)(8) of the Act and, in particular, by the Garn-St Germain Depository Institutions Act of 1982. Pub. L. No. 97-320, § 601, 96 Stat. 1469, 1536-38 (codified as 12 U.S.C. § 1843(c)(8))(1982). In this regard, the Board notes that World's insurance activities are authorized by section 4(c)(8)(A) and (B) of the Act.

Applicant is the third largest commercial banking organization in North Carolina, controlling deposits of approximately \$6.2 billion in North Carolina, representing approximately 20 percent of total deposits in commercial banks in the state.³ Applicant also is the sixth largest commercial banking organization in Florida, controlling total deposits of approximately \$3.4 billion in Florida, representing approximately 4.9 percent of total deposits in commercial banks in that state. Southern is the fourth largest commercial banking organization in South Carolina, with total deposits of approximately \$889.2 million, representing approximately 8.1 percent of total deposits in commercial banks in that state.

Section 3(d) of the Act (12 U.S.C. § 1842(d)), the Douglas Amendment, prohibits the Board from approving an application by a bank holding company to acquire control of any bank located outside of the holding company's home state,⁴ unless such acquisition is "specifically authorized by the statute laws of the State in which such bank is located, by language to that effect and not merely by implication." The statute laws of South Carolina authorize the acquisition of a bank or bank holding company in that state by a bank holding company that has its principal place of business in a state within the "Southern Region," including North Carolina, and that has more than 80 percent of the total deposits held by its bank subsidiaries at bank subsidiaries located within the Southern Region.⁵ Such acquisitions are permitted if the laws of the state in which the acquiring institution has its principal place of business would permit the acquisition of the acquiror bank holding company by a South Carolina bank or bank holding company on a reciprocal basis.⁶ Applicant is a Southern Region bank holding company under the South Carolina act,⁷ and its principal place of business is in North Carolina. North Carolina has enacted a similar reciprocal statute,⁸ which permits the acquisition of a North Carolina bank or bank holding company by a bank holding company located in South Carolina.

Based on its review of the relevant South Carolina and North Carolina statutes, the Board has previously determined that the North Carolina statute satisfies the conditions of the South Carolina regional interstate

banking statute and that South Carolina has by statute expressly authorized a North Carolina bank holding company, such as Applicant, to acquire a South Carolina bank, such as Bank.⁹ Accordingly, the Board concludes that approval of Applicant's proposal to acquire a bank in South Carolina is not barred by the Douglas Amendment.

The Board has considered the effects of the proposal upon competition in the relevant banking markets. The proposal involves the combination of two sizeable commercial banking organizations that are among the larger banking organizations in their respective states. However, because Bank and the banking subsidiaries of Applicant operate in different markets in different states, consummation of the proposal would not eliminate significant existing competition in any relevant market.

In view of the existence of numerous other potential entrants from states within the southeastern interstate banking region into each of the markets served by Bank or Applicant, the Board has concluded that consummation of the proposed transaction would not have any significant adverse effects on probable future competition in any relevant market.

The financial and managerial resources and future prospects of Applicant, Southern, and their subsidiaries are considered satisfactory. Considerations relating to the convenience and needs of the communities to be served are also consistent with approval.

Applicant has also applied, pursuant to section 4(c)(8) of the Act, to acquire World and Southern International, nonbank companies that engage in lending, credit insurance, data processing, management consulting and international finance activities. Applicant and its subsidiaries and World and Southern are not major competitors in any relevant market. Accordingly, consummation of the proposed transaction would not have any significant adverse effects on competition, either existing or potential, in any relevant market.

Further, there is no evidence in the record to indicate that approval of Applicant's proposal to acquire World and Southern International would result in undue concentration of resources, unfair competition, conflicts of interests, unsound bank practices or other adverse effects on the public interest. Accordingly, the Board has determined that the balance of the public interest factors it must consider under section 4(c)(8) of the Act is favorable and consistent with approval of the applications to acquire Southern International and World.

3. All banking data are as of September 30, 1985.

4. A bank holding company's home state is that state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date on which the company became a bank holding company, whichever is later. Applicant's home state is North Carolina.

5. S.C. Code Ann. § 34-24-30 (Law. Co-op. Supp. 1984).

6. S.C. Code Ann. § 34-24-50(b).

7. All of the deposits of Applicant's bank subsidiaries are held by banks located in states within the Southern Region.

8. N.C. Gen. Stat. §§ 53-209 *et seq.* (Supp. 1984).

9. See *NCNB Corporation* (Bankers Trust of South Carolina), 72 FEDERAL RESERVE BULLETIN 57 (1986).

Based on the foregoing and other facts of record, the Board has determined that the applications under sections 3 and 4 of the Act should be and hereby are approved. The transactions 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 the Federal Reserve Bank of Richmond, acting pursuant to delegated authority. The determinations with respect to Applicant's acquisition of World and Southern International are subject to all the conditions set forth in Regulation Y, including sections 225.4(d) and 225.23(b) (12 C.F.R. §§ 225.4(d) and 225.23(b)), and to the Board's authority to require such modifications or termination of activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasions thereof.

By order of the Board of Governors, effective February 27, 1986.

Voting for this action: Vice Chairman Martin and Governors Wallich, Rice, Seger, Angell, and Johnson. Governor Wallich abstained from voting on those portions of the proposal that related to insurance. Absent and not voting: Chairman Volcker.

WILLIAM W. WILES
Secretary of the Board

[SEAL]

Fleet Financial Group, Inc.
Providence, Rhode Island

Order Approving Acquisition of Bank Holding Companies

Fleet Financial Group, Inc., Providence, Rhode Island ("Fleet"), a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended (12 U.S.C. § 1841 *et seq.*) ("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 all of the voting shares of First Connecticut Bancorp, Inc., Hartford, Connecticut ("FCB"), also a bank holding company, and thereby to acquire indirectly United Bank and Trust, Hartford, Connecticut; New Britain National Bank, New Britain, Connecticut; Simsbury Bank and Trust Company, Simsbury, Connecticut; and The Independent Bank and Trust Company, Williamantic, Connecticut. Fleet also has applied for the Board's approval under section 3(a)(3) of the Act to acquire all of the voting shares of Merrill Bankshares Company, Bangor, Maine ("Merrill"), also a bank

holding company, and thereby to acquire indirectly Merrill Trust Company, Bangor, Maine, and Merrill Bank, N.A., Farmington, Maine.¹

Fleet also has applied for the Board's prior approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a)(2) of the Board's Regulation Y (12 C.F.R. § 225.23(a)(2)) to engage, through FCB, in providing data processing services to FCB's banking subsidiaries and unaffiliated financial institutions; to acquire FCB's nonbanking subsidiary, Pioneer Credit Corporation, Hartford, Connecticut, a company engaged in acquiring and servicing consumer, residential mortgage and commercial loans and leasing personal property; and to acquire Merrill's direct and indirect nonbanking subsidiaries, Merrill Life Insurance Company ("MLIC"), a company engaged in the reinsuring of credit life and credit accident and disability insurance written in connection with extensions of credit by Merrill's subsidiary banks, and Maine Information Systems, Inc., a company engaged in providing financial, banking and economic data processing services, both of Bangor, Maine.² These activities have been determined by the Board to be closely related to banking and permissible for bank holding companies, 12 C.F.R. §§ 225.25(b)(1), (5), (7), and (9).³

Notice of the applications, affording an opportunity for interested persons to submit comments, has been given in accordance with sections 3 and 4 of the Act. 50 *Federal Register* 41,739. The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) (12 U.S.C. § 1842(c)) and the considerations specified in section 4(c)(8) (12 U.S.C. § 1843(c)(8)) of the Act.

Fleet, with domestic deposits of \$2.5 billion,⁴ is the largest commercial banking organization in Rhode

1. Fleet also has applied for the Board's prior approval under section 3(a)(3) of the Act to acquire and exercise options to acquire up to 32 percent of FCB's shares and up to 37 percent of Merrill's shares. Fleet states that it would exercise these options only in the event third parties attempted to acquire a significant interest in FCB or Merrill prior to consummation of the proposal by Fleet.

2. Fleet intends to continue to conduct the activities of MLIC within Maine, but requests permission to conduct the remaining nonbanking activities nationwide.

3. The Board received a comment on behalf of the National Association of Life Underwriters and the National Association of Professional Insurance Agents in connection with Fleet's proposed acquisition of MLIC. This comment urges the Board to ensure that MLIC's insurance activities are conducted in accordance with the standards established by section 4(c)(8) of the Act and, in particular, by the Garn-St Germain Depository Institutions Act of 1982. Pub. L. No. 97-320, § 601, 96 Stat. 1469, 1536-38 (1982). In this regard, the Board notes that MLIC's insurance activities are authorized by section 4(c)(8)(A) of the Act, and Fleet has committed that it will continue to offer reduced rates for credit insurance through MLIC to customers of Merrill and its subsidiary banks, thus benefiting the consumer. 12 C.F.R. 225.25(b)(9), n.7.

4. Banking data are as of June 30, 1985.

Island, with 27.6 percent of the total deposits controlled by commercial banking organizations in the state.⁵ FCB (deposits of \$1.0 billion) is the sixth largest commercial banking organization in Connecticut, controlling 5.6 percent of commercial bank deposits. Merrill (deposits of \$562.8 million) is the fifth largest commercial banking organization in Maine, controlling 13.4 percent of commercial bank deposits. Following consummation of the proposal, Fleet would remain the sixth largest commercial banking organization in New England.

The Douglas Amendment prohibits the Board from approving an application by a bank holding company to acquire control of any bank located outside of the holding company's home state, unless such acquisition is "specifically authorized by the statute laws of the state in which such bank is located, by language to that effect and not merely by implication."⁶ Based upon its review of the Connecticut and Maine interstate banking statutes,⁷ the Board concludes that Connecticut and Maine have by statute expressly authorized, within the meaning of the Douglas Amendment, a Rhode Island bank holding company, such as Fleet, to acquire a bank or a bank holding company located in those states.⁸

The Board has carefully considered the effects of the proposal upon competition. Fleet and Merrill do not compete in any relevant banking market and thus consummation of this proposal would not eliminate any significant existing competition between these banking organizations.

Fleet and FCB compete in the New London and Hartford, Connecticut, banking markets only.⁹ In the

Hartford market, FCB is the third largest commercial banking organization in the market and controls 11.8 percent of the deposits in commercial banks in the market. Fleet operates a single recently established office in the market that controls less than one percent of the deposits in commercial banks in the market. Although the Hartford banking market is highly concentrated, with a Herfindahl-Hirschman Index ("HHI") of 3125, upon consummation of the proposal, the HHI would increase by less than one point.¹⁰

Fleet is the fourth largest commercial banking organization in the New London Banking market and controls 6.1 percent of the deposits in commercial banks therein. FCB is the fifth largest commercial banking organization in the market and controls 5.5 percent of the deposits in commercial banks therein. Upon consummation of the proposal, Fleet would control 11.7 percent of the deposits in commercial banks in the market and the HHI would increase by 67 points to 2057. Accordingly, consummation of this proposal would not have a significant adverse effect on existing competition in any relevant market.

The Board has also examined the effect of the proposal on probable future competition in the relevant geographic markets and has examined the proposal in light of the Board's probable future competition guidelines. In this regard, there are numerous other potential entrants into each of the markets served by Fleet, FCB and Merrill. After consideration of these factors in light of the specific facts of this case, the Board has concluded that consummation of this proposal would not have any significant adverse effects on probable future competition in any relevant market.

In its evaluation of Fleet's managerial resources, the Board has considered certain violations by Fleet of the Currency and Foreign Transactions Reporting Act ("CFTRA") and the regulations thereunder,¹¹ as well as the indictment of three of Fleet's employees in

5. On July 1, 1985, Fleet opened a *de novo* bank in Massachusetts and a *de novo* bank in Connecticut. The share of state deposits held by each bank is *de minimis*.

6. 12 U.S.C. § 1842(d). A bank holding company's home state is that state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date it became a bank holding company, whichever date is later.

7. 1983 Conn. Acts 411, § 2; Me. Rev. Stat. Ann. tit. 9-B, § 1013 sub. 2 (as amended, February 7, 1984).

8. See *Bank of New England Corporation*, 72 FEDERAL RESERVE BULLETIN 42 (1986) (Maine statute); *Fleet Financial Group, Inc.*, 70 FEDERAL RESERVE BULLETIN 834 (1984) and *Bank of New England Corporation*, 70 FEDERAL RESERVE BULLETIN 374 (1984) (Connecticut statute). The Maine and Connecticut interstate banking statutes require approval by the state before an out-of-state bank holding company may acquire an in-state bank. On November 27, 1985, the Maine Superintendent of Banking approved Fleet's acquisition of Merrill, effective December 27, 1985, and on December 31, 1985, the Connecticut Banking Commissioner approved Fleet's acquisition of FCB.

9. The Hartford banking market includes the Hartford RMA, excluding the Tolland County township of Mansfield and the Windham County township of Windham, and including the Windham County township of Ashford, the Hartford County township of Hartland and the Tolland County township of Union, and the remaining portions of Plymouth and East Haddam not already in the RMA,

all located in Connecticut. The New London banking market includes the New London RMA; the Windham County townships of Canterbury, Plainfield and Sterling; and the New London County townships of Lyme and Voluntown, all in Connecticut; and that portion of Hopkinton, Rhode Island, not already included in the New London RMA.

10. Under the revised Department of Justice Merger Guidelines (49 *Federal Register* 26,823 (1984)), a market in which the post-merger HHI is above 1800 is considered highly concentrated, and the Department is likely to challenge a merger that increases the HHI by 50 points or more unless other factors of record indicate that the merger is not likely substantially to lessen competition. The Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effect) unless the post-merger HHI is at least 1800 and the merger increases the HHI by at least 200 points.

11. 31 U.S.C. § 5311, *et seq.*; 31 C.F.R. § 103.

connection with a Rhode Island grand jury investigation of the Rhode Island Housing and Mortgage Finance Corporation ("RIHMFC").¹²

With regard to the CFTRA violations, the Board notes that Fleet brought these matters to the attention of the appropriate supervisory authorities after the violations were discovered through its internal audit and has cooperated with law enforcement agencies.

Fleet has advised the Board that it has taken numerous steps to prevent reoccurrence of violations of CFTRA, including the following:

- (1) a review of all written procedures with outside counsel to check for completeness and accuracy;
- (2) an extensive internal retraining for bank and branch personnel regarding compliance with the CFTRA;
- (3) a review of its exempt customer list to reduce exempt amounts, remove nonexempt accounts, and tighten procedures for getting names on the list;
- (4) a revision of its procedures for currency-transaction reporting and deposit-account opening;
- (5) the development of a computer program to assist in its compliance effort—the program lists on a printout at operations center all transactions involving a customer (including aggregated multiple transactions) exceeding \$10,000 per day;
- (6) the establishment of follow-up procedures, utilizing the loan-printout data, to check CTR-filing compliance by branch personnel, and;
- (7) improvement in thoroughness and frequency of internal audit functions, with follow-up correction of deficiencies detected by audits.

With respect to the RIHMFC-related indictments, the senior vice president in charge of the mortgage department has been suspended and all three individuals are on leave from Fleet pending the outcome of the investigation. Fleet has cooperated with the appropriate law enforcement and supervisory authorities in the investigation. Fleet also has attempted to assess its relationship with RIHMFC by commissioning outside counsel to conduct a thorough review of Fleet's involvement with RIHMFC. Fleet has made the resulting report available to investigatory authorities and submitted it to the Board in connection with these applications.

Fleet has undertaken a comprehensive remedial program to prevent similar occurrences in the future. In this regard, Fleet has advised the Board that it has:

- (1) appointed a vice president to serve as a mortgage compliance officer for the residential mortgage department, assuming overall compliance responsibility for that area, and assigned a vice president and associate counsel to assist in the performance of these responsibilities;
- (2) reorganized the residential mortgage department, appointing a new department head, a new manager, and creating and filling two new positions of senior underwriter and quality control specialist;
- (3) improved procedures for documenting compliance with RIHMFC policies and requirements;
- (4) expanded the scope of its existing internal audit program to include a compliance review of RIHMFC and other secondary-market-mortgage-loan programs;
- (5) instituted a policy stating that any proposed waivers of RIHMFC guidelines must be discussed with Fleet's legal department and approved in writing by an authorized RIHMFC official;
- (6) advised all Fleet employees that if they or their relatives wish to obtain RIHMFC loans they must do so through another bank; and,
- (7) repurchased 39 RIHMFC mortgages which were processed by Fleet and determined to be improper by RIHMFC officials.

The sufficiency of the compliance procedures adopted to address both matters, and their efficacy in correcting the deficiencies have been reviewed by OCC examiners. The Board has also consulted with appropriate enforcement agencies with respect to both matters, and has considered Fleet's past record of compliance with the law.

For the foregoing reasons, and based upon a review of all of the facts of record, the Board concludes that the managerial resources of Fleet, FCB and Merrill are consistent with approval. The Board also finds that the financial resources and future prospects of Fleet, FCB and Merrill are consistent with approval of the applications.

The Board has considered the convenience and needs of the communities to be served. Although Fleet, FCB and Merrill each offer their customers a full range of banking services, consummation of this proposal would enable Fleet to expand and improve the banking services presently offered by Fleet, FCB and Merrill, through both geographic and product expansion. Geographic expansion would occur with Fleet's proposed extension of Merrill's branching network into southern Maine, as well as through the improved access of Fleet, FCB and Merrill customers to banking services throughout the New England region. Product expansion would occur as the customers of FCB and Merrill gain access to banking services

12. RIHMFC is a quasi-state agency that sells tax exempt bonds to finance low-interest-rate mortgages for home buyers in low- and middle-income brackets. On February 19, 1985, the Attorney General of the State of Rhode Island announced an investigation, which is still underway, of RIHMFC.

previously only available to Fleet's customers. Accordingly, considerations relating to the convenience and needs of the communities to be served weigh in favor of approval.¹³

Fleet has also applied, pursuant to section 4(c)(8) of the Act, to acquire subsidiaries (or activities) of FCB and Merrill engaged in data processing, consumer and commercial finance, mortgage lending, personal property leasing, and credit reinsurance. This proposal would eliminate a small amount of existing competition in that a nonbank subsidiary of Fleet, Fleet Information, Inc. ("FII") competes with FCB in the provision of data processing services. The relevant geographic market for data processing services is an area with a radius of at least 100–150 miles. FII is located in Providence, Rhode Island, while FCB's data processing operation is located in Hartford, Connecticut; thus, the relevant geographic market would include all of Rhode Island and Connecticut and most of Massachusetts. Within this area, there are several hundred other providers of data processing services, and FII and FCB have very small market shares. Accordingly, this proposal would have no significant effect on competition in any relevant market.

After consideration of the above and other facts of record, the Board concludes that Fleet's acquisition of FCB and Merrill's nonbanking activities and subsidiaries would not significantly affect competition in any relevant market. Furthermore, there is no evidence in the record to indicate that approval of this proposal would result in undue concentration of resources, unfair competition, conflicts of interests, unsound banking practices, or other adverse effects on the public interest. Accordingly, the Board has determined that the balance of the public interest factors it must consider under section 4(c)(8) of the Act is favorable and consistent with approval of the applications to acquire FCB's and Merrill's nonbanking activities and subsidiaries.

Based on the foregoing and other facts of record, the Board has determined that the applications under sections 3 and 4 of the Act should be and hereby are

approved. The acquisition of FCB's and Merrill's subsidiary banks shall not be consummated before the thirtieth calendar day following the effective date of this Order and neither the banking acquisition nor the nonbanking acquisitions shall occur later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Boston, acting pursuant to delegated authority. The determination with respect to Fleet's acquisition of FCB's and Merrill's nonbanking activities and subsidiaries is subject to all of the conditions set forth in Regulation Y, including sections 225.4(d) and 225.23(b) (12 C.F.R. §§ 225.4(d) and 225.23(b)), and to the Board's authority to require such modifications or termination of activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

By order of the Board of Governors, effective February 14, 1986.

Voting for this action: Chairman Volcker and Governors Martin, Wallich, Rice, Seger, Angell, and Johnson.

JAMES MCAFEE

[SEAL]

Associate Secretary of the Board

General Bancshares Corporation
St. Louis, Missouri

Order Approving Applications to Merge With a Bank Holding Company and Acquire its Bank and Nonbank Subsidiaries

General Bancshares Corporation ("Applicant" or "General"), St. Louis, Missouri, a bank holding company within the meaning of the Bank Holding Company Act of 1956 ("Act"), 12 U.S.C. § 1841 *et seq.*, has applied for the Board's approval under section 3(a)(5) of the Act, 12 U.S.C. § 1842(a)(5), to merge with Boatmen's Bancshares, Inc., St. Louis, Missouri, a bank holding company under the Act, and thereby indirectly acquire Boatmen's subsidiary banks. Applicant also has applied under section 4(c)(8) of the Act, 12 U.S.C. § 1843(c)(8), and section 225.23 of the Board's Regulation Y, 12 C.F.R. § 225.23, to acquire indirectly Boatmen's Life Insurance Company ("Boatmen's Life"), St. Louis, Missouri, and Missouri Mortgage and Investment Company ("Missouri Mortgage"), St. Louis, Missouri. Boatmen's Life underwrites credit life, credit accident and credit health insurance. Missouri Mortgage makes, acquires and

13. In connection with these applications, the Board received protests from the Citizens' Research Education Network ("CREN"), Citizens for Action in New Britain ("CANB"), and the Providence Human Relations Commission ("PHRC") challenging the CRA records of two subsidiaries of FCB (United Bank and Trust ("UBT") and New Britain National Bank ("NBNB")) and of Fleet. CREN, CANB and PHRC withdrew their protests on January 13, and 16, and February 11, 1986, respectively, following meetings with UBT, NBNB and Fleet, acceptance of specific undertakings by these banking organizations designed to meet the concerns expressed by the community groups, and assurances by Fleet that the convenience and needs of low- and moderate-income and minority persons will be served by the institution resulting from this transaction.

services mortgage loans for its own account and for the account of others.

Notice of the applications, affording an opportunity for interested persons to submit comments, has been given in accordance with sections 3 and 4 of the Act, 50 *Federal Register* 38,715 (1985). The time for filing comments 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), and the considerations specified in section 4(c)(8) of the Act, 12 U.S.C. § 1843(c)(8).

General, with consolidated assets of \$2.1 billion¹ and total deposits of \$1.7 billion,² controls two banks in Missouri, nine banks in Illinois, and one bank in Tennessee. General is permitted under the Bank Holding Company Act to retain its banks in Illinois and Tennessee because they were acquired by General prior to the enactment of the Douglas Amendment and are thus grandfathered for General. Moreover, legislation in Illinois and Tennessee permits General to retain its banks in those states and to acquire other banks based upon the fact that General has owned banks in those states for many years.

Boatmen's, with consolidated assets of \$7.1 billion³ and total deposits of \$4.6 billion,⁴ is the largest commercial banking organization in Missouri. Boatmen's is three times larger than General in terms of assets and almost three times as large in terms of deposits. Boatmen's controls 39 banks, all located in Missouri.

The proposed General/Boatmen's merger is structured as a merger of Boatmen's into General. Upon consummation, General will be the surviving company and Boatmen's would cease to exist.⁵ To effect the merger, the outstanding shares of Boatmen's stock would be converted into shares of the resulting corporation. General's outstanding shares will also be converted into new shares of the surviving corporation. The present shareholders of General would receive approximately 30 percent of the shares of the resulting corporation while the present shareholders of Boatmen's would receive approximately 70 percent of the shares of the resulting corporation. The name of General would be changed to Boatmen's Bancshares,

Inc. The board of directors of the resulting corporation would be comprised of 25 members: all 20 of Boatmen's present directors and five of General's 13 former directors. The individual who is the current chairman and chief executive officer of General will retire, and he will be replaced by individuals who are currently the respective chairman of the board and president of Boatmen's. General also will replace its corporate by-laws with those of Boatmen's. Finally, the current shareholders of General will receive a premium for their shares of General; the shareholders of Boatmen's will receive no premium.

The issue raised by this case is whether, for purposes of applying the Douglas Amendment, the transaction, although structured as the acquisition by General of Boatmen's, is in substance the acquisition by Boatmen's—the much larger organization—of General and, if so, whether Board approval for the transaction would be barred by the Douglas Amendment because the proposal involves the acquisition by Boatmen's of banks outside of Missouri, Boatmen's home state.

The Douglas Amendment generally prohibits Board approval of an application by a bank holding company to acquire a bank located outside the holding company's home state,⁶ unless the state where the target bank is located has specifically authorized the acquisition.⁷ The home state for both Boatmen's and General is Missouri. As a result, the Douglas Amendment would not prohibit General from acquiring each of Boatmen's 39 subsidiary banks, which are located in General's home state of Missouri. Similarly, the Douglas Amendment would not bar Boatmen's acquisition of General's two subsidiary banks in Missouri. The Douglas Amendment would, however, bar Board approval of Boatmen's acquisition of banks in Illinois and Tennessee (because these banks are outside of Boatmen's home state) unless Illinois and Tennessee have consented specifically and by statute to the acquisition.

1. As of September 30, 1985.

2. As of September 30, 1985.

3. As of December 31, 1985.

4. As of September 30, 1985.

5. Specifically, the merger will be effected by converting each share of Boatmen's common and preferred stock into a share of the common and preferred stock of the surviving corporation. Each share of General's preferred stock will be converted into one share of preferred stock of the surviving corporation. Each share of General's common stock will be converted into between 1.75 to 2.0 shares of the common stock of the resulting corporation. The exchange ratio is based upon the average value of Boatmen's common stock for a period beginning 20 days prior to the third day before the transaction closes.

6. A bank holding company's home state for purposes of the Douglas Amendment is that state in which the total deposits of its banking subsidiaries was largest on July 1, 1966, or on the date it became a bank holding company, whichever date is later. 12 U.S.C. § 1842(d).

7. The Douglas Amendment provides:

Notwithstanding any other provision of this section, no application . . . shall be approved under this section which will permit any bank holding company or any subsidiary thereof to acquire, directly or indirectly, any voting shares of, interest in, or all or substantially all of the assets of any additional bank located outside of the [holding company's home] State . . . unless the acquisition of such shares or assets of a State bank by an out-of-State bank holding company is specifically authorized by statute laws of the State in which such bank is located, by language to that effect and not merely by implication.

12 U.S.C. § 1842(d).

It appears that in light of the requirements of the Douglas Amendment and in order to preserve General's grandfather rights to maintain ownership of banks in Illinois and Tennessee as well as Missouri, the proposed transaction has been structured as the acquisition by General of Boatmen's rather than as a direct acquisition by Boatmen's of General.

Applicant contends that because the transaction is structured as an acquisition by General of Boatmen's—all of whose subsidiary banks are in General's home state of Missouri and thus eligible for acquisition by General—the proposed transaction is not prohibited by the literal terms of the Douglas Amendment. In other words, Applicant argues that the Board should look only to the form of the transaction as structured by the parties.

In 1984, the Board considered and rejected a similar contention in *Seattle Bancorporation*.⁸ There, the Board concluded that where the form of a merger of bank holding companies disguised an attempt to evade the Douglas Amendment, the Board would look through the form of the transaction to its substance in order to give effect to the purpose of the Act to maintain state control over the acquisition of banks in the state by out-of-state bank holding companies. In that case, Seattle Bancorp, a Washington bank holding company with \$45 million in assets, applied to acquire by a so-called "reverse triangular merger" Alaska Pacific Bancorp, an Alaskan bank holding company with \$410 million in assets. As in this case, the pre-merger shareholders of the larger Alaska Pacific would control the overwhelming majority of the resulting organization's shares; the surviving organization's directors and senior management would be made up predominately of Alaska Pacific personnel; and the Seattle Bancorp shareholders would receive a premium for their shares.

At that time, Alaska by statute permitted the acquisition of banks in that state by any out-of-state bank holding company, while Washington had not authorized out-of-state bank holding companies to acquire Washington banks. Thus, approval of the application was permitted by the Douglas Amendment if Seattle Bancorp was the acquiror, but was barred if Alaska Pacific was the acquiror. The Washington Banking Commissioner urged the Board to deny the acquisition as barred by the Douglas Amendment.

The Board concluded that Alaska Pacific was the actual acquiror—despite the form of the transaction—and that the transaction was therefore barred by the Douglas Amendment. The Board was concerned that approval of the proposed "reverse merger" transaction would create a substantial precedent for allowing

a bank holding company to assume the corporate identity of another bank holding company as a means to expand its banking operations into other states without the specific authorization of the states as required by the Douglas Amendment.

The *Seattle* decision stands for the proposition that where the facts show clearly that a bank holding company merger has been arranged to evade the Douglas Amendment and that the purported acquiree organization is in fact the acquiror, the Board will look to the substance of the proposal in order to give effect to the mandate of the Douglas Amendment that the individual states should control their banking structure and must affirmatively consent by statute to bank acquisitions by out-of-state bank holding companies.

The facts in this case are in many ways similar to those in the *Seattle* case. As noted, Boatmen's has about three times the deposits and assets of General; General, the surviving corporation will issue new shares to its own shareholders as well as those of the ostensible acquired organization; the shareholders of General will own only 30 percent of the resulting corporation and will receive a premium for their shares; the board of directors of the survivor will be made up predominately of Boatmen's directors; the chief executive of General will be replaced by Boatmen's executives; and General's name and corporate by-laws will be replaced with those of Boatmen's. In sum, the corporate identity of General will be replaced by that of Boatmen's in every material respect.⁹

The Board notes, however, that—unlike the situation in *Seattle*—both Illinois and Tennessee have enacted statutes that by their express terms permit out-of-state bank holding companies that owned banks in the state before a given date to retain ownership of those banks and to expand by the acquisition of additional banks in Illinois and by merger in Tennessee.¹⁰ It appears that these statutes are intended to provide grandfather rights to General to continue to operate in those states based upon its longstanding presence in the states.

Moreover, the banking commissioners of both Illinois and Tennessee have advised the Board that the proposed transaction does not conflict with the laws of those states. The Illinois Banking Commissioner has

8. 70 FEDERAL RESERVE BULLETIN 667 (1984).

9. If the merger were viewed as the creation of a new bank holding company, the Douglas Amendment would bar Board approval because of the absence of the required statutory consent by the states of Illinois and Tennessee. See *SunTrust Banks, Inc.*, 71 FEDERAL RESERVE BULLETIN 176 (1985); *Credit and Commerce American Holdings, N.V.*, 65 FEDERAL RESERVE BULLETIN 254 (1979).

10. Ill. Sen. Bill No. 525 (to be codified at Ill. Rev. Stat. ch. 17, ¶ 2510, § 3.07(a)(2)); Tenn. Code Ann. § 45-12-105(d) (Supp. 1985).

advised the Board that General, as the survivor of the General/Boatmen's merger, would be authorized to retain and acquire banks in Illinois and that the merger would not jeopardize General's unique existing franchise in Illinois.¹¹

These provisions of Illinois and Tennessee law suggest, along with other facts of record, that the proposal is not inconsistent with the purpose of the Douglas Amendment to maintain state control over banking structure with respect to entry by out-of-state bank holding companies. In this case, the merger will not change the existing banking structure in Illinois and Tennessee, and thus the interests of Illinois and Tennessee to control their banking structures are not impaired by the proposal. Both states have clearly and unequivocally authorized a Missouri bank holding company to acquire additional banks—a factor that the Board views as critical to its decision in this case. As far as either state is concerned, there continues to be only a single Missouri bank holding company that is authorized to operate in these states and that Missouri bank holding company has no greater rights after the merger than before the merger. The only difference is that the survivor is a larger organization with more subsidiary banks in Missouri—a fact situation that has no relevance to Illinois and Tennessee under the Douglas Amendment. Under the Douglas Amendment, as well as Illinois and Tennessee law, there is no limit on the size or the number of banks that the grandfathered Missouri bank holding company may own or acquire in its home state of Missouri.

On the basis of these considerations, the Board believes that the present proposal is distinguishable from the *Seattle* case. The *Seattle* case involved a proposal that clearly impaired state authority in contravention of the purpose of the Douglas Amendment. In *Seattle*, an Alaska bank holding company attempted to shift its home state from Alaska to Washington in order to acquire banks in Washington, a transaction

not authorized in any manner by Washington law.¹² In this case, there is no shift in home state and importantly, unlike the situation in *Seattle*, no additional out-of-state bank holding company would enter Illinois or Tennessee and the existing multi-state bank holding company would not expand into additional states.

On the basis of the foregoing considerations, relating to the consistency of the proposal with the Douglas Amendment, the Board has determined that it is not required, and that it would not be appropriate, to look beyond the form of the transaction in this case in order to give effect to the rights granted by the Douglas Amendment to the individual states to control entry by out-of-state bank holding companies.¹³ Accordingly, the Board has determined to treat General as the surviving corporation, and on this basis concludes that approval of the proposal is not barred by the Douglas Amendment.

The Board's reliance in this case on the purpose of the Douglas Amendment is consistent with the Board's decision in *Credit and Commerce American Holdings, N.V.*¹⁴ There, the Board approved applications by two shell companies to acquire an existing multi-state bank holding company that, like General, was authorized by the Douglas Amendment to retain banks outside of its home state. The Board stated that approval for the acquisition was consistent with the purpose of the Douglas Amendment of preventing the formation of additional multi-state bank holding companies and limiting their expansion without state approval, noting that no new multi-state bank holding company was created and no additional banks were added to the grandfathered system. In other words, as in the case here, no additional out-of-state bank holding company would be entering any state without state authority.

In addition to its evaluation of the application under the Douglas Amendment, the Board is required to consider the competitive, financial, managerial and convenience and needs effects of the proposal. General is the tenth largest commercial banking organization in Missouri, controlling 1.6 percent of the total deposits in commercial banks in that state.¹⁵ Boatmen's is

11. While these provisions of Illinois and Tennessee law clearly authorize General to retain its banks in those states, they do not provide the express statutory authorization required by the Douglas Amendment for Boatmen's to acquire these banks. Under the Douglas Amendment, the state consent required for entry by an out-of-state bank holding company must be by statute "by language to that effect and not merely by implication." The Illinois and Tennessee statutes do not by their terms authorize Boatmen's, or any Missouri bank holding company other than General, to acquire or retain banks in those states. Similarly, because of the requirement of the Douglas Amendment for specific state statutory authorization, the expressions of opinion by the Illinois and Tennessee banking authorities as to the permissibility of the merger are not conclusive. See *First Bank System, Inc.*, 70 FEDERAL RESERVE BULLETIN 771 (1984). As the Board has previously noted, the requirement of the Douglas Amendment for specific state statutory authorization reflects Congressional concern that "the states make a deliberate and express decision with respect to interstate banking." *Bank of New York Company, Inc.*, 70 FEDERAL RESERVE BULLETIN 527, 528 (1984).

12. As the Board noted in *Seattle*, the legislative history of the Douglas Amendment indicates that the home state test in the Act was intended to ensure that a bank holding company could not avoid the Douglas Amendment by shifting its home state. Senate Committee on Banking and Currency, 89th Cong., 1st Sess., *Amendments to the Bank Holding Company Act of 1956: Analyses of S.2353, S.2418, and H.R.7371 and Comparative Print Showing Changes in Existing Law*, 11-12 (1965).

13. In the absence of a finding of evasion of the Act, the Board need not exercise its discretion under section 5(b) of the Act. See *Seattle Bancorporation*, 70 FEDERAL RESERVE BULLETIN 667, 669 n.10.

14. 65 FEDERAL RESERVE BULLETIN 254 (1979).

15. As of December 31, 1984.

the largest commercial banking organization in Missouri, controlling 13.7 percent of the total deposits in commercial banks in Missouri.

Upon consummation of the proposal, Applicant would control 15.3 percent of total deposits in commercial banks in Missouri. In light of the fact that Missouri is relatively unconcentrated in terms of banking deposits, and the small increase in the level of concentration resulting from the merger, the Board concludes that consummation of the proposal would not have a significant adverse effect on the concentration of banking resources in Missouri. Consummation of the proposal would not have a significant adverse effect on the concentration of banking resources in Illinois and Tennessee because Boatmen's does not control any banking subsidiaries in those states.

Applicant and Boatmen's compete in the St. Louis banking market.¹⁶ Applicant is the sixth largest of 60 commercial banking organizations in the market. It controls total deposits of \$754.9 million, which represents 4.5 percent of the total deposits in commercial banks in the market.¹⁷ Boatmen's is the third largest commercial banking organization in the St. Louis banking market. It controls total deposits of \$2.2 billion, which represents 13.1 percent of the total deposits in commercial banks in the market. Upon consummation of the proposal, Applicant would become the second largest banking organization in the market, controlling approximately 17.6 percent of the total deposits in commercial banks in the market. The St. Louis banking market is relatively unconcentrated, with the four largest commercial banking organizations in the market controlling 55.1 percent of deposits in banks in the market. This percentage would increase to 59.6 upon consummation of the proposal, and the Herfindahl-Hirschman Index ("HHI") would increase by 118 points, from 879 to 997.¹⁸ Upon consummation of the proposal, 59 commercial banking organizations would continue to operate in the St. Louis banking market. Moreover, the Board notes that there are 47 thrifts operating in the market, which control 37.1 percent of the total deposits in depository institutions in the market.¹⁹ Based upon the above and

all of the facts of record, the Board concludes that consummation of the proposal would not have a significant adverse effect on existing competition in the St. Louis banking market or in any other relevant market.

The Board has also considered the effect of this proposal upon probable future competition. There are 19 banking markets in Missouri in which Boatmen's competes, but in which Applicant has no presence. Based upon the number of potential entrants into these markets, the concentration levels in the markets and other facts of record, the Board concludes that consummation of the proposal would not have any significant adverse effects upon probable future competition in these or any other banking market in Missouri. There are six markets in Illinois and three markets in Tennessee in which Applicant operates, but in which Boatmen's has no presence. Consummation of the proposal would not have any adverse effect on probable future competition in these banking markets because Boatmen's is not a potential entrant therein, in view of the interstate banking limitations of the Douglas Amendment.

The financial and managerial resources of Applicant, Boatmen's and their subsidiary banks are satisfactory and consistent with approval of the applications. Considerations related to the convenience and needs of the community to be served also are consistent with approval.²⁰

Applicant also has applied under section 4(c)(8) of the Act to acquire Boatmen's Life and Missouri Mortgage. Boatmen's Life acts as a reinsurance underwriter with respect to life, accident and health insurance extended in connection with extensions of credit by Boatmen's subsidiary banks. Missouri Mortgage makes, acquires or services mortgage loans for its own account and for the account of others. The Board has previously determined that these activities are closely related to banking and permissible for bank holding companies. 12 C.F.R. §§ 225.25(b)(1) and (9).

Consummation of this proposal will not result in any adverse effects. With respect to existing competition, Applicant does not underwrite credit life and disability

16. The St. Louis banking market is approximated by the St. Louis Ranally Metro Area, adjusted to include all of St. Charles and Jefferson Counties, Missouri, and all of Lebanon and Mascoutah Townships in St. Clair County, Illinois.

17. As of December 31, 1984, and reflecting known mergers and holding company acquisitions approved as of August 31, 1985.

18. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), any market in which the post-merger HHI is below 1000 is considered to be unconcentrated. The Justice Department is not likely to challenge such a merger except in extraordinary circumstances.

19. The Board has previously determined that thrift institutions have become, or at least have the potential to become, major competitors of banks. *E.g.*, *Louisiana Bancshares, Inc.*, 72 FEDERAL

RESERVE BULLETIN 154 (1986); *NCNB Corporation, Inc.*, 70 FEDERAL RESERVE BULLETIN 225 (1984). If 50 percent of the deposits held by thrift institutions were included in the calculation of market concentration for the St. Louis banking market, the HHI would increase by 71 points from 576 to 647. The percentage of deposits held by the four largest firms in the market would increase from 42.5 to 46.0.

20. In connection with these applications, the Board received a protest from the Association of Community Organizations for Reform Now ("ACORN") challenging the Community Reinvestment Act records of the subsidiary banks of Boatmen's. ACORN withdrew its protest, following meetings with representatives of Boatmen's and Applicant, and its acceptance of specific undertakings by these banking organizations designed to meet the concerns expressed by this community group.

insurance. Moreover, Applicant does not engage directly in any mortgage banking activities. One of Applicant's banking subsidiaries in the St. Louis banking market has previously originated and serviced loans for third party investors, but did not originate any such mortgage loans in the St. Louis banking market during 1984. Accordingly, consummation of the proposal would not eliminate any existing competition in any relevant market. There is no evidence in the record that consummation of the proposal would result in other adverse effects, such as unsound banking practices, unfair competition, conflicts of interest, or an undue concentration of resources.

Consummation of the proposal may be expected to result in public benefits since the rates for credit-related insurance sold by Applicant's present subsidiary banks will be reduced. Applicant's acquisition of Missouri Mortgage will provide a convenient source of mortgage banking services to Applicant's customers and would continue as a source to Boatmen's customers. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the Act is favorable and consistent with approval of the applications by Applicant to acquire Boatmen's Life and Missouri Mortgage.

Based upon the foregoing and other facts of record, the Board has determined that the applications under sections 3 and 4 of the Act should be, and hereby are, approved. The proposal 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 St. Louis, pursuant to delegated authority. The determination as to Applicant's nonbanking activities is subject to the conditions set forth in sections 225.4(d) and 225.23(b)(3) of Regulation Y, 12 C.F.R. §§ 225.4(d) and 225.23(b)(3), and the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

By order of the Board of Governors, effective February 27, 1986.

Voting for this action: Vice Chairman Martin and Governors Wallich, Rice, Seger, and Johnson. Voting against this action: Governor Angell. Governor Wallich abstained from the insurance portion of this action. Absent and not voting: Chairman Volcker.

WILLIAM W. WILES
Secretary of the Board

[SEAL]

Dissenting Statement of Governor Angell

I dissent from the Board's action in this case. I believe that Board approval of the proposal is barred by the Douglas Amendment to the Bank Holding Company Act.

The Douglas Amendment represents a clear Congressional reservation to the individual states of the right to control acquisitions of banks within their borders by out-of-state bank holding companies. That reservation is expressed in the directive that the Board not approve interstate banking acquisitions unless they are specifically authorized by the state in which the bank to be acquired is located by statute "by language to that effect and not merely by implication." 12 U.S.C. § 1842(d). The Board has stated that this requirement for specific state statutory authorization reflects Congressional concern that "the states make a deliberate and express decision with respect to interstate banking." *Bank of New York Company, Inc.*, 70 FEDERAL RESERVE BULLETIN 527, 528 (1984).

I agree with the conclusion of the majority of the Board that the facts of this case are similar to those in the *Seattle* case. In my view, they demonstrate that, in substance, Boatmen's is acquiring General. Thus, under the terms of the Douglas Amendment and the Board's *Seattle* precedent, Board approval of the proposal is barred without the requisite statutory authorization by Illinois and Tennessee. As the majority recognizes, the provisions of Illinois and Tennessee law and the opinions of the banking commissioners of Illinois and Tennessee with regard to the consistency of the proposal with these statutes do not satisfy the requirement of the Douglas Amendment for an express statutory authorization by language to that effect and not merely by implication.

In my view, the clearest expression of the policies of the States of Illinois and Tennessee with regard to this transaction is reflected in the regional reciprocal legislation recently adopted by each state. Under those statutes the acquisition of a bank in those states by a Missouri bank holding company (other than General) is prohibited unless the State of Missouri provides reciprocal treatment for the acquisition of banks in Missouri by Illinois and Tennessee bank holding companies. Missouri has not adopted such reciprocal legislation, and thus under the terms of the Illinois and Tennessee statutes, Boatmen's may not acquire banks in these states.

For these reasons, I would deny the applications.

February 27, 1986

Hartford National Corporation Hartford, Connecticut

Order Approving Acquisition of a Bank and Nonbank Subsidiary and Engaging De Novo in Insurance Activities

Hartford National Corporation, Hartford, Connecticut, a bank holding company within the meaning of the Bank Holding Company Act ("Act") (12 U.S.C. § 1841 *et seq.*), has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire The Provident Institution for Savings in the Town of Boston, Boston, Massachusetts ("Provident"), a state-chartered stock savings bank which is insured by the Federal Deposit Insurance Corporation.¹

Hartford also has applied for the Board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a)(2) of the Board's Regulation Y, to indirectly acquire Provident's non-banking subsidiary, Provident Financial Services, Inc., Boston, Massachusetts ("PFSI"), a company engaged in residential mortgage banking activities, and to engage *de novo*, through PFSI, in acting as insurance agent or broker with respect to insurance directly related to extensions of credit by Hartford's subsidiary banks.² These activities have been determined by the Board to be closely related to banking and permissible for bank holding companies, 12 C.F.R. §§ 225.25(b)(1) and (8)(i).

Notice of these applications, affording an opportunity for interested persons to submit comments, has been given in accordance with sections 3 and 4 of the Act (51 *Federal Register* 66 (January 2, 1986)). The time for filing comments has expired and the Board has considered the applications and all comments received in light of the factors set forth in section 3(c) (12 U.S.C. § 1842(c)) and the considerations specified in section 4(c)(8) (12 U.S.C. § 1843(c)(8)) of the Act.

Hartford, the second largest commercial banking organization in Connecticut, with total deposits of \$5.9

billion, controls three banking subsidiaries: Connecticut National Bank, Hartford, Connecticut ("CNB") (deposits of \$4.9 billion); The Seymour Trust Company, Seymour, Connecticut ("Seymour") (deposits of \$68.8 million); and Arlington Trust Company, Lawrence, Massachusetts ("Arlington") (deposits of \$922.6 million).³ Hartford seeks to acquire Provident,⁴ which is the 11th largest depository institution in Massachusetts, controlling deposits of approximately \$942.5 million, representing approximately 1.3 percent of total deposits in depository institutions in the state.

Upon consummation of this proposal, Hartford would remain the second largest commercial banking organization in Connecticut and would become the sixth largest depository institution in Massachusetts, controlling approximately 2.5 percent of total deposits in depository institutions in Massachusetts. Consummation of this proposal would not result in a significant increase in the concentration of banking resources in Connecticut or Massachusetts.

Section 3(d) of the Act (12 U.S.C. § 1842(d)), the Douglas Amendment, prohibits the Board from approving an application by a bank holding company to acquire control of any bank located outside of the bank's home state, unless such acquisition is "specifically authorized by the statute laws of the state in which such bank is located, by language to that effect and not merely by implication."⁵ The Board has previously determined, based upon its review of the Massachusetts and Connecticut interstate banking statutes,⁶ that Massachusetts has by statute expressly authorized, within the meaning of the Douglas Amendment, a Connecticut bank holding company, such as Hartford, to acquire a bank located in Massachusetts.

Hartford and Provident both compete in the Boston banking market,⁷ the largest and least concentrated of the banking markets in Massachusetts, with the four

3. State deposit data are as of September 30, 1985. All market deposit data are as of June 30, 1984.

4. In connection with this application, Hartford has committed to divest its interests in Provident's direct and indirect subsidiaries, Provident Capital Corporation, and George K. Darling & Associates, Inc., respectively, within two years of consummation.

5. 12 U.S.C. § 1842(d). A bank holding company's home state is that state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date it became a bank holding company, whichever date is later.

6. Mass. Ann. Laws Ch. 167A, § 2; 1983 Conn. Acts 411, § 2; *Hartford National Corporation*, 70 *FEDERAL RESERVE BULLETIN* 353 (1984).

7. The Boston banking market consists of the Boston RMA, minus the New Hampshire towns of Brentwood, Chester and Derry, plus the Massachusetts towns of Ayre, Berlin, Groton, Harvard, Pepperell, and Shirley, and those portions of Bellingham, Carver, Lakeville, Middleborough and Plymouth not already included in the RMA.

1. The Board has previously determined that state-chartered stock savings banks, which are not covered by the exemption created by the Garn-St Germain Depository Institutions Deregulation Act of 1982 for thrift institutions insured by the Federal Savings and Loan Insurance Corporation ("FSLIC"), and which accept demand deposits and engage in the business of making commercial loans, are within the definition of "bank" contained in section 2(c) of the Act. Provident accepts demand deposits and NOW accounts and engages in the business of making commercial loans and its deposits are not insured by FSLIC. Accordingly, Provident is a "bank" for purposes of the Act. The application has therefore been considered in light of the requirements of section 3 of the Act pertaining to the acquisition of banks.

2. Hartford requests permission to conduct PFSI's mortgage banking and insurance activities nationwide.

largest banking organizations controlling 32.6 percent of the total deposits in depository institutions in the market. Applicant is the 10th largest of 260 banking organizations in the Boston banking market, controlling 1.6 percent of total deposits in depository institutions in the market. Provident is the ninth largest depository institution in the Boston banking market, controlling 1.8 percent of total deposits in depository institutions in the market. Upon consummation of this proposal, Hartford would become the sixth largest banking organization in the Boston banking market, controlling 3.4 percent of total deposits in depository institutions in the market. The Herfindahl-Hirschman Index is 362 and would increase by 6 points to 368 upon consummation of this proposal. In view of the small amount of existing competition that would be eliminated as a result of this proposal, consummation of this proposal would not have a significant effect on existing competition in this market.

The Board has also examined the effect of the proposed acquisition upon probable future competition in the banking markets in which either Applicant or Bank, but not both, now compete. In view of the fact that there are numerous potential entrants from the New England region into each of these markets, the Board has concluded that consummation of this proposal would not have any significant adverse effects on probable future competition in any relevant market. Competitive considerations are therefore consistent with approval of this application.

In its evaluation of Hartford's managerial resources, the Board has considered certain violations by Hartford of the Currency and Foreign Transactions Reporting Act ("CFTRA") and the regulations thereunder,⁸ as well as the indictment of Hartford's former branch manager on criminal charges. With regard to the CFTRA violations, the Board notes that Hartford brought these matters to the attention of the appropriate supervisory authorities after the violations were discovered through its internal audit and has cooperated with law enforcement agencies.

Hartford has undertaken a comprehensive remedial program to prevent similar occurrences in the future. In this regard, Hartford has advised the Board that CNB has:

- (1) centralized overall responsibility for compliance review and management of exempt lists;
- (2) designated the senior vice president/bank operations as compliance review officer for CTR reporting;
- (3) instituted an automated data base to centralize control over exempt lists and to track customer cash

transactions that, alone or in the aggregate, exceed \$10,000;

(4) updated exempt lists to include all eligible customers and reviewed exemption levels to determine whether appropriate;

(5) reviewed and revised operating procedures and policies;

(6) implemented branch and cash vault currency logs;

(7) conducted periodic on-site audits to review policy, procedure and reporting compliance;

(8) instituted a program of unannounced spot checks of compliance; and

(9) established a permanent staff training program in CFTRA compliance.

Hartford has also instituted similar measures at Arlington and Seymour. Moreover, Hartford has committed that within 90 days of consummation of the transaction, it will review the compliance procedures at Provident and adopt and implement compliance measures at Provident similar to those at CNB.

With respect to the indictment of a former branch manager, Hartford promptly conducted an internal investigation after it became aware of the situation through an investigation conducted by law enforcement authorities. Following completion of its investigation, Hartford terminated the employment of this individual. Hartford has cooperated with appropriate law enforcement and supervisory authorities in both investigations.

The sufficiency of the compliance procedures adopted to address Hartford's subsidiary banks' CFTRA violations have been reviewed by examiners from the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation. The Board also has consulted with appropriate enforcement agencies, and has considered Hartford's past record of compliance with the law.

For the foregoing reasons, and based upon a review of all of the facts of record, the Board concludes that the managerial resources of Hartford and Provident are consistent with approval, particularly in light of certain commitments made by Hartford, including Hartford's commitment to improve the compliance procedures at Provident, in connection with this application. The Board also finds that the financial resources and future prospects of Hartford and Provident are consistent with approval of the application. The convenience and needs considerations also are consistent with approval of the transaction.

Hartford also has applied, pursuant to section 4(c)(8) of the Act, to acquire PFSI, a subsidiary of Provident. PFSI currently engages in residential mortgage banking activities, and Hartford intends to en-

8. 31 U.S.C. § 5311, *et seq.*; 31 C.F.R. § 103.

gage *de novo*, through PFSI, in acting as insurance agent or broker with respect to insurance directly related to extensions of credit by Hartford's subsidiary banks. Due to the small size of PFSI, it does not appear that Hartford's acquisition would result in any adverse competitive effects in any relevant market. Furthermore, there is no evidence in the record to indicate that approval of this proposal would result in undue concentration of resources, decreased or unfair competition, conflicts of interest, unsound banking practices or other adverse effects on the public interest. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the Act is favorable and consistent with approval of this transaction.

Based on the foregoing and other facts of record, the Board has determined that the applications under sections 3 and 4 of the Act should be and hereby are approved. The transactions 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 Boston, acting pursuant to delegated authority. The approval of Hartford's acquisition of PFSI is subject to the conditions set forth in section 225.23(b) of Regulation Y (12 C.F.R. § 225.23(b)) and to the Board's authority to require modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

By order of the Board of Governors, effective February 27, 1986.

Voting for this action: Vice Chairman Martin and Governors Wallich, Rice, Seger, Angell, and Johnson. Governor Wallich abstained from the insurance portion of this action. Absent and not voting: Chairman Volcker.

[SEAL] WILLIAM W. WILES
Secretary of the Board

Sovran Financial Corporation
Norfolk, Virginia

Order Approving Acquisition of and Merger with a Bank Holding Company

Sovran Financial Corporation, Norfolk, Virginia, a bank holding company within the meaning of the Bank Holding Company Act (12 U.S.C. §§ 1841 *et seq.*)

("Act"), has applied for the Board's approval under sections 3(a)(3) and 3(a)(5) of the Act (12 U.S.C. §§ 1842(a)(3), 1842(a)(5)) for the merger of Suburban Bancorp, Bethesda, Maryland ("Suburban") with and into Applicant. As a result of the acquisition, Applicant would acquire indirectly Suburban's subsidiary bank, Suburban Bank, Bethesda, Maryland. Applicant also has applied for the Board's approval to acquire Suburban Bank/Delaware, Dover, Delaware, a presently wholly owned subsidiary of Suburban Bank engaged in credit card operations and related consumer lending.

Applicant also has applied for the Board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. § 225.23) to acquire Suburban's nonbanking subsidiary, Suburban Funding Corporation, Bethesda, Maryland ("Suburban Funding"), a company that engages for its own account and for that of others in making, acquiring, or servicing loans of the kind that would be made by commercial finance companies; leasing real and personal property; and arranging, structuring, and analyzing the financing of equipment leasing. These activities have been determined by the Board to be closely related to banking and permissible for bank holding companies, 12 C.F.R. §§ 225.25(b)(1) and (5).

Notice of the applications, affording an opportunity for interested persons to submit comments and views, has been given in accordance with sections 3 and 4 of the Act (50 *Federal Register* 49,613, 49,615 (1985); 51 *Federal Register* 3424 (1986)). 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 and the considerations specified in section 4(c)(8) of the Act.

The Board received protests concerning this application from the Independent Insurance Agents of America, Inc., the National Association of Casualty and Surety Agents, and the National Association of Surety Bond Producers, and the National Association of Life Underwriters, National Association of Professional Insurance Agents, Maryland State Association of Life Underwriters, and PIA Association of Pennsylvania, Maryland and Delaware, Inc. ("Protestants"). Protestants allege that Applicant is required to file an application pursuant to section 4(c)(8) of the Act for the acquisition of Suburban Insurance, Inc., a wholly owned subsidiary of Suburban Bank that engages in general insurance activities. Under the Garn-St Germain Depository Institutions Act of 1982 ("Garn-St Germain Act"), which amended section 4(c)(8) of the BHC Act to provide that, subject to certain exceptions, general insurance agency activities are not

closely related to banking, Board approval of such an application would be barred. Protestants contend that the ownership by Suburban Bank of shares of Suburban Insurance, Inc. is not permitted by section 225.22(d)(2) of the Board's Regulation Y, 12 C.F.R. § 225.22(d)(2), which authorizes a state bank subsidiary of a bank holding company to establish a wholly owned subsidiary that engages solely in activities in which the parent bank may engage, because Bank is not permitted under Maryland law to engage in the general insurance agency business. Finally, Protestants contend that, in any event, section 225.22(d)(2) of the Board's Regulation Y is invalid to the extent that it permits a bank holding company to engage, through its subsidiary banks, in insurance activities not permitted for bank holding companies under section 4(c)(8) of the Act as amended by the Garn-St Germain Act.

Both Protestants and Applicant have submitted numerous comments concerning these issues, which the Board has under consideration. Applicant has requested, however, that the Board not delay consideration of Applicant's application to acquire Bank pending the resolution of these issues concerning the activities of Suburban Insurance, Inc. In this regard, Applicant has committed that, in the event that the Board has not decided the questions raised by Protestants concerning the insurance activities of Suburban Insurance, Inc. before the date of consummation of Applicant's acquisition of Suburban, Suburban Insurance, Inc. will cease all advertising, the solicitation of business, and the writing of any new policies until such time as the Board acts to resolve these issues. On the basis of Applicant's commitment, the Board has determined that it may act on Applicant's application to acquire Suburban Bank at this time, subject to this commitment. The Board expects to act on Protestants' contentions regarding the activities of Suburban Insurance, Inc. in the near future.

Applicant is the largest commercial banking organization in Virginia, controlling total domestic deposits of approximately \$6.8 billion, representing 20.5 percent of the total deposits of commercial banks in Virginia.¹ Suburban, the fourth largest commercial banking organization in Maryland, has one subsidiary bank that controls aggregate domestic deposits of approximately \$2.4 billion, representing 10.1 percent of the total deposits in commercial banks in Maryland. Suburban Bank/Delaware was chartered pursuant to Delaware law² and engages in credit card operations and the making of consumer loans.

Section 3(d) of the Act (12 U.S.C. § 1842(d)), prohibits the Board from approving an application by a bank holding company to acquire control of any bank located outside of the holding company's home state³ unless such acquisition is "specifically authorized by the statute laws of the state in which such bank is located, by language to that effect and not merely by implication."

The Board has previously determined, based on its review of the relevant statute laws of Maryland and Virginia⁴ that the Virginia statute satisfies the conditions of the Maryland regional interstate banking statute and that Maryland by statute has expressly authorized a Virginia bank holding company, such as Applicant, to acquire a Maryland bank or bank holding company, such as Suburban. *Bank of Virginia Company*, 72 FEDERAL RESERVE BULLETIN 65 (1986). The Maryland Commissioner of Banking has advised the Board that the Virginia statute satisfies the reciprocity requirements of the Maryland interstate banking provisions. In addition, the Board has determined that the acquisition of Suburban Bank/Delaware conforms to Delaware law and is specifically authorized by the statute laws of Delaware. Accordingly, the Board concludes that approval of Applicant's proposal to acquire banks in Maryland and Delaware is authorized under Maryland and Delaware law and is not barred by the Douglas Amendment.

Based upon the fact that Applicant and Suburban compete in different states, the Board concludes that consummation of the proposal would not have a significant adverse effect on competition or result in a significant increase in the concentration of banking resources in either state.

Applicant and Suburban compete directly in the Washington, D.C., banking market.⁵ Applicant is the sixth largest of 70 commercial banking organizations in this market, controlling 6.5 percent of total market deposits in commercial banks. Suburban is the fifth largest commercial banking organization in the market, controlling 8.4 percent of the total deposits in commercial banks. Upon consummation of the proposal, Applicant would become the largest commercial banking organization in the market, controlling 15.0 percent of total deposits in commercial banks in the market. The Washington, D.C., banking market is not

1. State banking data are as of September 30, 1985. Local market data are as of June 30, 1984.

2. Del. Code Ann. tit. 5 Secs. 801 *et seq.*

3. A bank holding company's home state is that state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date on which the company became a bank holding company, whichever is later.

4. Md. Ann. Code art. 5, § 1001 *et seq.* (Supp. 1985); Va. Code § 6.1-398 *et seq.* (Supp. 1985).

5. The Washington, D.C., banking market is defined by the Washington, D.C., Ranally Metropolitan area.

concentrated, and would not become so upon consummation. In this regard, the Board notes that the Herfindahl-Hirschman Index ("HHI") would increase by 110 points to 803.⁶ In view of these and other facts of record, the Board concludes that consummation of the proposal would not result in a substantial lessening of existing competition in the Washington, D.C., banking market. The Board also concludes that Applicant's acquisition of Suburban Bank/Delaware would not have a substantial adverse effect on existing competition in view of Suburban's small share of the consumer loan and credit card business in the relevant markets.

In view of the existence of numerous other potential entrants into each of the markets served by Suburban or Applicant, the Board has concluded that consummation of the proposed transaction would not have any significant adverse effects on probable future competition in any relevant market.

The financial and managerial resources and future prospects of Applicant, Suburban, and their respective subsidiaries are consistent with approval of the application. Considerations relating to the convenience and needs of the communities to be served also are consistent with approval.

Applicant also has applied, pursuant to section 4(c)(8) of the Act, to acquire Suburban Funding, a nonbanking company that engages, *inter alia*, in the commercial leasing and commercial finance activities described above. Applicant currently engages in these activities through its subsidiary, Sovran Leasing Corporation.

In the markets for commercial leasing and commercial finance, this proposal would eliminate existing competition between Suburban and Sovran Leasing Corporation. However, the market for this product is generally considered to be national or regional in scope. Shares of both Applicant and Suburban in these markets are *de minimis*. Accordingly, the proposed acquisition would not have a significant adverse effect

on competition for commercial leasing in any relevant market.

After consideration of the above facts and other facts of record, the Board concludes that Applicant's acquisition of Suburban Funding would not significantly affect existing or probable future competition in any relevant market. Furthermore, there is no evidence in the record to indicate that approval of this proposal would result in undue concentration of resources, unfair competition, conflicts of interests, unsound banking practices, or other adverse effects on the public interest. Accordingly, the Board has determined that the balance of the public interest factors it must consider under section 4(c)(8) of the Act is favorable and consistent with approval of the application to acquire Suburban Funding.

Based on the foregoing and other facts of record, the Board has determined that the applications under sections 3 and 4 of the Act should be, and hereby are, approved. The acquisition of Suburban's subsidiary bank shall not be consummated before the thirtieth calendar day following the effective date of this Order, and neither the banking acquisition nor the nonbanking acquisition shall occur 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 Richmond, acting pursuant to delegated authority. The determination with respect to Applicant's acquisition of Suburban Funding is subject to all of the conditions set forth in Regulation Y, including sections 225.4(d) and 225.23(b) (12 C.F.R. §§ 225.4(d) and 225.23(b)), and to the Board's authority to require such modifications or termination of activities of the bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and prevent evasion of, the provisions and purposes of the Act and the Board's regulations and orders issued thereunder.

By order of the Board of Governors, effective February 27, 1986.

Voting for this action: Vice Chairman Martin and Governors Wallich, Rice, Seger, Angell, and Johnson. Governor Wallich abstained from the insurance portion of this action. Absent and not voting: Chairman Volcker.

WILLIAM W. WILES
Secretary of the Board

[SEAL]

6. Under the U.S. Department of Justice "Merger Guidelines," as revised in 1984, a market in which a post-merger HHI is below 1000 is unconcentrated. The Department of Justice has stated that it will not challenge any merger producing an HHI below 1000, except in extraordinary circumstances.

ORDERS APPROVED UNDER BANK HOLDING COMPANY ACT

By Board of Governors

Recent applications have been approved by the Board of Governors as 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)
American Bancorp, Inc., Suring, Wisconsin	First National Financial Corporation, Marinette, Wisconsin	February 3, 1986
Ameritex Bancshares, Inc., Dallas, Texas	Riverbend National Bank, Fort Worth, Texas	February 3, 1986

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)/Nonbanking Company	Reserve Bank	Effective date
Allied Bancshares, Inc., Houston, Texas	Allied Bank Northwest, N.A., San Antonio, Texas	Dallas	February 7, 1986
Anderson Bancshares, Inc., Hemingway, South Carolina	Anderson State Bank, Inc., Hemingway, South Carolina	Richmond	January 31, 1986
AT Indiana Corporation, Cleveland, Ohio	First Indiana Bancorp, Elkhart, Indiana	Cleveland	January 23, 1986
AmeriTrust Corporation, Cleveland, Ohio	First Indiana Bancorp, Elkhart, Indiana	Cleveland	January 23, 1986
Banco Nororiental De Venezuela, C.A., Caracas, Venezuela	Eastern National Bank, Hialeah, Florida	Atlanta	February 7, 1986
Bancwell Financial Corporation, Wells, Texas	Bank of East Texas, Chester, Texas	Dallas	November 22, 1985
The Bank of New York Company, Inc., New York, New York	Fidata Trust Company California, Los Angeles, California Wall Street Data Services, Inc., Teaneck, New Jersey	New York	January 31, 1986
Belle Glade Bank Corporation, Belle Glade, Florida	Bank of Belle Glade, Belle Glade, Florida	Atlanta	January 24, 1986
Calumet National Corporation, Hammond, Indiana	Calumet National Bank, Hammond, Indiana	Chicago	January 23, 1986
CBN Bancshares, Inc., Murdock, Kansas	Mayfield Bancshares, Inc., Mayfield, Kansas	Kansas City	January 21, 1986

Section 3—Continued

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
Central Louisiana Capital Corporation, Ferriday, Louisiana	Louisiana Delta Bank, Lake Providence, Louisiana	Dallas	January 10, 1986
Citicorp, New York, New York	Utah Firstbank, Salt Lake City, Utah	New York	January 28, 1986
Citicorp Holdings, Inc., Wilmington, Delaware			
Citizens Bancorporation, Marysville, Washington	Citizens Bank of Snohomish County, Marysville, Washington	San Francisco	January 17, 1986
Citizens Fidelity Corporation, Louisville, Kentucky	Bank of Oldham County, LaGrange, Kentucky	St. Louis	January 28, 1986
CSB, Inc., Chesterton, Indiana	Chesterton State Bank, Chesterton, Indiana	Chicago	January 31, 1986
Decatur Investment, Inc., Oberlin, Kansas	The Bank of Oberlin, Oberlin, Kansas	Kansas City	November 26, 1985
Egyptian Bancshares, Inc., Carrier Mills, Illinois	Saline County State Bank, Stonefort, Illinois	St. Louis	February 21, 1986
Farmers Banc Corp., Mullica Hill, New Jersey	The Farmers National Bank of Mullica Hill, Mullica Hill, New Jersey	Philadelphia	February 18, 1986
Farmers and Merchants Bancorp, Inc., Dover, Tennessee	Farmers and Merchants Bank of Bumpus Mills, Bumpus Mills, Tennessee	Atlanta	February 18, 1986
First Alamogordo Bancorp, Inc., Alamogordo, New Mexico	First National Bank of Ruidoso, Ruidoso, New Mexico	Dallas	December 16, 1985
First American Bancorp, Athens, Georgia	First American Bank and Trust Company, Athens, Georgia	Atlanta	February 3, 1986
First Capital National Bancshares, Inc., Fort Worth, Texas	Capital National Bank, Fort Worth, Texas	Dallas	January 27, 1986
	The Citizens National Bank of Weatherford, Weatherford, Texas		
First Exchange Corp., Cape Girardeau, Missouri	First Exchange Bank of St. Louis, St. Louis, Missouri	St. Louis	February 21, 1986
First Glen Bancorp, Inc., Glens Falls, New York	Peoples Commercial Bank, East Greenbush, New York	New York	January 17, 1986
First Hawley Bancshares, Inc., Hawley, Minnesota	First National Bank of Hawley, Hawley, Minnesota	Minneapolis	January 17, 1986
First Keyes Bancshares, Inc., Keyes, Oklahoma	Thomas Bancshares, Inc., Thomas, Oklahoma	Kansas City	February 4, 1986
First National Bancorp, Inc., Joliet, Illinois	First National Bank of Joliet, Joliet, Illinois	Chicago	January 16, 1986
First National Corporation, Covington, Louisiana	First Industrial Bank and Trust Company, Metairie, Louisiana	Atlanta	January 17, 1986

Section 3—Continued

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
First Union Corporation, Charlotte, North Carolina	Citizens DeKalb Bank, Clarkston, Georgia	Richmond	February 14, 1986
FNBT Bancshares Perry, OK, Inc., Perry, Oklahoma	First National Bank and Trust Company of Perry, Perry, Oklahoma	Kansas City	January 22, 1986
Gideon Bancshares Company, Dexter, Missouri	Commercial Bank of Gideon, Gideon, Missouri	St. Louis	February 11, 1986
Great Northern Bancshares, Inc., Kalispell, Montana	First Security Bank of Kalispell, Kalispell, Montana	Minneapolis	February 10, 1986
Herington Bancshares, Inc., Herington, Kansas	The Bank of White City, White City, Kansas	Kansas City	January 10, 1986
Hub Financial Corporation, Lubbock, Texas	City Bank, N.A., Lubbock, Texas	Dallas	January 17, 1986
Jansen Bancshares, Inc., Jansen, Nebraska	State Bank of Jansen, Jansen, Nebraska	Kansas City	January 27, 1986
JDOB, Inc., Naples, Florida	Sandstone State Bank, Sandstone, Minnesota	Minneapolis	February 4, 1986
K.B.J. Enterprises, Inc., Sibley, Iowa	Landmands National Bank, Audubon, Iowa	Chicago	January 24, 1986
Kentucky Bancorporation, Inc., Covington, Kentucky	Kentucky State Bank, Carrollton, Kentucky	Cleveland	February 6, 1986
Lake Shore Bancorp, Inc., Chicago, Illinois	Bank of Hinsdale, Hinsdale, Illinois	Chicago	January 24, 1986
Lewis & Clark Bancshares, Inc., Wood River, Illinois	First National Bank of Wood River, Wood River, Illinois	St. Louis	January 31, 1986
Liberty Bancorp, Inc., Hammond, Indiana	Community State Bank, North Liberty, Indiana	Chicago	February 7, 1986
Lincoln Financial Corporation, Fort Wayne, Indiana	First Community Financial Corp., Decatur, Indiana	Chicago	February 7, 1986
Mountaineer Bankshares of W. Va., Inc., Martinsburg, West Virginia	City National Bank of Fairmont, Fairmont, West Virginia	Richmond	February 6, 1986
Norban Financial Group, Inc., Coeur d'Alene, Idaho	Seaport Citizens' Bank, Lewiston, Idaho	San Francisco	February 14, 1986
Old Second Bancorp, Inc., Aurora, Illinois	The Yorkville National Bank, Yorkville, Illinois	Chicago	January 24, 1986
OMNIBANCORP, Denver, Colorado	OMNIBANK Iliff, N.A., Aurora, Colorado	Kansas City	November 7, 1985
Peoples Bancshares of Natchitoches, Inc., Natchitoches, Louisiana	The Peoples Bank & Trust Company, Natchitoches, Louisiana	Dallas	January 23, 1986
Pleasantville Bancorporation, Pleasantville, Iowa	Pleasantville State Bank, Pleasantville, Iowa	Chicago	February 4, 1986
PNC Financial Corp., Pittsburgh, Pennsylvania	The Hershey Bank, Hershey, Pennsylvania	Cleveland	February 11, 1986

Section 3—Continued

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
Princeton National Bancorp, Inc., Princeton, Illinois	Genoa State Bank, Genoa, Illinois	Chicago	January 23, 1986
Randall Bank Employee Stock Ownership Trust, Madison, Wisconsin	Randall Corporation of Wisconsin, Inc., Madison, Wisconsin	Chicago	January 24, 1986
Randall Corporation of Wisconsin, Inc., Madison, Wisconsin	Randall Bank, Madison, Wisconsin	Chicago	January 24, 1986
Seaport Bancorp, Inc., Lewiston, Idaho	Norban Financial Group, Inc., Coeur d'Alene, Idaho	San Francisco	February 14, 1986
South Kipling Bankshares, Ltd., Denver, Colorado	North American National Bank, Littleton, Colorado	Kansas City	January 31, 1986
SouthTrust Corporation, Birmingham, Alabama	First Dallas County Bank, Selma, Alabama	Atlanta	January 22, 1986
Sovran Financial Corporation, Norfolk, Virginia	D.C. National BanCorp, Inc., Washington, D.C.	Richmond	February 6, 1986
Summcorp, Fort Wayne, Indiana	American Bank & Trust Company, Marion, Indiana	Chicago	January 22, 1986
SWH Bancorp, Inc., Edina, Minnesota	Southwest Fidelity State Bank of Edina, Edina, Minnesota	Minneapolis	February 10, 1986
Texas American Bancshares, Inc., Fort Worth, Texas	Texas American Bank/Cityview, N.A., Fort Worth, Texas	Dallas	January 17, 1986
Texas American Bancshares, Inc., Fort Worth, Texas	Texas American Bank/U.S., Newark, Delaware	Dallas	February 10, 1986
TOWNER BANCORPORATION, LTD., Towner, North Dakota	State Bank of Towner, Towner, North Dakota	Minneapolis	February 12, 1986
United Bancorp of Kentucky, Inc., Lexington, Kentucky	First National Bank of Versailles, Versailles, Kentucky	Cleveland	January 30, 1986
United Banks of Colorado, Inc., Denver, Colorado	United Bank of Aurora—City Center, Aurora, Colorado	Kansas City	January 27, 1986
United Missouri Bancshares, Inc., Kansas City, Missouri	United Missouri Bank of Clarksdale, Clarksdale, Missouri	Kansas City	November 22, 1985
WestBanc Bancshares, Inc., Austin, Texas	Bank of the West, Austin, Texas	Dallas	January 17, 1986
Windsor BancShares, Inc., Windsor, Illinois	Windsor State Bank, Windsor, Illinois	Chicago	February 7, 1986
Woodforest Bancshares, Inc., Houston, Texas	Bank of Woodforest, Houston, Texas	Dallas	November 8, 1985
Yardville National Bancorp, Yardville, New Jersey	The Yardville National Bank, Yardville, New Jersey	Philadelphia	February 14, 1986

Section 4

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
American Fletcher Corporation, Indianapolis, Indiana	Morris Plan Financial Services Corporation, Indianapolis, Indiana	Chicago	January 31, 1986
Bank of New England Corporation, Boston, Massachusetts	Mariner Mortgage Corporation, Providence, Rhode Island	Boston	February 19, 1986
Commercial National Corporation, Shreveport, Louisiana	LINC Switch, Inc., Baton Rouge, Louisiana	Dallas	January 28, 1986
Fidelcor, Inc., Philadelphia, Pennsylvania	Florida Commercial Mortgage Corporation, Orlando, Florida	Philadelphia	February 18, 1986
First Springfield National Corp., Springfield, Tennessee	First Trust Company of Springfield, Springfield, Tennessee	Atlanta	February 21, 1986
FirsTier, Inc., Omaha, Nebraska	data processing	Kansas City	January 23, 1986
Independent Bankshares, Inc., Abilene, Texas	First Independent Computers, Inc., Abilene, Texas	Dallas	February 10, 1986
J.E. Coonley Company, Dows, Iowa	leasing computer equipment to a nonsubsidiary affiliate	Chicago	January 30, 1986
Keystone Bancshares, Inc., Kankakee, Illinois	Keystone Data Corporation, Kankakee, Illinois	Chicago	February 7, 1986
Midwest Financial Group, Inc., Peoria, Illinois	Midwest Financial Group Brokerage Services, Inc., Peoria, Illinois	Chicago	February 4, 1986
National Bank of Canada, Montreal, Canada	Mercantile Canada Corporation, Dallas, Texas	New York	February 10, 1986
New Hampshire Savings Bank Corporation, Concord, New Hampshire	National Mortgage Company, Inc., Nashua, New Hampshire	Boston	January 17, 1986
Norwest Corporation, Minneapolis, Minnesota	Edmison-Johnson Agency, Inc., Sioux Falls, South Dakota	Minneapolis	January 30, 1986
Rurban Financial Corp., Defiance, Ohio	Rurbanc Data Services, Inc., Defiance, Ohio	Cleveland	February 5, 1986

Legal Developments continued on next page.

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.

- CBC, Inc. v. Board of Governors*, No. 86-1001 (10th Cir., filed Jan. 2, 1986).
- Carter v. Board of Governors*, No. 85-4021 (6th Cir., filed Dec. 9, 1985).
- Howe v. United States, et al.*, No. 85-4504-C (D. Mass., filed Dec. 6, 1985).
- Myers, et al. v. Federal Reserve Board*, No. 85-1427 (D. Idaho, filed Nov. 18, 1985).
- Souser, et al. v. Volcker, et al.*, No. 85-C-2370, *et al.* (D. Colo., filed Nov. 1, 1985).
- Podolak v. Volcker*, No. C85-0456, *et al.* (D. Wyo., filed Oct. 28, 1985).
- Kolb v. Wilkinson, et al.*, No. C85-4184 (N.D. Iowa, filed Oct. 22, 1985).
- Farmer v. Wilkinson, et al.*, No. 4-85-CIVIL-1448 (D. Minn., filed Oct. 21, 1985).
- Kurkowski v. Wilkinson, et al.*, No. CV-85-0-916 (D. Neb., filed Oct. 16, 1985).
- Jensen v. Wilkinson, et al.*, No. 85-4436-S, *et al.* (D. Kan., filed Oct. 10, 1985).
- Alfson v. Wilkinson, et al.*, No. A1-85-267 (D. N.D., filed Oct. 8, 1985).
- First National Bank of Blue Island Employee Stock Ownership Plan v. Board of Governors*, No. 85-2615 (7th Cir., filed Sept. 23, 1985).
- First National Bancshares II v. Board of Governors*, No. 85-3702 (6th Cir., filed Sept. 4, 1985).
- McHuin v. Volcker, et al.*, No. 85-2170 WARB (W.D. Okl., filed Aug. 29, 1985).
- Independent Community Bankers Association of South Dakota v. Board of Governors*, No. 84-1496 (D.C. Cir., filed Aug. 7, 1985).
- Florida Bankers Association, et al. v. Board of Governors*, No. 85-193 (U.S., filed Aug. 5, 1985).
- Populist Party of Iowa v. Federal Reserve Board*, No. 85-626-B (S.D. Iowa, filed Aug. 2, 1985).
- Urwyler, et al. v. Internal Revenue Service, et al.*, No. CV-F-85-402 REC (E.D. Cal., filed July 18, 1985).
- Johnson v. Federal Reserve System, et al.*, No. S85-0958(R) and S85-1269(N) (S.D. Miss., filed July 16, 1985).
- Wight, et al. v. Internal Revenue Service, et al.*, No. CIV S-85-0012 MLS (E.D. Cal., filed July 12, 1985).
- Cook v. Spillman, et al.*, No. CIV S-85-0953 EJG (E.D. Cal., filed July 10, 1985).
- Florida Bankers Association v. Board of Governors*, No. 84-3883 and No. 84-3884 (11th Cir., filed Feb. 15, 1985).
- Florida Department of Banking v. Board of Governors*, No. 84-3831 (11th Cir., filed Feb. 15, 1985), and No. 84-3832 (11th Cir., filed Feb. 15, 1985).
- Dimension Financial Corporation v. Board of Governors*, No. 84-1274 (U.S., filed Feb. 6, 1985).
- Lewis v. Volcker, et al.*, No. C-1-85-0099 (S.D. Ohio, filed Jan. 14, 1985).
- Brown v. United States Congress, et al.*, No. 84-2887-6(IG) (S.D. Cal., filed Dec. 7, 1984).
- Melcher v. Federal Open Market Committee*, No. 84-1335 (D.D.C., filed Apr. 30, 1984).
- Colorado Industrial Bankers Association v. Board of Governors*, No. 84-1122 (10th Cir., filed Jan. 27, 1984).
- First Bancorporation v. Board of Governors*, No. 84-1011 (10th Cir., filed Jan. 5, 1984).
- Securities Industry Association v. Board of Governors*, No. 80-2614 (D.C. Cir., filed Oct. 24, 1980), and No. 80-2730 (D.C. Cir., filed Oct. 24, 1980).

Membership of the Board of Governors of the Federal Reserve System, 1913–86

APPOINTIVE MEMBERS¹

Name	Federal Reserve District	Date of initial oath of office	Other dates and information relating to membership ²
Charles S. Hamlin.....	Boston.....	Aug. 10, 1914	Reappointed in 1916 and 1926. Served until Feb. 3, 1936. ³
Paul M. Warburg.....	New York.....	do.....	Term expired Aug. 9, 1918.
Frederic A. Delano.....	Chicago.....	do.....	Resigned July 21, 1918.
W.P.G. Harding.....	Atlanta.....	do.....	Term expired Aug. 9, 1922.
Adolph C. Miller.....	San Francisco.....	do.....	Reappointed in 1924. Reappointed in 1934 from the Richmond District. Served until Feb. 3, 1936. ³
Albert Strauss.....	New York.....	Oct. 26, 1918	Resigned Mar. 15, 1920.
Henry A. Moehlenpach.....	Chicago.....	Nov. 10, 1919	Term expired Aug. 9, 1920.
Edmund Platt.....	New York.....	June 8, 1920	Reappointed in 1928. Resigned Sept. 14, 1930.
David C. Wills.....	Cleveland.....	Sept. 29, 1920	Term expired Mar. 4, 1921.
John R. Mitchell.....	Minneapolis.....	May 12, 1921	Resigned May 12, 1923.
Milo D. Campbell.....	Chicago.....	Mar. 14, 1923	Died Mar. 22, 1923.
Daniel R. Crissinger.....	Cleveland.....	May 1, 1923	Resigned Sept. 15, 1927.
George R. James.....	St. Louis.....	May 14, 1923	Reappointed in 1931. Served until Feb. 3, 1936. ⁴
Edward H. Cunningham.....	Chicago.....	do.....	Died Nov. 28, 1930.
Roy A. Young.....	Minneapolis.....	Oct. 4, 1927	Resigned Aug. 31, 1930.
Eugene Meyer.....	New York.....	Sept. 16, 1930	Resigned May 10, 1933.
Wayland W. Magee.....	Kansas City.....	May 18, 1931	Term expired Jan. 24, 1933.
Eugene R. Black.....	Atlanta.....	May 19, 1933	Resigned Aug. 15, 1934.
M.S. Szymczak.....	Chicago.....	June 14, 1933	Reappointed in 1936 and 1948. Resigned May 31, 1961.
J.J. Thomas.....	Kansas City.....	do.....	Served until Feb. 10, 1936. ³
Marriner S. Eccles.....	San Francisco.....	Nov. 15, 1934	Reappointed in 1936, 1940, and 1944. Resigned July 14, 1951.
Joseph A. Broderick.....	New York.....	Feb. 3, 1936	Resigned Sept. 30, 1937.
John K. McKee.....	Cleveland.....	do.....	Served until Apr. 4, 1946. ³
Ronald Ransom.....	Atlanta.....	do.....	Reappointed in 1942. Died Dec. 2, 1947.
Ralph W. Morrison.....	Dallas.....	Feb. 10, 1936	Resigned July 9, 1936.
Chester C. Davis.....	Richmond.....	June 25, 1936	Reappointed in 1940. Resigned Apr. 15, 1941.
Ernest G. Draper.....	New York.....	Mar. 30, 1938	Served until Sept. 1, 1950. ³
Rudolph M. Evans.....	Richmond.....	Mar. 14, 1942	Served until Aug. 13, 1954. ³
James K. Vardaman, Jr.	St. Louis.....	Apr. 4, 1946	Resigned Nov. 30, 1958.
Lawrence Clayton.....	Boston.....	Feb. 14, 1947	Died Dec. 4, 1949.
Thomas B. McCabe.....	Philadelphia.....	Apr. 15, 1948	Resigned Mar. 31, 1951.
Edward L. Norton.....	Atlanta.....	Sept. 1, 1950	Resigned Jan. 31, 1952.
Oliver S. Powell.....	Minneapolis.....	do.....	Resigned June 30, 1952.
Wm. McC. Martin, Jr.	New York.....	April 2, 1951	Reappointed in 1956. Term expired Jan. 31, 1970.
A.L. Mills, Jr.....	San Francisco.....	Feb. 18, 1952	Reappointed in 1958. Resigned Feb. 28, 1965.
J.L. Robertson.....	Kansas City.....	do.....	Reappointed in 1964. Resigned Apr. 30, 1973.
C. Canby Balderston.....	Philadelphia.....	Aug. 12, 1954	Served through Feb. 28, 1966.
Paul E. Miller.....	Minneapolis.....	Aug. 13, 1954	Died Oct. 21, 1954.
Chas. N. Shepardson.....	Dallas.....	Mar. 17, 1955	Retired Apr. 30, 1967.
G.H. King, Jr.	Atlanta.....	Mar. 25, 1959	Reappointed in 1960. Resigned Sept. 18, 1963.

Name	Federal Reserve District	Date of initial oath of office	Other dates and information relating to membership ²
George W. Mitchell.....	Chicago.....	Aug. 31, 1961	Reappointed in 1962. Served until Feb. 13, 1976. ³
J. Dewey Daane	Richmond.....	Nov. 29, 1963	Served until Mar. 8, 1974. ³
Sherman J. Maisel	San Francisco	Apr. 30, 1965	Served through May 31, 1972.
Andrew F. Brimmer	Philadelphia	Mar. 9, 1966	Resigned Aug. 31, 1974.
William W. Sherrill	Dallas	May 1, 1967	Reappointed in 1968. Resigned Nov. 15, 1971.
Arthur F. Burns	New York	Jan. 31, 1970	Term began Feb. 1, 1970. Resigned Mar. 31, 1978.
John E. Sheehan.....	St. Louis.....	Jan. 4, 1972	Resigned June 1, 1975.
Jeffrey M. Bucher	San Francisco	June 5, 1972	Resigned Jan. 2, 1976.
Robert C. Holland	Kansas City	June 11, 1973	Resigned May 15, 1976.
Henry C. Wallich.....	Boston	Mar. 8, 1974	
Philip E. Coldwell.....	Dallas	Oct. 29, 1974	Served through Feb. 29, 1980.
Philip C. Jackson, Jr.	Atlanta	July 14, 1975	Resigned Nov. 17, 1978.
J. Charles Partee	Richmond.....	Jan. 5, 1976	Served until Feb. 7, 1986. ³
Stephen S. Gardner.....	Philadelphia	Feb. 13, 1976	Died Nov. 19, 1978.
David M. Lilly	Minneapolis	June 1, 1976	Resigned Feb. 24, 1978.
G. William Miller	San Francisco	Mar. 8, 1978	Resigned Aug. 6, 1979.
Nancy H. Teeters	Chicago.....	Sept. 18, 1978	Served through June 27, 1984.
Emmett J. Rice	New York	June 20, 1979	
Frederick H. Schultz.....	Atlanta	July 27, 1979	Served through Feb. 11, 1982.
Paul A. Volcker.....	Philadelphia	Aug. 6, 1979	
Lyle E. Gramley.....	Kansas City	May 28, 1980	Resigned Sept. 1, 1985.
Preston Martin	San Francisco	Mar. 31, 1982	
Martha R. Seger	Chicago.....	July 2, 1984	
Wayne D. Angell	Kansas City	Feb. 7, 1986	
Manuel H. Johnson.....	Richmond.....	Feb. 7, 1986	

Chairmen⁴

Charles S. Hamlin.....Aug. 10, 1914–Aug. 9, 1916
W.P.G. Harding Aug. 10, 1916–Aug. 9, 1922 | || Daniel R. Crissinger | May 1, 1923–Sept. 15, 1927 | |
Roy A. Young	Oct. 4, 1927–Aug. 31, 1930	
Eugene Meyer.....	Sept. 16, 1930–May 10, 1933	
Eugene R. Black.....	May 19, 1933–Aug. 15, 1934	
Marriner S. Eccles.....	Nov. 15, 1934–Jan. 31, 1948	
Thomas B. McCabe	Apr. 15, 1948–Mar. 31, 1951	
Wm. McC. Martin, Jr.	Apr. 2, 1951–Jan. 31, 1970	
Arthur F. Burns	Feb. 1, 1970–Jan. 31, 1978	
G. William Miller.....	Mar. 8, 1978–Aug. 6, 1979	
Paul A. Volcker.....	Aug. 6, 1979–	

Vice Chairmen⁴

Frederic A. Delano Aug. 10, 1914–Aug. 9, 1916 | || Paul M. Warburg | Aug. 10, 1916–Aug. 9, 1918 | |
Albert Strauss	Oct. 26, 1918–Mar. 15, 1920	
Edmund Platt.....	July 23, 1920–Sept. 14, 1930	
J.J. Thomas	Aug. 21, 1934–Feb. 10, 1936	
Ronald Ransom	Aug. 6, 1936–Dec. 2, 1947	
C. Canby Balderston	Mar. 11, 1955–Feb. 28, 1966	
J.L. Robertson	Mar. 1, 1966–Apr. 30, 1973	
George W. Mitchell.....	May 1, 1973–Feb. 13, 1976	
Stephen S. Gardner.....	Feb. 13, 1976–Nov. 19, 1978	
Frederick H. Schultz.....	July 27, 1979–Feb. 11, 1982	
Preston Martin	Mar. 31, 1982–	

*EX-OFFICIO MEMBERS¹**Secretaries of the Treasury*

W.G. McAdoo Dec. 23, 1913–Dec. 15, 1918 | || Carter Glass | Dec. 16, 1918–Feb. 1, 1920 | |
David F. Houston.....	Feb. 2, 1920–Mar. 3, 1921	
Andrew W. Mellon	Mar. 4, 1921–Feb. 12, 1932	
Ogden L. Mills.....	Feb. 12, 1932–Mar. 4, 1933	
William H. Woodin	Mar. 4, 1933–Dec. 31, 1933	
Henry Morgenthau, Jr.	Jan. 1, 1934–Feb. 1, 1936	

Comptrollers of the Currency

John Skelton Williams Feb. 2, 1914–Mar. 2, 1921 | || Daniel R. Crissinger | Mar. 17, 1921–Apr. 30, 1923 | |
Henry M. Dawes	May 1, 1923–Dec. 17, 1924	
Joseph W. McIntosh	Dec. 20, 1924–Nov. 20, 1928	
J.W. Pole	Nov. 21, 1928–Sept. 20, 1932	
J.F.T. O'Connor.....	May 11, 1933–Feb. 1, 1936	

1. Under the provisions of the original Federal Reserve Act, the Federal Reserve Board was composed of seven members, including five appointive members, the Secretary of the Treasury, who was ex-officio chairman of the Board, and the Comptroller of the Currency. The original term of office was ten years, and the five original appointive members had terms of two, four, six, eight, and ten years respectively. In 1922 the number of appointive members was increased to six, and in 1933 the term of office was increased to twelve years. The Banking Act of 1935, approved Aug. 23, 1935, changed the name of the Federal Reserve Board to the Board of Governors of the Federal Reserve System and provided that the Board should be

composed of seven appointive members; that the Secretary of the Treasury and the Comptroller of the Currency should continue to serve as members until Feb. 1, 1936, or until their successors were appointed and had qualified; and that thereafter the terms of members should be fourteen years and that the designation of Chairman and Vice Chairman of the Board should be for a term of four years.

2. Date after words "Resigned" and "Retired" denotes final day of service.

3. Successor took office on this date.

4. Chairman and Vice Chairman were designated Governor and Vice Governor before Aug. 23, 1935.

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1.10 RESERVES, MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES

Item	Monetary and credit aggregates (annual rates of change, seasonally adjusted in percent) ¹									
	1985 ²				1985 ²				1986	
	Q1	Q2	Q3	Q4	Sept.	Oct.	Nov.	Dec.	Jan.	
<i>Reserves of depository institutions²</i>										
1 Total	17.4	12.2	16.4	12.1	8.7	4.0	20.0	21.9	4.9	
2 Required	16.9	12.3	17.1	11.1	13.5	1.6	15.4	18.8	3.5	
3 Nonborrowed	57.3	14.1	18.2	9.9	2.8	7.0	4.9	34.6	20.0	
4 Monetary base ³	8.8	7.5	9.7	8.1	7.0	5.9	10.2	8.4	8.9	
<i>Concepts of money, liquid assets, and debt⁴</i>										
5 M1	10.1	10.5	14.5	10.6	13.1	5.3	11.3	12.4	1.1	
6 M2	11.7	6.3	9.5	5.9	6.7	4.1	5.6	6.8	1.2	
7 M3	10.1	5.6	7.7	5.6	7.7	4.3	4.5	5.8	7.6	
8 L	9.7	6.0	8.0	n.a.	9.7	5.6	10.9	n.a.	n.a.	
9 Debt	13.5	11.9	12.2	13.7	11.1	11.8	15.7	20.4	n.a.	
<i>Nontransaction components</i>										
10 In M2 ⁵	12.1	5.0	7.9	4.4	4.6	3.8	3.7	5.0	1.2	
11 In M3 only ⁶	4.2	2.8	.5	4.5	12.1	5.0	.0	1.9	33.7	
<i>Time and savings deposits</i>										
<i>Commercial banks</i>										
12 Savings ⁷	-5.8	-1.0	7.6	3.2	2.9	3.9	2.9	-2.9	2.9	
13 Small-denomination time ⁸ .....	.2	2.1	-3.3	-1.7	-2.2	-2.2	.6	5.7	7.5	
14 Large-denomination time ^{9,10}	2.7	6.9	-2.2	12.7	19.7	8.4	9.6	10.4	45.6	
<i>Thrift institutions</i>										
15 Savings ⁷	1.4	3.8	12.9	7.5	2.0	10.9	7.4	.7	1.3	
16 Small-denomination time	3.1	1.0	-2.8	-2.7	-4.6	-4.1	.2	6.3	4.8	
17 Large-denomination time ⁹	17.2	5.5	-1.0	4.9	7.8	5.4	3.1	8.5	6.1	
<i>Debt components⁴</i>										
18 Federal	15.2	12.3	14.6	15.3	7.7	8.8	25.1	29.5	n.a.	
19 Nonfederal	13.0	11.8	11.5	13.2	12.2	12.7	12.9	17.7	n.a.	
20 Total loans and securities at commercial banks ¹¹	10.3	9.7	9.6	8.8	8.2	2.0	16.4	16.6	15.3	

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

2. Figures incorporate adjustments for discontinuities associated with the implementation of the Monetary Control Act and other regulatory changes to reserve requirements. To adjust for discontinuities due to changes in reserve requirements on reservable nondeposit liabilities, the sum of such required reserves is subtracted from the actual series. Similarly, in adjusting for discontinuities in the monetary base, required clearing balances and adjustments to compensate for float also are subtracted from the actual series.

3. The monetary base not adjusted for discontinuities consists of total reserves plus required clearing balances and adjustments to compensate for float at Federal Reserve Banks plus the currency component of the money stock less the amount of vault cash holdings of thrift institutions that is included in the currency component of the money stock plus, for institutions not having required reserve balances, the excess of current vault cash over the amount applied to satisfy current reserve requirements. After the introduction of contemporaneous reserve requirements (CRR), currency and vault cash figures are measured over the weekly computation period ending Monday.

Before CRR, all components of the monetary base other than excess reserves are seasonally adjusted as a whole, rather than by component, and excess reserves are added on a not seasonally adjusted basis. After CRR, the seasonally adjusted series consists of seasonally adjusted total reserves, which include excess reserves on a not seasonally adjusted basis, plus the seasonally adjusted currency component of the money stock plus the remaining items seasonally adjusted as a whole.

4. Composition of the money stock measures and debt is as follows:

M1: (1) currency outside the Treasury, Federal Reserve Banks, and the vaults of commercial banks; (2) travelers checks of nonbank issuers; (3) 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 (4) other checkable deposits (OCD) consisting of negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at depository institutions, credit union share draft accounts, and demand deposits at thrift institutions. The currency and demand deposit components exclude the estimated amount of vault cash and demand deposits respectively held by thrift institutions to service their OCD liabilities.

M2: M1 plus overnight (and continuing contract) repurchase agreements (RPs) issued by all commercial banks and overnight Eurodollars issued to U.S. residents by foreign branches of U.S. banks worldwide, Money Market Deposit Accounts (MMDAs), savings and small-denomination time deposits (time deposits—including retail RPs—in amounts of less than \$100,000), and balances in both taxable and tax-exempt general purpose and broker/dealer money market mutual funds. Excludes individual retirement accounts (IRA) and Keogh balances at depository institutions and money market funds. Also excludes all balances held by U.S.

commercial banks, money market funds (general purpose and broker/dealer), foreign governments and commercial banks, and the U.S. government. Also subtracted is a consolidation adjustment that represents the estimated amount of demand deposits and vault cash held by thrift institutions to service their time and savings deposits.

M3: M2 plus large-denomination time deposits and term RP liabilities (in amounts of \$100,000 or more) issued by commercial banks and thrift institutions, term Eurodollars held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada, and balances in both taxable and tax-exempt, institution-only money market mutual funds. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Also subtracted is a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market mutual funds.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper and bankers acceptances, net of money market mutual fund holdings of these assets.

Debt: Debt of domestic nonfinancial sectors consists of outstanding credit market debt of the U.S. government, state and local governments, and private nonfinancial sectors. Private debt consists of corporate bonds, mortgages, consumer credit (including bank loans), other bank loans, commercial paper, bankers acceptances, and other debt instruments. The source of data on domestic nonfinancial debt is the Federal Reserve Board's flow of funds accounts. Debt data are based on monthly averages. Growth rates for debt reflect adjustments for discontinuities over time in the levels of debt presented in other tables.

5. Sum of overnight RPs and Eurodollars, money market fund balances (general purpose and broker/dealer), MMDAs, and savings and small time deposits less the estimated amount of demand deposits and vault cash held by thrift institutions to service their time and savings deposit liabilities.

6. Sum of large time deposits, term RPs, and Eurodollars of U.S. residents, money market fund balances (institution-only), less a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market mutual funds.

7. Excludes MMDAs.

8. Small-denomination time deposits—including retail RPs—are those issued in amounts of less than \$100,000. All IRA and Keogh accounts at commercial banks and thrifts are subtracted from small time deposits.

9. Large-denomination time deposits are those issued in amounts of \$100,000 or more, excluding those booked at international banking facilities.

10. Large-denomination time deposits at commercial banks less those held by money market mutual funds, depository institutions, and foreign banks and official institutions.

11. Changes calculated from figures shown in table 1.23.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT

Millions of dollars

Factors	Monthly averages of daily figures			Weekly averages of daily figures for week ending						
	1985		1986	1985		1986				
	Nov.	Dec.	Jan.	Dec. 18	Dec. 25	Jan. 1	Jan. 8	Jan. 15	Jan. 22	Jan. 29
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit	196,936	203,644	206,784	203,121	204,641	207,411	204,546	205,090	209,038	208,358
2 U.S. government securities ¹	171,234	178,242	181,208	178,203	178,911	180,041	179,581	180,533	183,223	181,944
3 Bought outright	170,943	177,120	179,076	177,874	177,887	178,372	179,089	179,955	178,833	178,904
4 Held under repurchase agreements	291	1,122	2,132	329	1,024	1,669	492	578	4,390	3,040
5 Federal agency obligations	8,362	8,661	8,754	8,325	8,703	9,150	8,297	8,378	9,134	9,102
6 Bought outright	8,227	8,227	8,227	8,227	8,227	8,227	8,227	8,227	8,227	8,227
7 Held under repurchase agreements	135	434	527	98	476	923	70	151	907	875
8 Acceptances	0	0	0	0	0	0	0	0	0	0
9 Loans	1,920	1,107	834	1,001	948	1,727	612	615	964	841
10 Float	1,203	1,176	758	1,137	1,390	1,645	1,052	506	320	979
11 Other Federal Reserve assets	14,217	14,458	15,230	14,454	14,689	14,849	15,004	15,058	15,397	15,492
12 Gold stock	11,090	11,090	11,090	11,090	11,090	11,090	11,090	11,090	11,090	11,090
13 Special drawing rights certificate account	4,718	4,718	4,718	4,718	4,718	4,718	4,718	4,718	4,718	4,718
14 Treasury currency outstanding	16,994	17,037	17,079	17,036	17,043	17,052	17,063	17,073	17,083	17,093
ABSORBING RESERVE FUNDS										
15 Currency in circulation	191,396	195,367	193,330	194,747	195,944	197,252	196,284	194,013	192,377	190,854
16 Treasury cash holdings	553	557	555	560	557	555	554	554	555	555
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	2,925	3,499	10,569	3,776	3,577	5,645	4,140	5,032	13,856	17,487
18 Foreign	242	262	260	254	251	296	307	227	243	230
19 Service-related balances and adjustments	1,795	2,024	1,985	2,284	2,054	2,109	2,038	2,153	2,032	1,842
20 Other	574	488	486	530	449	572	464	433	544	443
21 Other Federal Reserve liabilities and capital	6,339	6,410	6,287	6,331	6,334	6,270	6,072	6,341	6,357	6,389
22 Reserve balances with Federal Reserve Banks ²	25,914	27,882	26,199	27,484	28,326	27,574	27,558	29,218	25,966	23,461
End-of-month figures										
Wednesday figures										
SUPPLYING RESERVE FUNDS										
23 Reserve Bank credit	194,729	210,598	205,146	207,752	204,384	210,598	202,920	206,093	212,436	206,883
24 U.S. government securities ¹	169,168	181,327	178,992	179,578	177,730	181,327	178,021	181,192	185,100	180,703
25 Bought outright	169,168	177,798	175,905	177,276	177,730	177,798	178,021	181,192	179,142	178,139
26 Held under repurchase agreements	0	3,529	3,087	2,302	0	3,529	0	0	5,958	2,564
27 Federal agency obligations	8,227	9,921	8,850	8,912	8,227	9,921	8,227	8,227	9,366	8,995
28 Bought outright	8,227	8,227	8,227	8,227	8,227	8,227	8,227	8,227	8,227	8,227
29 Held under repurchase agreements	0	1,694	623	685	0	1,694	0	0	1,139	768
30 Acceptances	0	0	0	0	0	0	0	0	0	0
31 Loans	1,602	3,060	827	2,293	1,362	3,060	576	644	755	769
32 Float	909	988	663	1,942	2,219	988	882	800	1,547	787
33 Other Federal Reserve assets	14,823	15,302	15,814	15,027	14,846	15,302	15,214	15,230	15,667	15,629
34 Gold stock	11,090	11,090	11,090	11,090	11,090	11,090	11,090	11,090	11,090	11,090
35 Special drawing rights certificate account	4,718	4,718	4,718	4,718	4,718	4,718	4,718	4,718	4,718	4,718
36 Treasury currency outstanding	17,019	17,052	17,104	17,043	17,043	17,052	17,072	17,082	17,092	17,104
ABSORBING RESERVE FUNDS										
37 Currency in circulation	193,463	197,465	190,430	195,122	196,668	197,465	195,279	193,210	191,992	190,532
38 Treasury cash holdings	556	550	565	557	554	550	554	555	553	565
Deposits, other than reserve balances with Federal Reserve Banks										
39 Treasury	2,294	9,351	16,228	3,351	3,286	9,351	5,310	5,669	19,087	17,077
40 Foreign	340	480	256	303	209	480	259	191	215	228
41 Service-related balances and adjustments	1,483	1,490	1,505	1,498	1,491	1,490	1,513	1,515	1,525	1,525
42 Other	598	1,041	477	487	413	1,041	402	575	412	366
43 Other Federal Reserve liabilities and capital	6,475	5,940	6,622	6,168	6,385	5,940	6,179	6,142	6,162	6,142
44 Reserve balances with Federal Reserve Banks ²	22,347	27,141	21,975	33,117	28,229	27,141	26,304	31,126	25,390	23,360

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. Excludes required clearing balances and adjustments to compensate for float.

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	Monthly averages ⁸									
	1983	1984	1985	1985						
	Dec.	Dec.	Dec.	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
	Dec.	Dec.	Dec.	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1 Reserve balances with Reserve Banks ¹	21,138	21,738	27,620	23,367	23,503	23,415	24,972	25,431	26,385	27,620
2 Total vault cash ²	20,755	22,316	22,956	22,180	22,530	22,839	22,465	22,724	22,457	22,956
3 Vault cash used to satisfy reserve requirements ³	17,908	18,958	20,522	18,985	19,300	19,548	19,475	20,038	19,997	20,522
4 Surplus vault cash ⁴	2,847	3,358	2,434	3,196	3,230	3,291	2,990	2,686	2,460	2,434
5 Total reserves ⁵	38,894	40,696	48,142	42,352	42,803	42,963	44,447	44,469	46,382	48,142
6 Required reserves	38,333	39,843	47,085	41,447	41,948	42,135	43,782	44,716	45,454	47,085
7 Excess reserve balances at Reserve Banks ⁶	561	853	1,058	905	855	827	666	753	928	1,058
8 Total borrowings at Reserve Banks	774	3,186	1,318	1,205	1,107	1,073	1,289	1,187	1,741	1,318
9 Seasonal borrowings at Reserve Banks	96	113	56	151	167	221	203	172	107	56
10 Extended credit at Reserve Banks ⁷	2	2,604	499	665	507	570	656	629	530	499
Biweekly averages of daily figures for weeks ending										
1985 and 1986										
	Oct. 9	Oct. 23	Nov. 6	Nov. 20	Dec. 4	Dec. 18	Jan. 1 [*]	Jan. 15 [*]	Jan. 29	Feb. 12
11 Reserve balances with Reserve Banks ¹	25,553	25,232	25,643	26,242	27,029	27,503	27,928	28,282	24,710	23,960
12 Total vault cash ²	23,067	22,831	22,151	22,528	22,543	22,464	23,612	23,591	24,684	26,078
13 Vault cash used to satisfy reserve requirements ³	19,971	20,294	19,667	20,117	20,028	20,199	21,022	21,288	21,961	22,868
14 Surplus vault cash ⁴	3,097	2,538	2,484	2,412	2,515	2,265	2,590	2,304	2,723	3,210
15 Total reserves ⁵	45,523	45,525	45,310	46,359	47,057	47,702	48,950	49,570	46,671	46,828
16 Required reserves	44,876	44,733	44,508	45,466	46,005	46,875	47,644	48,294	45,753	45,622
17 Excess reserve balances at Reserve Banks ⁶	647	793	802	893	1,052	828	1,307	1,276	918	1,206
18 Total borrowings at Reserve Banks	1,395	1,118	1,075	1,178	2,928	841	1,338	614	903	662
19 Seasonal borrowings at Reserve Banks	195	169	151	104	84	53	51	28	42	44
20 Extended credit at Reserve Banks ⁷	627	649	598	522	503	524	472	471	529	480

1. Excludes required clearing balances and adjustments to compensate for float.

2. Dates refer to the maintenance periods in which the vault cash can be used to satisfy reserve requirements. Under contemporaneous reserve requirements, maintenance periods end 30 days after the lagged computation periods in which the balances are held.

3. Equal to all vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.

4. Total vault cash at institutions having no required reserve balances less the amount of vault cash equal to their required reserves during the maintenance period.

5. Total reserves not adjusted for discontinuities consist of reserve balances with Federal Reserve Banks, which exclude required clearing balances and adjustments to compensate for float, plus vault cash used to satisfy reserve requirements. Such vault cash consists of all vault cash held during the lagged

computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.

6. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements less required reserves.

7. Extended credit consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as there is with traditional short-term adjustment credit, the money market impact of extended credit is similar to that of nonborrowed reserves.

8. Before February 1984, data are prorated monthly averages of weekly averages; beginning February 1984, data are prorated monthly averages of biweekly averages.

NOTE. These data also appear in the Board's H.3 (502) release. For address, see inside front cover.

1.13 FEDERAL FUNDS AND REPURCHASE AGREEMENTS Large Member Banks¹

Averages of daily figures, in millions of dollars

By maturity and source	1985 and 1986 week ending Monday								
	Dec. 23	Dec. 30	Jan. 6	Jan. 13	Jan. 20	Jan. 27	Feb. 3	Feb. 10	Feb. 17
<i>One day and continuing contract</i>									
1 Commercial banks in United States	68,338	65,938 ^r	72,134	71,450	66,084	60,226	62,958	68,513	64,716
2 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies	33,875	32,376	33,421	34,812	31,603	31,327	30,857	32,031	32,117
3 Nonbank securities dealers	10,847	10,511	9,176	9,039	8,784	9,777	9,581	8,802	9,880
4 All other	29,060	26,187 ^r	26,474	26,202	25,300	27,414	26,440	26,632	27,285
<i>All other maturities</i>									
5 Commercial banks in United States	9,696	9,918	9,294	10,100	11,796	10,497	10,632	10,720	11,548
6 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies	7,132	7,299	6,563	7,100	8,811	7,568	6,998	5,957	6,295
7 Nonbank securities dealers	8,477	8,062	8,066	10,207	10,880	10,295	10,961	11,415	10,884
8 All other	10,378 ^r	11,570	9,780	9,294 ^r	9,130	9,411	10,002	10,387	11,190
MEMO: Federal funds and resale agreement loans in maturities of one day or continuing contract									
9 Commercial banks in United States	33,521	31,448	32,608	29,515 ^r	30,072	29,125	31,054	28,443	28,639
10 Nonbank securities dealers	8,785	8,976	9,235	10,107 ^r	9,965	10,100	10,726	9,996	8,978

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

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per annum

Current and previous levels															
Federal Reserve Bank	Short-term adjustment credit and seasonal credit ¹			Extended credit ²											
				First 60 days of borrowing		Next 90 days of borrowing		After 150 days		Effective date for current rates					
	Rate on 2/26/86	Effective date	Previous rate	Rate on 2/26/86	Previous rate	Rate on 2/26/86	Previous rate	Rate on 2/26/86	Previous rate						
Boston	7½ ↑ ↓ 7½	5/20/85	8	7½ ↑ ↓ 7½	8 ↑ ↓ 8	8½ ↑ ↓ 8½	9 ↑ ↓ 9	9½ ↑ ↓ 9½	10 ↑ ↓ 10	5/20/85					
New York		5/20/85	5/24/85							5/21/85	5/20/85	5/20/85	5/21/85	5/20/85	5/20/85
Philadelphia		5/24/85	5/21/85							5/20/85	5/20/85	5/21/85	5/20/85	5/20/85	5/21/85
Cleveland		5/21/85	5/20/85							5/20/85	5/21/85	5/20/85	5/20/85	5/20/85	5/21/85
Richmond		5/20/85	5/20/85							5/20/85	5/20/85	5/21/85	5/20/85	5/20/85	5/20/85
Atlanta		5/20/85	5/20/85							5/20/85	5/20/85	5/21/85	5/20/85	5/20/85	5/21/85
Chicago		5/20/85	5/21/85							5/20/85	5/20/85	5/21/85	5/20/85	5/20/85	5/21/85
St. Louis		5/21/85	5/20/85							5/20/85	5/20/85	5/21/85	5/20/85	5/20/85	5/21/85
Minneapolis		5/20/85	5/20/85							5/20/85	5/20/85	5/21/85	5/20/85	5/20/85	5/21/85
Kansas City		5/20/85	5/20/85							5/20/85	5/20/85	5/21/85	5/20/85	5/20/85	5/21/85
Dallas	5/20/85	5/20/85	5/20/85	5/20/85	5/21/85	5/20/85	5/20/85	5/21/85	5/20/85						
San Francisco	5/21/85	5/21/85	5/21/85	5/21/85	5/21/85	5/21/85	5/21/85	5/21/85	5/21/85						

Range of rates in recent years ³								
Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.	Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.	Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1973	7½	7½	1978— July 3	7-7¼	7¼	1981— May 8	14	14
1974— Apr. 25	7½-8	8	10	7¼	7¼	Nov. 2	13-14	13
30	8	8	Aug. 21	7¾	7¾	6	13	13
Dec. 9	7¾-8	7¾	Sept. 22	8	8	Dec. 4	12	12
16	7¾	7¾	Oct. 16	8-8½	8½	1982— July 20	11½-12	11½
1975— Jan. 6	7¼-7¾	7¾	20	8½	8½	23	11½	11½
10	7¼-7¾	7¼	Nov. 1	8½-9½	9½	Aug. 2	11-11½	11
24	7¼	7¼	3	9½	9½	3	11	11
Feb. 5	6¾-7¼	6¾	1979— July 20	10	10	16	10½	10½
7	6¾	6¾	Aug. 17	10-10½	10½	27	10-10½	10
Mar. 10	6¼-6¾	6¼	20	10½	10½	30	10	10
14	6¼	6¼	Sept. 19	10½-11	11	Oct. 12	9½-10	9½
May 16	6-6¼	6	21	11	11	13	9½	9½
23	6	6	Oct. 8	11-12	12	Nov. 22	9-9½	9
1976— Jan. 19	5½-6	5½	10	12	12	26	9	9
23	5½	5½	1980— Feb. 15	12-13	13	Dec. 14	8½-9	9
Nov. 22	5¼-5½	5¼	19	13	13	15	8½-9	8½
26	5¼	5¼	May 29	12-13	13	17	8½	8½
1977— Aug. 30	5¼-5¾	5¼	30	12	12	1984— Apr. 9	8½-9	9
31	5¼-5¾	5¾	June 13	11-12	11	13	9	9
Sept. 2	5¾	5¾	16	11	11	Nov. 21	8½-9	8½
Oct. 26	6	6	July 28	10-11	10	26	8½	8½
1978— Jan. 9	6-6½	6½	29	10	10	Dec. 24	8	8
20	6½	6½	Sept. 26	11	11	1985— May 20	7½-8	7½
May 11	6½-7	7	Nov. 17	12	12	24	7½	7½
12	7	7	Dec. 5	12-13	13	In effect Feb. 26, 1986	7½	7½
			8	13	13			
			5	13-14	14			

1. A temporary simplified seasonal program was established on Mar. 8, 1985, and the interest rate was a fixed rate ½ percent above the rate on adjustment credit. The program was re-established on Feb. 18, 1986; the rate may be either the same as that for adjustment credit or a fixed rate ½ percent higher.

2. Applicable to advances when exceptional circumstances or practices involve only a particular depository institution and to advances when an institution is under sustained liquidity pressures. As an alternative, for loans outstanding for more than 150 days, a Federal Reserve Bank may charge a flexible rate that takes into account rates on market sources of funds, but in no case will the rate charged be less than the basic rate plus one percentage point. Where credit provided to a particular depository institution is anticipated to be outstanding for an unusually prolonged period and in relatively large amounts, the time period in which each rate under this structure is applied may be shortened. See section 201.3(b)(2) of Regulation A.

3. 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, 1970-1979, 1980, 1981*, and *1982*.

In 1980 and 1981, the Federal Reserve applied a surcharge to short-term adjustment credit borrowings by institutions with deposits of \$500 million or more that 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. There was no surcharge until Nov. 17, 1980, when a 2 percent surcharge was adopted; the surcharge was subsequently raised to 3 percent on Dec. 5, 1980, and to 4 percent on May 5, 1981. The surcharge was reduced to 3 percent effective Sept. 22, 1981, and to 2 percent effective Oct. 12. As of Oct. 1, the formula for applying the surcharge was changed from a calendar quarter to a moving 13-week period. The surcharge was eliminated on Nov. 17, 1981.

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS¹

Percent of deposits

Type of deposit, and deposit interval	Member bank requirements before implementation of the Monetary Control Act		Type of deposit, and deposit interval ⁵	Depository institution requirements after implementation of the Monetary Control Act ⁶	
	Percent	Effective date		Percent	Effective date
<i>Net demand</i> ²			<i>Net transaction accounts</i> ^{7,8}		
\$0 million–\$2 million	7	12/30/76	\$0–\$31.7 million	3	12/31/85
\$2 million–\$10 million	9½	12/30/76	Over \$31.7 million	12	12/31/85
\$10 million–\$100 million	11¾	12/30/76			
\$100 million–\$400 million	12¾	12/30/76	<i>Nonpersonal time deposits</i> ⁹		
Over \$400 million	16¼	12/30/76	By original maturity		
<i>Time and savings</i> ^{2,3}			Less than 1½ years	3	10/6/83
Savings	3	3/16/67	1½ years or more	0	10/6/83
<i>Time</i> ⁴			<i>Eurocurrency liabilities</i>		
\$0 million–\$5 million, by maturity			All types	3	11/13/80
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 million, 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			

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

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.

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 of borrowings from unrelated banks abroad was also reduced to zero from 4 percent.

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. 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.

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. 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.

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 Apr. 3, 1980, was decreased to 5 percent beginning June 12, 1980, and was eliminated 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 non-member 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 reserve computation periods 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. The Garn-St Germain Depository Institutions Act of 1982 (Public Law 97–320) provides that \$2 million of reservable liabilities (transaction accounts, nonpersonal time deposits, and Eurocurrency liabilities) of each depository institution be subject to a zero percent reserve requirement. The Board is to adjust the amount of reservable liabilities subject to this zero percent reserve requirement each year for the next succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is to be made in the event of a decrease. Effective Dec. 9, 1982, the amount of the exemption was established at \$2.1 million. Effective with the reserve maintenance period beginning Jan. 1, 1985, the amount of the exemption is \$2.4 million. Effective with the reserve computation period beginning Dec. 31, 1985, the amount of the exemption is \$2.6 million. In determining the reserve requirements of a depository institution, the exemption shall apply in the following order: (1) nonpersonal money market deposit accounts (MMDAs) authorized under 12 CFR section 1204.122; (2) net NOW accounts (NOW accounts less allowable deductions); (3) net other transaction accounts; and (4) nonpersonal time deposits or Eurocurrency liabilities starting with those with the highest reserve ratio. With respect to NOW accounts and other transaction accounts, the exemption applies only to such accounts that would be subject to a 3 percent reserve requirement.

6. For nonmember banks and thrift institutions that were not members of the Federal Reserve System on or after July 1, 1979, a phase-in period ends Sept. 3, 1987. For banks that were members on or after July 1, 1979, but withdrew on or before Mar. 31, 1980, the phase-in period established by Public Law 97–320 ends on Oct. 24, 1985. For existing member banks the phase-in period of about three years was completed on Feb. 2, 1984. All new institutions will have a two-year phase-in beginning with the date that they open for business, except for those institutions that have total reservable liabilities of \$50 million or more.

7. Transaction accounts include all deposits on which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, and telephone and preauthorized transfers (in excess of three per month) for the purpose of making payments to third persons or others. However, MMDAs and similar accounts offered by institutions not subject to the rules of the Depository Institutions Deregulation Committee (DIDC) that permit no more than six preauthorized, automatic, or other transfers per month of which no more than three can be checks—are not transaction accounts (such accounts are savings deposits subject to time deposit reserve requirements.)

8. The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage increase in transaction accounts held by all depository institutions determined as of June 30 each year. Effective Dec. 31, 1981, the amount was increased accordingly from \$25 million to \$26 million; effective Dec. 30, 1982, to \$26.3 million; effective Dec. 29, 1983, to \$28.9 million; effective Jan. 1, 1985, to \$29.8 million; and effective Dec. 31, 1985, to \$31.7 million.

9. In general, nonpersonal time deposits are time deposits, including savings deposits, that are not transaction accounts and in which a 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. Nonmembers may maintain reserve balances with a Federal Reserve Bank indirectly on a pass-through basis with certain approved institutions.

1.16 MAXIMUM INTEREST RATES PAYABLE on Time and Savings Deposits at Federally Insured Institutions¹
Percent per annum

Type of deposit	Commercial banks		Savings and loan associations and mutual savings banks (thrift institutions) ¹	
	In effect Feb. 28, 1986		In effect Feb. 28, 1986	
	Percent	Effective date	Percent	Effective date
1 Savings	5½	1/1/84	5½	7/1/79
2 Negotiable order of withdrawal accounts	(2)	1/1/86	(2)	1/1/86
3 Money market deposit account	(3)	12/14/82	(3)	12/14/82
<i>Time accounts</i>				
4 7-31 days	(4)	1/1/86	(4)	9/1/86
5 More than 31 days .....	.....	10/1/83	.....	10/1/83

1. Effective Oct. 1, 1983, restrictions on the maximum rates of interest payable by commercial banks and thrift institutions on various categories of deposits were removed. For information regarding previous interest rate ceilings on all categories 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*.

2. Before Jan. 1, 1986, NOW accounts with minimum denomination requirements of less than \$1,000 were subject to an interest rate ceiling of 5¼ percent. NOW accounts with minimum required denominations of \$1,000 or more and IRA/Keough (HR10) Plan accounts were not subject to interest rate ceilings. Effective Jan. 1, 1986, the minimum denomination requirement was removed.

3. Effective Dec. 14, 1982, depository institutions are authorized to offer a new account with a required initial balance of \$2,500 and an average maintenance

balance of \$2,500 not subject to interest rate restrictions. Effective Jan. 1, 1985, the minimum denomination and average balance maintenance requirements were lowered to \$1,000. Effective Jan. 1, 1986, the minimum denomination and average balance maintenance requirements were removed. No minimum maturity period is required for this account, but depository institutions must reserve the right to require seven days' notice before withdrawals. Depository institutions may not guarantee a rate of interest for this account for a period longer than one month or condition the payment of a rate on a requirement that the funds remain on deposit for longer than one month.

4. Before Jan. 1, 1986, deposits of less than \$1,000 were subject to an interest rate ceiling of 5½ percent. Deposits of less than \$1,000 issued to governmental units were subject to an interest rate ceiling of 8 percent. Effective Jan. 1, 1986, the minimum denomination requirement was removed.

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS

Millions of dollars

Type of transaction		1982	1983	1984	1985						
					June	July	Aug.	Sept.	Oct.	Nov.	Dec.
U.S. GOVERNMENT SECURITIES											
Outright transactions (excluding matched transactions)											
Treasury bills											
1	Gross purchases	17,067	18,888	20,036	2,099	0	3,056	1,171	0	1,180	4,515
2	Gross sales	8,369	3,420	8,557	0	0	0	0	265	0	0
3	Exchange	0	0	0	0	0	0	350	0	-350	0
4	Redemptions	3,000	2,400	7,700	0	200	0	0	0	0	0
Others within 1 year											
5	Gross purchases	312	484	1,126	0	0	0	0	0	0	143
6	Gross sales	0	0	0	0	0	0	0	0	0	0
7	Maturity shift	17,295	18,887	16,354	1,312	1,238	4,895	1,028	529	2,363	943
8	Exchange	-14,164	-16,553	-20,840	0	-1,778	-3,275	-1,806	-942	-615	-1,529
9	Redemptions	0	87	0	0	0	0	0	0	0	0
1 to 5 years											
10	Gross purchases	1,797	1,896	1,638	0	0	6	0	0	0	868
11	Gross sales	0	0	0	0	0	0	0	0	0	0
12	Maturity shift	-14,524	-15,533	-13,709	-1,312	-1,153	-3,760	-1,028	-520	-1,731	-943
13	Exchange	11,804	11,641	16,039	0	1,778	1,825	1,806	942	650	1,529
5 to 10 years											
14	Gross purchases	388	890	536	0	0	6	0	0	0	345
15	Gross sales	0	0	300	0	0	0	0	0	0	0
16	Maturity shift	-2,172	-2,450	-2,371	0	-85	-1,136	0	-10	-600	0
17	Exchange	2,128	2,950	2,750	0	0	800	0	0	184	0
Over 10 years											
18	Gross purchases	307	383	441	0	0	0	0	0	0	197
19	Gross sales	0	0	0	0	0	0	0	0	0	0
20	Maturity shift	-601	-904	-275	0	0	0	0	0	-32	0
21	Exchange	234	1,962	2,052	0	0	650	0	0	131	0
All maturities											
22	Gross purchases	19,870	22,540	23,776	2,099	0	3,068	1,171	0	1,180	6,068
23	Gross sales	8,369	3,420	8,857	0	0	0	0	265	0	0
24	Redemptions	3,000	2,487	7,700	0	200	0	0	0	0	0
Matched transactions											
25	Gross sales	543,804	578,591	808,986	81,016	60,980	64,263	73,925	100,929	85,486	76,399
26	Gross purchases	543,173	576,908	810,432	83,782	59,165	64,209	72,347	100,197	84,769	78,962
Repurchase agreements											
27	Gross purchases	130,774	105,971	127,933	2,801	10,486	1,928	14,029	0	3,684	23,338
28	Gross sales	130,286	108,291	127,690	2,801	10,486	1,928	14,029	0	3,684	19,809
29	Net change in U.S. government securities	8,358	12,631	8,908	4,865	-2,015	3,014	-408	-997	463	12,159
FEDERAL AGENCY OBLIGATIONS											
Outright transactions											
30	Gross purchases	0	0	0	0	0	0	0	0	0	0
31	Gross sales	0	0	0	0	0	0	0	0	0	0
32	Redemptions	189	292	256	60	46	30	0	0	0	0
Repurchase agreements											
33	Gross purchases	18,957	8,833	11,509	120	2,439	354	3,522	0	1,454	7,640
34	Gross sales	18,638	9,213	11,328	120	2,439	354	3,522	0	1,454	5,947
35	Net change in federal agency obligations	130	-672	-76	-60	-46	-30	0	0	0	1,693
BANKERS ACCEPTANCES											
36	Repurchase agreements, net	1,285	-1,062	-418	0	0	0	0	0	0	0
37	Total net change in System Open Market Account	9,773	10,897	8,414	4,805	-2,061	2,984	-408	-997	463	13,853

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.

A10 Domestic Financial Statistics □ April 1986

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements

Millions of dollars

Account	Wednesday					End of month		
	1986					1985		1986
	Jan. 1	Jan. 8	Jan. 15	Jan. 22	Jan. 29	Nov.	Dec.	Jan.
Consolidated condition statement								
ASSETS								
1 Gold certificate account.....	11,090	11,090	11,090	11,090	11,090	11,090	11,090	11,090
2 Special drawing rights certificate account.....	4,718	4,718	4,718	4,718	4,718	4,718	4,718	4,718
3 Coin.....	487	482	508	538	560	504	487	562
4 Loans								
5 To depository institutions.....	3,060	576	644	755	769	1,602	3,060	827
6 Other.....	0	0	0	0	0	0	0	0
7 Acceptances—Bought outright								
8 Held under repurchase agreements.....	0	0	0	0	0	0	0	0
9 Federal agency obligations								
10 Bought outright.....	8,227	8,227	8,227	8,227	8,227	8,227	8,227	8,227
11 Held under repurchase agreements.....	1,694	0	0	1,139	768	0	1,694	623
12 U.S. government securities								
13 Bought outright								
14 Bills.....	85,425	85,648	88,819	86,769	85,766	78,347	85,425	83,532
15 Notes.....	67,647	67,647	67,647	67,647	67,647	66,292	67,647	67,647
16 Bonds.....	24,726	24,726	24,726	24,726	24,726	24,529	24,726	24,726
17 Total bought outright ¹	177,798	178,021	181,192	179,142	178,139	169,168	177,798	175,905
18 Held under repurchase agreements.....	3,529	0	0	5,959	2,564	0	3,529	3,087
19 Total U.S. government securities.....	181,327	178,021	181,192	185,101	180,703	169,168	181,327	178,992
20 Total loans and securities.....	194,308	186,824	190,063	195,222	190,467	178,997	194,308	188,669
21 Items in process of collection.....	10,147	7,706	8,089	11,433	6,591	5,915	10,147	6,519
22 Bank premises.....	607	607	606	612	610	600	607	612
23 Other assets								
24 Denominated in foreign currencies ²	7,016	7,019	7,025	7,043	7,054	6,834	7,016	7,336
25 All other ³	7,679	7,588	7,599	8,012	7,965	7,389	7,679	7,866
26 Total assets.....	236,052	226,034	229,698	238,668	229,055	216,047	236,052	227,372
LIABILITIES								
27 Federal Reserve notes.....	181,450	179,243	177,191	175,991	174,553	177,504	181,450	174,453
28 Deposits								
29 To depository institutions.....	28,631	27,817	32,641	26,915	24,885	23,830	28,631	23,480
30 U.S. Treasury—General account.....	9,351	5,310	5,669	19,087	17,077	2,294	9,351	16,228
31 Foreign—Official accounts.....	480	259	191	215	228	340	480	256
32 Other.....	1,041	402	575	412	366	598	1,041	477
33 Total deposits.....	39,503	33,788	39,076	46,629	42,556	27,062	39,503	40,441
34 Deferred credit items.....	9,159	6,824	7,289	9,886	5,804	5,006	9,159	5,856
35 Other liabilities and accrued dividends ⁴	2,378	2,302	2,256	2,254	2,231	2,306	2,378	2,372
36 Total liabilities.....	232,490	222,157	225,812	234,760	225,144	211,878	232,490	223,122
CAPITAL ACCOUNTS								
37 Capital paid in.....	1,781	1,783	1,783	1,786	1,789	1,773	1,781	1,789
38 Surplus.....	1,781	1,770	1,781	1,781	1,781	1,626	1,781	1,781
39 Other capital accounts.....	0	324	322	341	341	770	0	680
40 Total liabilities and capital accounts.....	236,052	226,034	229,698	238,668	229,055	216,047	236,052	227,372
41 MEMO: Marketable U.S. government securities held in custody for foreign and international account.....	125,624	126,112	125,291	126,093	127,422	127,566	125,624	129,152
Federal Reserve note statement								
42 Federal Reserve notes outstanding.....	208,427	207,846	207,917	208,274	208,363	208,830	208,427	208,135
43 LESS: Held by bank.....	26,977	28,603	30,726	32,283	33,810	31,326	26,977	33,682
44 Federal Reserve notes, net.....	181,450	179,243	177,191	175,991	174,553	177,504	181,450	174,453
45 Collateral held against notes net:								
46 Gold certificate account.....	11,090	11,090	11,090	11,090	11,090	11,090	11,090	11,090
47 Special drawing rights certificate account.....	4,718	4,718	4,718	4,718	4,718	4,718	4,718	4,718
48 Other eligible assets.....	0	0	0	0	0	0	0	0
49 U.S. government and agency securities.....	165,642	163,435	161,383	160,183	158,745	161,696	165,642	158,645
50 Total collateral.....	181,450	179,243	177,191	175,991	174,553	177,504	181,450	174,453

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. Assets shown in this line are revalued monthly at market exchange rates. Includes special investment account at Chicago of Treasury bills maturing within 90 days.

4. Includes exchange-translation account reflecting the monthly revaluation at market exchange rates of foreign-exchange commitments.

NOTE: Some of these data also appear in the Board's H.4.1 (503) release. For address, see inside front cover.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings

Millions of dollars

Type and maturity groupings	Wednesday					End of month		
	1986					1985		1986
	Jan. 1	Jan. 8	Jan. 15	Jan. 22	Jan. 29	Nov. 29	Dec. 31	Jan. 31
1 Loans—Total	3,060	576	644	755	769	1,602	3,060	827
2 Within 15 days	3,033	567	634	749	763	1,564	3,033	820
3 16 days to 90 days	27	9	10	6	6	38	27	7
4 91 days to 1 year	0	0	0	0	0	0	0	0
5 Acceptances—Total	0	0	0	0	0	0	0	0
6 Within 15 days	0	0	0	0	0	0	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	181,327	178,021	181,192	185,101	180,703	169,168	181,327	178,992
10 Within 15 days ¹	9,307	7,278	9,942	14,216	8,786	1,558	9,307	5,197
11 16 days to 90 days	43,462	42,309	42,746	44,592	44,084	41,194	43,462	46,616
12 91 days to 1 year	56,364	56,240	56,310	54,099	55,639	55,659	56,364	55,114
13 Over 1 year to 5 years	35,650	35,650	35,672	35,672	35,672	34,755	35,650	35,543
14 Over 5 years to 10 years	14,785	14,785	14,763	14,763	14,763	14,440	14,785	14,763
15 Over 10 years	21,759	21,759	21,759	21,759	21,759	21,562	21,759	21,759
16 Federal agency obligations—Total	9,921	8,227	8,227	9,366	8,995	8,227	9,921	8,850
17 Within 15 days ¹	1,836	97	186	1,313	885	273	1,836	740
18 16 days to 90 days	962	864	813	773	867	504	962	976
19 91 days to 1 year	1,471	1,644	1,746	1,811	1,763	1,820	1,471	1,654
20 Over 1 year to 5 years	4,056	4,026	3,886	3,873	3,868	4,070	4,056	4,250
21 Over 5 years to 10 years	1,187	1,187	1,187	1,187	1,203	1,161	1,187	821
22 Over 10 years	409	409	409	409	409	399	409	409

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

A12 Domestic Financial Statistics □ April 1986

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE

Billions of dollars, averages of daily figures

Item	1982 Dec.	1983 Dec.	1984 Dec.	1985 Dec.	1985							1986 Jan.
					June	July	Aug.	Sept.	Oct.	Nov.	Dec.	
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS ¹	Seasonally adjusted											
1 Total reserves ²	34.28	36.14	39.08	45.19	42.18	42.61	43.19	43.51	43.65	44.38	45.19	45.37
2 Nonborrowed reserves.....	33.65	35.36	35.90	43.87	40.97	41.50	42.12	42.22	42.46	42.64	43.87	44.60
3 Nonborrowed reserves plus extended credit ³	33.83	35.37	38.50	44.37	41.64	42.01	42.69	42.87	43.09	43.17	44.37	45.10
4 Required reserves.....	33.78	35.58	38.23	44.13	41.27	41.75	42.37	42.84	42.90	43.45	44.13	44.26
5 Monetary base ⁴	170.04 ^r	185.39 ^r	198.80 ^r	216.44 ^r	207.57 ^r	208.73 ^r	210.85 ^r	212.08 ^r	213.12 ^r	214.93 ^r	216.44 ^r	218.05
	Not seasonally adjusted											
6 Total reserves ²	35.01	36.86	40.13	46.40 ^r	41.96	42.41	42.60	43.22	43.75	44.62	46.40 ^r	46.64
7 Nonborrowed reserves.....	34.37	36.09	36.94	45.09	40.75	41.30	41.52	41.93	42.56	42.88	45.09	45.87
8 Nonborrowed reserves plus extended credit ³	34.56	36.09	39.55	45.59	41.42	41.81	42.09	42.59	43.19	43.41	45.59	46.36
9 Required reserves.....	34.51	36.30	39.28	45.35	41.05	41.55	41.77	42.56	42.99	43.70	45.35	45.53
10 Monetary base ⁴	173.07 ^r	188.66 ^r	201.94 ^r	219.75 ^r	207.92 ^r	210.19 ^r	211.16 ^r	211.65 ^r	212.75 ^r	215.42 ^r	219.75 ^r	218.17
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS ⁵												
11 Total reserves ²	41.85	38.89	40.70	48.14 ^r	42.35	42.80	42.96	44.45	45.47	46.38	48.14 ^r	48.06
12 Nonborrowed reserves.....	41.22	38.12	37.51	46.82 ^r	41.15	41.70	41.89	43.16	44.28	44.64	46.82 ^r	47.29
13 Nonborrowed reserves plus extended credit ³	41.41	38.12	40.09	47.41	41.88	42.23	42.50	43.83	44.90	45.07	47.41	47.79
14 Required reserves.....	41.35	38.33	39.84	47.08	41.45	41.95	42.14	43.78	44.72	45.45	47.08	46.95
15 Monetary base ⁴	180.42 ^r	192.26 ^r	202.51 ^r	221.49 ^r	208.32 ^r	210.58 ^r	211.53 ^r	212.88 ^r	214.47 ^r	217.18 ^r	221.49 ^r	219.60

1. Figures incorporate adjustments for discontinuities associated with the implementation of the Monetary Control Act and other regulatory changes to reserve requirements. To adjust for discontinuities due to changes in reserve requirements on reservable nondeposit liabilities, the sum of such required reserves is subtracted from the actual series. Similarly, in adjusting for discontinuities in the monetary base, required clearing balances and adjustments to compensate for float also are subtracted from the actual series.

2. Total reserves not adjusted for discontinuities consist of reserve balances with Federal Reserve Banks, which exclude required clearing balances and adjustments to compensate for float, plus vault cash used to satisfy reserve requirements. Such vault cash consists of all vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.

3. Extended credit consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as there is with traditional short-term adjustment credit, the money market impact of extended credit is similar to that of nonborrowed reserves.

4. The monetary base not adjusted for discontinuities consists of total reserves plus required clearing balances and adjustments to compensate for float at Federal Reserve Banks and the currency component of the money stock less the amount

of vault cash holdings of thrift institutions that is included in the currency component of the money stock plus, for institutions not having required reserve balances, the excess of current vault cash over the amount applied to satisfy current reserve requirements. After the introduction of contemporaneous reserve requirements (CRR), currency and vault cash figures are measured over the weekly computation period ending Monday.

Before CRR, all components of the monetary base other than excess reserves are seasonally adjusted as a whole, rather than by component, and excess reserves are added on a not seasonally adjusted basis. After CRR, the seasonally adjusted series consists of seasonally adjusted total reserves, which include excess reserves on a not seasonally adjusted basis, plus the seasonally adjusted currency component of the money stock and the remaining items seasonally adjusted as a whole.

5. Reflects actual reserve requirements, including those on nondeposit liabilities, with no adjustments to eliminate the effects of discontinuities associated with implementation of the Monetary Control Act or other regulatory changes to reserve requirements.

NOTE. Latest monthly and biweekly figures are available from the Board's H.3(502) statistical release. Historical data and estimates of the impact on required reserves of changes in reserve requirements are available from the Banking Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES

Billions of dollars, averages of daily figures

Item ¹	1982 Dec.	1983 Dec.	1984 Dec.	1985 Dec.	1985			1986
					Oct.	Nov.	Dec.	Jan.
Seasonally adjusted ^r								
1 M1	479.9	527.1	558.5	626.3	614.1	619.9	626.3	626.9
2 M2	1,952.6	2,186.0	2,373.7	2,564.1	2,537.9	2,549.7	2,564.1	2,566.7
3 M3	2,443.5	2,697.3	2,986.6	3,190.9	3,163.7	3,175.5	3,190.9	3,211.1
4 L	2,850.1	3,163.5	3,532.4	n.a.	3,760.3	3,794.3	n.a.	n.a.
5 Debt	4,649.8	5,177.1	5,927.0	n.a.	6,542.8	6,628.5	n.a.	n.a.
M1 components								
6 Currency ²	134.3	148.3	158.5	170.6	168.7	169.8	170.6	171.9
7 Travelers checks ³	4.3	4.9	5.2	5.9	5.9	5.9	5.9	5.9
8 Demand deposits ⁴	237.9	242.7	248.4	271.4	265.9	267.7	271.4	268.7
9 Other checkable deposits ⁵	103.4	131.3	146.3	178.4	173.6	176.6	178.4	180.3
Nontransactions components								
10 In M2 ⁶	1,472.7	1,658.9	1,815.3	1,937.8	1,923.8	1,929.8	1,937.8	1,939.8
11 In M3 only ⁷	490.9	511.3	612.9	626.8	625.8	625.8	626.8	644.4
Savings deposits ⁹								
12 Commercial Banks	163.7	133.4	122.3	124.4	124.4	124.7	124.4	124.7
13 Thrift institutions	194.2	173.2	167.3	179.1	177.9	179.0	179.1	179.3
Small denomination time deposits ⁹								
14 Commercial Banks	380.4	351.1	387.2	384.0	382.0	382.2	384.0	386.4
15 Thrift institutions	472.4	434.1	500.3	496.6	493.9	494.0	496.6	498.6
Money market mutual funds								
16 General purpose and broker/dealer	185.2	138.2	167.5	175.8	177.0	176.5	175.8	177.1
17 Institution-only	51.1	43.2	62.7	64.5	63.3	64.5	64.5	66.5
Large denomination time deposits ¹⁰								
18 Commercial Banks ¹¹	262.1	228.7	263.7	278.9	274.3	276.5	278.9	289.5
19 Thrift institutions	65.8	101.1	150.2	157.3	155.8	156.2	157.3	158.1
Debt components								
20 Federal debt	979.2	1,173.0	1,367.4	n.a.	1,516.6	1,548.3	n.a.	n.a.
21 Non-federal debt	3,670.6	4,004.1	4,559.6	n.a.	5,026.2	5,080.3	n.a.	n.a.
Not seasonally adjusted ^r								
22 M1	490.9	538.8	570.5	639.6	612.0	621.5	639.6	633.2
23 M2	1,958.6	2,192.8	2,380.8	2,572.2	2,533.2	2,548.0	2,572.2	2,575.4
24 M3	2,453.3	2,707.9	2,998.0	3,203.5	3,160.7	3,178.9	3,203.5	3,218.8
25 L	2,856.4	3,170.1	3,537.6	n.a.	3,758.7	3,796.5	n.a.	n.a.
26 Debt	4,644.6	5,171.6	5,921.2	n.a.	6,529.1	6,616.0	n.a.	n.a.
M1 components								
27 Currency ²	136.5	150.5	160.9	173.1	168.4	170.7	173.1	170.5
28 Travelers checks ³	4.1	4.6	4.9	5.5	5.9	5.6	5.5	5.5
29 Demand deposits ⁴	246.2	251.3	257.3	281.1	265.6	268.9	281.1	275.0
30 Other checkable deposits ⁵	104.1	132.4	147.5	179.9	172.2	176.2	179.9	182.2
Nontransactions components								
31 M2 ⁶	1,467.7	1,654.0	1,810.3	1,932.6	1,921.2	1,926.6	1,932.6	1,942.2
32 M3 only ⁷	494.7	515.1	617.2	631.3	627.4	630.9	631.3	643.4
Money market deposit accounts								
33 Commercial banks	26.3	230.5	267.2	332.4	324.4	329.3	332.4	336.7
34 Thrift institutions	16.9	148.7	149.7	179.7	179.8	180.3	179.7	179.1
Savings deposits ⁸								
35 Commercial Banks	162.1	132.2	121.4	123.5	124.6	124.3	123.5	123.9
36 Thrift institutions	193.1	172.3	166.5	178.3	178.3	179.0	178.3	178.8
Small denomination time deposits ⁹								
37 Commercial Banks	380.1	351.1	387.6	384.7	384.7	384.2	384.7	386.4
38 Thrift institutions	471.7	434.2	501.2	498.1	496.7	496.7	498.1	501.8
Money market mutual funds								
39 General purpose and broker/dealer	185.2	138.2	167.5	175.8	177.0	176.5	175.8	177.1
40 Institution-only	51.1	43.2	62.7	64.5	63.3	64.5	64.5	66.5
Large denomination time deposits ¹⁰								
41 Commercial Banks ¹¹	265.2	230.8	265.5	280.6	276.7	278.1	280.6	288.3
42 Thrift institutions	65.8	101.4	150.6	157.7	156.2	157.0	157.7	158.9
Debt components								
43 Federal debt	976.4	1,170.2	1,364.7	n.a.	1,515.6	1,544.2	n.a.	n.a.
44 Non-federal debt	3,668.2	4,001.4	4,556.4	n.a.	5,013.6	5,071.9	n.a.	n.a.

For notes see following page.

NOTES TO TABLE 1.21

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

M1: (1) currency outside the Treasury, Federal Reserve Banks, and the vaults of commercial banks; (2) travelers checks of nonbank issuers; (3) 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 (4) other checkable deposits (OCD) consisting of negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at depository institutions, credit union share draft accounts, and demand deposits at thrift institutions. The currency and demand deposit components exclude the estimated amount of vault cash and demand deposits respectively held by thrift institutions to service their OCD liabilities.

M2: M1 plus overnight (and continuing contract) repurchase agreements (RPs) issued by all commercial banks and overnight Eurodollars issued to U.S. residents by foreign branches of U.S. banks worldwide, MMDAs, savings and small-denomination time deposits (time deposits—including retail RPs—in amounts of less than \$100,000), and balances in both taxable and tax-exempt general purpose and broker/dealer money market mutual funds. Excludes individual retirement accounts (IRA) and Keogh balances at depository institutions and money market funds. Also excludes all balances held by U.S. commercial banks, money market funds (general purpose and broker/dealer), foreign governments and commercial banks, and the U.S. government. Also subtracted is a consolidation adjustment that represents the estimated amount of demand deposits and vault cash held by thrift institutions to service their time and savings deposits.

M3: M2 plus large-denomination time deposits and term RP liabilities (in amounts of \$100,000 or more) issued by commercial banks and thrift institutions, term Eurodollars held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada, and balances in both taxable and tax-exempt, institution-only money market mutual funds. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Also subtracted is a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market mutual funds.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper and bankers acceptances, net of money market mutual fund holdings of these assets.

Debt: Debt of domestic nonfinancial sectors consists of outstanding credit market debt of the U.S. government, state and local governments, and private nonfinancial sectors. Private debt consists of corporate bonds, mortgages, consumer credit (including bank loans), other bank loans, commercial paper, bankers acceptances, and other debt instruments. The source of data on domestic nonfinancial debt is the Federal Reserve Board's flow of funds accounts. Debt data are based on monthly averages.

2. Currency outside the U.S. Treasury, Federal Reserve Banks, and vaults of commercial banks. Excludes the estimated amount of vault cash held by thrift institutions to service their OCD liabilities.

3. Outstanding amount of U.S. dollar-denominated travelers checks of nonbank issuers. Travelers checks issued by depository institutions are included in demand deposits.

4. Demand deposits at commercial banks and foreign-related institutions 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. Excludes the estimated amount of demand deposits held at commercial banks by thrift institutions to service their OCD liabilities.

5. Consists of NOW and ATS balances at all depository institutions, credit union share draft balances, and demand deposits at thrift institutions. Other checkable deposits seasonally adjusted equals the difference between the seasonally adjusted sum of demand deposits plus OCD and seasonally adjusted demand deposits. Included are all ceiling free "Super NOWs," authorized by the Depository Institutions Deregulation committee to be offered beginning Jan. 5, 1983.

6. Sum of overnight RPs and overnight Eurodollars, money market fund balances (general purpose and broker/dealer), MMDAs, and savings and small time deposits, less the consolidation adjustment that represents the estimated amount of demand deposits and vault cash held by thrift institutions to service their time and savings deposits liabilities.

7. Sum of large time deposits, term RPs and term Eurodollars of U.S. residents, money market fund balances (institution-only), less a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds.

8. Savings deposits exclude MMDAs.

9. Small-denomination time deposits—including retail RPs—are those issued in amounts of less than \$100,000. All individual retirement accounts (IRA) and Keogh accounts at commercial banks and thrifts are subtracted from small time deposits.

10. Large-denomination time deposits are those issued in amounts of \$100,000 or more, excluding those booked at international banking facilities.

11. Large-denomination time deposits at commercial banks less those held by money market mutual funds, depository institutions, and foreign banks and official institutions.

NOTE: Latest monthly and weekly figures are available from the Board's H.6 (508) release. 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.

1.22 BANK DEBITS AND DEPOSIT TURNOVER

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

Bank group, or type of customer	1983 ¹	1984 ¹	1985 ¹	1985					
				July	Aug.	Sept.	Oct.	Nov.	Dec.
DEBITS TO	Seasonally adjusted								
Demand deposits ²									
1 All insured banks	108,646.4	128,419.4	154,506.2	157,128.3	147,455.5	159,593.3	161,606.7	163,038.1	189,203.0
2 Major New York City banks	47,336.9	57,392.9	70,694.4	69,952.8	65,645.6	72,765.4	76,697.8	77,069.6	89,415.1
3 Other banks	61,309.5	71,026.5	84,061.8	87,175.5	81,809.9	86,827.9	84,908.9	85,968.5	99,787.9
4 ATS-NOW accounts ³	1,394.9	1,589.5	1,917.4	1,870.1	2,008.8	2,465.3	2,171.9	2,227.8	2,452.5
5 Savings deposits ⁴	735.7	633.1	539.0	584.3	550.7	509.1	562.3	533.4	418.6
DEPOSIT TURNOVER									
Demand deposits ²									
6 All insured banks	376.8	434.1	496.2	506.4	469.6	508.8	511.3	508.1	581.9
7 Major New York City banks	1,512.0	1,843.0	2,168.9	2,131.4	1,965.4	2,326.1	2,421.9	2,368.5	2,567.0
8 Other banks	238.5	268.4	301.5	314.2	291.5	307.6	298.6	298.1	343.7
9 ATS-NOW accounts ³	15.5	15.8	16.7	16.4	17.1	20.6	18.1	18.2	19.8
10 Savings deposits ⁴	5.3	5.1	4.5	4.9	4.6	4.2	4.6	4.3	3.4
DEBITS TO	Not seasonally adjusted								
Demand deposits ²									
11 All insured banks	108,459.5	128,038.6	154,057.1	157,898.2	152,985.1	148,788.8	167,020.6	157,070.9	192,060.0
12 Major New York City banks	47,238.2	57,282.4	70,400.9	70,496.1	68,401.8	68,967.9	78,010.5	73,982.4	92,551.5
13 Other banks	61,221.3	70,756.2	83,656.2	87,402.1	84,583.3	79,820.9	89,010.1	83,088.6	99,508.5
14 ATS-NOW accounts ³	1,387.5	1,580.3	1,900.2	1,807.5	1,770.5	2,289.9	2,117.9	2,007.8	2,354.8
15 MMDA ⁵	567.4	849.0	1,179.0	1,183.3	1,201.2	1,192.2	1,293.0	1,221.5	1,493.2
16 Savings deposits ⁴	736.4	633.0	538.7	586.0	538.4	490.1	580.2	496.3	405.3
DEPOSIT TURNOVER									
Demand deposits ²									
17 All insured banks	376.1	433.2	497.0	509.5	499.3	473.1	530.1	489.3	574.9
18 Major New York City banks	1,510.0	1,838.6	2,191.1	2,185.9	2,189.4	2,216.6	2,507.4	2,332.4	2,594.1
19 Other banks	238.1	267.7	301.4	314.8	307.4	281.7	313.5	287.2	333.4
20 ATS-NOW accounts ³	15.4	15.7	16.6	15.9	15.3	19.4	17.7	16.4	18.8
21 MMDA ⁵	2.8	3.5	3.8	3.8	3.8	3.7	3.9	3.7	4.5
22 Savings deposits ⁴	5.3	5.0	4.5	4.8	4.5	4.1	4.8	4.0	3.3

1. Annual averages of monthly figures.

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

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. Excludes ATS and NOW accounts, MMDA and special club accounts, such as Christmas and vacation clubs.

5. Money market deposit accounts.

NOTE. Historical data for demand deposits are available back to 1970 estimated in part from the debits series for 233 SMSAs that were available through June 1977. Historical data for ATS-NOW and savings deposits are available back to July 1977. Back data are available on request from the Banking Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

These data also appear on the Board's G.6 (406) release. For address, see inside front cover.

A16 Domestic Financial Statistics □ April 1986

1.23 LOANS AND SECURITIES All Commercial Banks¹

Billions of dollars; averages of Wednesday figures

Category	1985											1986
	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
Seasonally adjusted												
1 Total loans and securities ²	1,744.8	1,761.6	1,768.8	1,788.5	1,802.7	1,819.0	1,828.8	1,841.3	1,844.4	1,869.6	1,895.5	1,919.6
2 U.S. government securities	266.0	267.1	261.4	266.3	267.1	271.6	271.4	273.1	270.0	275.0	270.7	264.6
3 Other securities	141.1	138.9	140.2	142.2	144.5	145.4	148.2	151.3	154.8	160.7	174.5	189.6
4 Total loans and leases ³	1,337.7	1,355.6	1,367.1	1,380.0	1,391.0	1,402.1	1,409.2	1,416.9	1,419.7	1,433.9	1,450.3	1,465.5
5 Commercial and industrial	474.1	481.2	481.9	484.3	484.3	484.1	485.7	487.2	487.0	490.6	493.9	494.1
6 Bankers acceptances held ³	6.2	6.4	5.4	4.9	4.7	5.1	5.0	4.7	4.7	4.9	5.2	5.3
7 Other commercial and industrial	468.0	474.9	476.5	479.3	479.6	479.0	480.7	482.5	482.3	485.7	488.6	488.9
8 U.S. addressees ⁴	457.4	464.2	465.8	469.2	470.1	469.6	471.1	473.3	473.7	477.3	479.8	479.0
9 Non-U.S. addressees ⁴	10.6	10.7	10.7	10.1	9.5	9.4	9.6	9.2	8.6	8.4	8.8	9.9
10 Real estate	382.8	386.7	390.8	394.8	398.7	403.7	407.1	409.9	414.5	419.2	423.2	426.1
11 Individual	258.5	262.9	266.5	269.9	272.7	276.3	278.5	280.3	281.3	283.8	286.5	289.5
12 Security	31.6	32.8	35.1	37.5	40.0	40.3	36.7	38.2 ^r	37.9	37.7 ^r	38.6 ^r	43.0
13 Nonbank financial institutions	30.9	30.6	31.1	31.5	31.2	31.6	32.3	32.5	32.4	33.1 ^r	34.3 ^r	33.9
14 Agricultural	39.6	39.5	39.4	39.4	39.4	39.6	39.6	40.1	40.3	40.5	40.8	40.9
15 State and political subdivisions	46.7	47.0	47.2	47.5	47.5	47.8	48.8	48.8	49.3	50.0	52.4	58.2
16 Foreign banks	11.5	11.2	10.9	10.6	10.3	10.4	10.2	9.9	9.6	9.6	9.5	9.6
17 Foreign official institutions	7.1	7.0	7.0	7.0	6.8	6.7	6.5	6.7	6.9	7.0	7.1	7.1
18 Lease financing receivables	15.8	16.1	16.4	16.7	17.0	17.3	17.5	17.6	17.7	17.9	18.2	18.7
19 All other loans	39.0	40.6	40.8	40.8	43.1	44.2	46.4	45.8	42.8	44.6 ^r	46.0 ^r	44.4
Not seasonally adjusted												
20 Total loans and securities ²	1,742.9	1,757.7	1,769.0	1,784.6	1,803.6	1,812.5	1,822.1	1,839.8	1,846.1	1,870.8	1,908.5	1,929.1
21 U.S. government securities	266.9	269.2	266.9	268.4	270.8	271.4	269.8	270.7	266.9	270.6	267.2	264.5
22 Other securities	141.3	139.1	139.9	142.8	144.2	144.0	147.7	150.7	154.2	160.8	176.5	190.8
23 Total loans and leases ³	1,334.6	1,349.4	1,362.3	1,373.4	1,388.6	1,397.2	1,404.6	1,418.4	1,424.9	1,439.4	1,464.8	1,473.8
24 Commercial and industrial	473.7	480.8	482.1	482.8	482.8	483.2	483.5	487.2	488.0	491.0	497.3	496.3
25 Bankers acceptances held ³	6.1	6.3	5.5	4.9	4.8	5.0	4.9	4.6	4.6	4.8	5.5	5.4
26 Other commercial and industrial	467.6	474.5	476.6	477.9	477.9	478.2	478.6	482.6	483.4	486.2	491.8	490.9
27 U.S. addressees ⁴	457.5	464.3	466.7	468.3	468.6	468.7	469.0	473.1	474.3	477.1	481.8	480.9
28 Non-U.S. addressees ⁴	10.1	10.2	9.9	9.6	9.3	9.5	9.6	9.4	9.1	9.1	10.0	10.0
29 Real estate	382.4	385.6	389.5	393.8	398.1	403.1	407.3	411.2	415.9	420.3	423.8	426.8
30 Individual	258.2	260.7	264.3	267.7	270.7	274.5	278.3	281.5	283.4	285.8	290.0	292.3
31 Security	30.8	32.2	35.0	36.0	39.9	38.3	35.8	36.7	37.7	39.7 ^r	43.3 ^r	44.5
32 Nonbank financial institutions	30.7	30.6	31.3	31.3	31.2	31.7	32.4	32.6	32.3 ^r	33.0	34.5 ^r	33.9
33 Agricultural	38.8	38.6	38.8	39.3	39.9	40.4	40.5	40.9	40.9	40.6	40.4	40.3
34 State and political subdivisions	46.7	47.0	47.2	47.5	47.5	47.8	48.8	48.8	49.3	50.0	52.4	58.2
35 Foreign banks	11.5	11.0	10.5	10.3	10.0	10.3	9.9	10.1	9.9	9.8	10.1	9.8
36 Foreign official institutions	7.1	7.0	7.0	7.0	6.8	6.7	6.5	6.7	6.9	7.0	7.1	7.1
37 Lease financing receivables	16.0	16.3	16.4	16.7	16.9	17.2	17.4	17.5	17.6	17.7	18.1	18.9
38 All other loans	38.8	39.8	40.2	41.0	44.7	44.1	44.2	45.3	43.0	44.5 ^r	47.8 ^r	45.8

1. Data are prorated averages of Wednesday estimates for domestically chartered insured banks, based on weekly sample reports and quarterly universe reports. For foreign-related institutions, data are averages of month-end estimates based on weekly reports from large U.S. agencies and branches and quarterly reports from all U.S. agencies and branches. New York investment companies majority owned by foreign banks, and Edge Act corporations owned by domestically chartered and foreign banks.

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

3. Includes nonfinancial commercial paper held.

4. United States includes the 50 states and the District of Columbia.

NOTE: These data also appear in the Board's G.7 (407) release. For address, see inside front cover.

1.24 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS¹

Monthly averages, billions of dollars

Source	1985 ²											1986
	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
Total nondeposit funds												
1 Seasonally adjusted ³	106.4	108.0	100.7	107.8	109.4	105.0	108.5	110.4	113.7	116.5	121.4	122.7
2 Not seasonally adjusted	111.0	112.6	104.1	112.3	110.8	104.1	110.2	111.3	114.8	120.0	123.6	125.2
Federal funds, RPs, and other borrowings from nonbanks ³												
3 Seasonally adjusted	139.2	138.3	134.2	137.8	143.6	143.5	139.7	140.3	140.4	145.1	149.1	145.8
4 Not seasonally adjusted	143.8	142.9	137.6	142.3	145.0	142.6	141.5	141.3	141.6	148.7	151.3	148.4
5 Net balances due to foreign-related institutions, not seasonally adjusted	-32.8	-30.3	-33.5	-30.0	-34.2	-38.5	-31.2	-30.0	-26.7	-28.6	-27.7	-23.1
MEMO												
6 Domestically chartered banks' net positions with own foreign branches, not seasonally adjusted ⁴	-31.6	-29.5	-32.4	-29.5	-32.5	-38.3	-32.8	-30.7	-28.7	-30.3	-31.6	-28.0
7 Gross due from balances	70.5	71.4	74.8	74.5	76.4	79.2	75.8	74.7	74.2	74.1	76.1	74.4
8 Gross due to balances	38.9	41.9	42.4	44.9	44.0	40.8	43.0	44.0	45.4	43.8	44.5	46.5
9 Foreign-related institutions' net positions with directly related institutions, not seasonally adjusted ⁵	-1.2	- .8	-1.1	- .4	-1.7	- .1	1.6	.7	2.0	1.7	3.9	4.9
10 Gross due from balances	54.1	53.4	51.9	52.5	53.9	55.1	55.3	56.1	55.3	55.9	56.7	56.2
11 Gross due to balances	52.8	52.7	50.8	52.1	52.2	55.0	56.9	56.8	57.3	57.6	60.6	61.1
Security RP borrowings												
12 Seasonally adjusted ⁶	82.6	83.2	80.8	81.4	83.4	83.6	83.0	84.8	84.1	84.0	87.0	84.9
13 Not seasonally adjusted	84.7	85.2	81.7	83.3	82.3	80.3	82.3	83.3	82.7	85.0	86.6	84.9
U.S. Treasury demand balances ⁷												
14 Seasonally adjusted	13.8	12.7	15.0	20.3	16.9	20.5	16.1	14.9	4.7	13.5	17.5	19.0
15 Not seasonally adjusted	15.8	12.8	15.4	20.9	14.9	23.1	13.4	16.8	5.4	7.9	14.5	24.0
Time deposits, \$100,000 or more ⁸												
16 Seasonally adjusted	326.0	330.1	333.6	330.4	328.9	324.2	327.2	330.7	333.8	335.8	337.4	349.2
17 Not seasonally adjusted	325.3	330.7	330.5	329.6	327.2	323.2	327.7	332.7	336.2	337.3	339.2	348.0

1. Commercial banks are those in the 50 states and the District of Columbia with national or state charters plus agencies and branches of foreign banks, New York investment companies majority owned by foreign banks, and Edge Act corporations owned by domestically chartered and foreign banks.

Data for lines 1-4 and 12-17 have been revised in light of benchmarking and revised seasonal adjustment.

These data also appear in the Board's G.10 (411) release. For address see inside front cover.

2. Includes seasonally adjusted federal funds, RPs, and other borrowings from nonbanks and not seasonally adjusted net Eurodollars. Includes averages of Wednesday data for domestically 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.

4. Averages of daily figures for member and nonmember banks.

5. Averages of daily data.

6. Based on daily average data reported by 122 large banks.

7. Includes U.S. Treasury demand deposits and Treasury tax-and-loan notes at commercial banks. Averages of daily data.

8. Averages of Wednesday figures.

A18 Domestic Financial Statistics □ April 1986

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

Account	1985										1986
	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
ALL COMMERCIAL BANKING INSTITUTIONS¹											
1 Loans and securities	1,883.4	1,899.2	1,908.6	1,927.3	1,948.5	1,952.1	1,969.9	1,979.1	2,027.7	2,059.3	2,057.9
2 Investment securities	383.7	383.9	390.3	392.1	392.3	393.7	397.0	396.3	404.6	413.6	427.2
3 U.S. government securities	251.1	250.4	254.4	255.3	256.1	254.2	254.4	249.3	251.8	249.9	249.0
4 Other	132.5	133.5	133.9	136.8	136.2	139.6	142.6	147.0	152.8	163.6	178.3
5 Trading account assets	23.7	23.5	23.5	23.1	22.3	24.2	26.4	25.0	32.0	31.1	30.1
6 Total loans	1,476.0	1,491.8	1,494.9	1,512.1	1,534.0	1,534.1	1,546.5	1,557.8	1,591.2	1,614.6	1,600.6
7 Interbank loans	126.0	130.9	124.0	123.1	133.0	128.6	129.1	131.7	147.0	149.6	136.5
8 Loans excluding interbank	1,350.0	1,360.9	1,370.8	1,388.9	1,401.0	1,405.5	1,417.5	1,426.1	1,444.1	1,465.0	1,464.1
9 Commercial and industrial	483.2	482.1	483.4	484.3	485.9	484.6	489.2	488.8	493.1	495.9	496.9
10 Real estate	386.9	390.7	395.8	400.0	405.6	409.3	412.8	418.3	421.8	425.0	428.6
11 Individual	261.4	265.2	268.5	272.1	276.1	280.0	282.1	285.1	286.8	291.1	292.7
12 All other	218.5	222.9	223.0	232.6	233.4	231.5	233.4	233.9	242.5	253.0	245.8
13 Total cash assets	183.6	187.6	202.3	190.4	198.0	188.4	188.2	190.1	207.7	211.6	188.1
14 Reserves with Federal Reserve Banks	19.8	22.9	20.7	21.6	21.0	24.5	24.9	19.6	20.5	27.6	22.0
15 Cash in vault	21.3	21.3	23.3	22.2	22.0	22.7	22.1	22.6	21.4	22.2	23.0
16 Cash items in process of collection	63.9	64.2	76.5	68.4	70.5	62.5	61.4	67.9	81.9	79.3	63.9
17 Demand balances at U.S. depository institutions	31.7	30.2	35.2	31.3	33.5	30.6	30.8	31.6	35.8	36.1	31.4
18 Other cash assets	46.9	49.0	46.6	46.8	51.0	48.2	49.1	48.4	48.1	46.5	47.8
19 Other assets	188.5	188.6	183.4	189.4	194.5	180.8	185.8	178.1	185.0	189.4	178.0
20 Total assets/total liabilities and capital	2,255.5	2,275.4	2,294.2	2,307.1	2,341.1	2,321.3	2,344.0	2,347.3	2,420.5	2,460.3	2,424.0
21 Deposits	1,627.5	1,638.5	1,661.5	1,659.8	1,685.0	1,676.9	1,683.0	1,705.6	1,743.9	1,763.6	1,729.5
22 Transaction deposits	457.9	465.6	480.3	474.0	492.3	475.4	474.9	491.4	521.9	536.4	488.2
23 Savings deposits	410.4	410.1	418.7	425.6	434.3	436.4	438.3	443.8	448.4	450.0	451.9
24 Time deposits	759.2	762.9	762.5	760.1	758.4	765.0	769.8	770.4	773.6	777.1	789.4
25 Borrowings	301.3	310.3	305.4	315.8	321.6	308.9	323.2	309.0	350.8	361.5	359.7
26 Other liabilities	177.0	175.6	176.0	179.7	181.1	182.0	183.6	177.9	170.6	178.5	177.9
27 Residual (assets less liabilities)	149.7	150.9	151.3	151.8	153.4	153.4	154.1	154.8	155.1	156.7	156.9
MEMO											
28 U.S. government securities (including trading account)	268.6	266.7	269.3	271.0	270.0	268.3	271.5	265.1	271.7	265.7	266.9
29 Other securities (including trading account)	138.8	140.7	144.4	144.3	144.6	149.7	151.9	156.2	164.9	178.9	190.4
DOMESTICALLY CHARTERED COMMERCIAL BANKS²											
30 Loans and securities	1,784.8	1,799.6	1,812.7	1,829.2	1,847.9	1,850.8	1,863.6	1,872.3	1,917.7	1,944.2	1,943.6
31 Investment securities	376.9	377.1	383.8	385.1	385.1	386.5	389.1	388.1	396.6	405.9	417.3
32 U.S. government securities	246.9	246.4	250.7	251.4	252.4	250.4	250.5	245.0	248.0	246.0	244.9
33 Other	130.1	130.7	133.1	133.8	132.7	136.0	138.6	143.1	148.7	159.9	172.4
34 Trading account assets	23.7	23.5	23.5	23.1	22.3	24.2	26.4	25.0	32.0	31.1	30.1
35 Total loans	1,384.1	1,399.0	1,405.5	1,420.9	1,440.5	1,440.1	1,448.1	1,459.2	1,489.1	1,507.2	1,496.3
36 Interbank loans	100.1	103.3	100.6	100.6	110.0	104.7	103.8	106.8	121.1	121.2	113.0
37 Loans excluding interbank	1,284.0	1,295.7	1,304.9	1,320.3	1,330.5	1,335.5	1,344.2	1,352.4	1,368.0	1,386.0	1,383.3
38 Commercial and industrial	436.0	436.5	436.6	436.0	437.6	435.7	437.9	437.4	440.0	442.0	439.7
39 Real estate	381.8	385.4	390.4	394.4	399.9	403.7	407.0	412.7	416.3	419.4	423.1
40 Individual	261.2	265.0	268.3	271.8	275.9	279.8	281.8	284.8	286.5	290.9	292.5
41 All other	205.0	208.7	209.6	218.1	217.2	216.3	217.5	217.5	225.2	233.7	228.0
42 Total cash assets	172.7	176.0	191.2	179.2	185.3	176.4	176.1	178.0	195.8	199.3	173.2
43 Reserves with Federal Reserve Banks	19.2	22.3	19.6	20.9	20.4	23.8	24.4	18.6	19.5	26.1	21.2
44 Cash in vault	21.3	21.3	23.2	22.2	22.0	22.6	22.0	22.6	21.4	22.2	23.0
45 Cash items in process of collection	63.7	63.9	76.2	68.2	70.3	62.2	61.1	67.7	81.6	79.0	63.5
46 Demand balances at U.S. depository institutions	30.4	28.8	33.8	29.8	32.2	29.0	29.4	30.2	34.0	34.4	29.6
47 Other cash assets	38.1	39.6	38.3	38.1	40.4	38.8	39.2	38.9	39.2	37.7	35.9
48 Other assets	137.2	137.5	131.5	137.7	144.9	132.6	133.3	132.0	137.1	141.2	130.0
49 Total assets/total liabilities and capital	2,094.7	2,113.1	2,135.4	2,146.2	2,178.1	2,159.8	2,173.0	2,182.3	2,250.6	2,284.8	2,246.8
50 Deposits	1,582.4	1,593.8	1,618.4	1,617.2	1,642.3	1,631.9	1,636.6	1,659.5	1,697.5	1,716.7	1,681.2
51 Transaction deposits	451.7	459.3	473.8	467.7	486.0	468.9	468.3	484.9	515.2	529.3	481.3
52 Savings deposits	409.2	408.9	417.5	424.3	432.9	435.1	436.9	442.4	448.5	448.5	450.4
53 Time deposits	721.6	725.6	727.1	725.2	723.3	727.9	731.4	732.2	735.4	738.9	749.5
54 Borrowings	240.6	248.5	246.1	253.8	258.4	249.6	259.0	280.5	290.0	290.0	292.2
55 Other liabilities	124.8	122.6	122.4	126.1	126.8	127.4	125.9	122.7	120.2	124.0	119.1
56 Residual (assets less liabilities)	147.0	148.3	148.6	149.1	150.7	150.8	151.5	152.2	152.5	154.0	154.3

1. Commercial banking institutions include insured domestically chartered commercial banks, branches and agencies of foreign banks, Edge Act and Agreement corporations, and New York State foreign investment corporations.
2. Insured domestically chartered commercial banks include all member banks and insured nonmember banks.

NOTE: Figures are partly estimated. They include all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries. Loan and securities data for domestically chartered commercial banks are estimates for the last Wednesday of the month based on a sample of weekly reporting banks and quarter-end condition report data. Data for other banking institutions are estimates made for the last Wednesday of the month based on a weekly reporting sample of foreign-related institutions and quarter-end condition reports.

1.26 ALL LARGE WEEKLY REPORTING COMMERCIAL BANKS with Domestic Assets of \$1.4 Billion or More on December 31, 1982, Assets and Liabilities
Millions of dollars, Wednesday figures

Account	1985				1986				
	Dec. 11	Dec. 18	Dec. 25	Dec. 31 ¹	Jan. 8 ²	Jan. 15	Jan. 22	Jan. 29	Feb. 5
1 Cash and balances due from depository institutions	101,713	107,264 ¹	104,107 ¹	121,384	94,718	108,070	105,190	87,231	96,158
2 Total loans, leases and securities, net	886,894 ¹	910,057	908,278 ¹	927,029	922,996	929,354	915,771	913,181	918,769
3 U.S. Treasury and government agency	86,918 ¹	91,195 ¹	85,472 ¹	82,238	83,712	83,907	86,005	87,106	89,204
4 Trading account	15,810	19,081	15,776	13,273	14,304	15,315	17,284	17,954	20,774
5 Investment account, by maturity	71,108 ¹	72,114 ¹	69,697 ¹	68,964	69,408	68,592	68,722	69,152	68,430
6 One year or less	20,042	19,187	18,520	17,994	18,390	18,381	18,387	18,377	18,343
7 Over one through five years	34,407	34,778	33,760	33,328	33,926	32,939	32,909	32,949	32,704
8 Over five years	16,660 ¹	18,149 ¹	17,416 ¹	17,642	17,091	17,272	17,425	17,825	17,382
9 Other securities	59,983	62,959	67,888	79,463	77,920	76,759	75,763	75,134	73,920
10 Trading account	6,064	7,254	9,369	12,167	9,793	8,833	8,149	7,856	7,339
11 Investment account	53,919	55,706	58,519	67,295	68,127	67,926	67,614	67,277	66,581
12 States and political subdivisions, by maturity	48,450	50,114	52,900	61,579	62,375	62,167	61,900	61,555	61,078
13 One year or less	7,037	7,462	7,774 ¹	11,036	11,219	11,254	11,149	11,452	11,638
14 Over one year	41,412	42,652	45,126 ¹	50,544	51,156	50,914	50,751	50,103	49,440
15 Other bonds, corporate stocks, and securities	5,469	5,592	5,619	5,716	5,752	5,758	5,714	5,722	5,503
16 Other trading account assets	5,603	5,396	5,932	4,775	5,391	4,534	4,203	4,286	4,150
17 Federal funds sold ¹	58,485	63,246	59,205 ¹	60,967	60,962	67,645	59,729	60,963	62,788
18 To commercial banks	35,785 ¹	42,186 ¹	37,771 ¹	39,641	35,988	40,842	36,128	36,666	37,733
19 To nonbank brokers and dealers in securities	15,055 ¹	14,134 ¹	14,581 ¹	14,789	16,285	17,360	15,398	16,120	16,162
20 To others	7,645 ¹	6,925 ¹	6,853 ¹	6,536	6,889	9,444	8,203	8,177	8,893
21 Other loans and leases, gross ²	694,617 ¹	705,956 ¹	708,509 ¹	718,204	713,786	715,228	708,869	704,436	707,706
22 Other loans, gross ²	679,989 ¹	691,185 ¹	693,665 ¹	702,852	698,319	699,647	693,246	688,772	692,099
23 Commercial and industrial ²	254,026	254,955	255,245	259,999	258,476	257,528	256,405	254,600	255,822
24 Bankers acceptances and commercial paper	2,163	2,036	2,164	2,013	1,891	2,139	2,118	1,999	2,110
25 All other	251,862	252,919	253,081	257,986	256,585	255,389	254,287	252,601	253,712
26 U.S. addressees	246,961 ¹	248,099 ¹	248,240 ¹	253,099	251,766	250,509	249,487	247,903	248,924
27 Non-U.S. addressees	4,901 ¹	4,821 ¹	4,840 ¹	4,887	4,820	4,880	4,800	4,696	4,788
28 Real estate loans ²	178,784 ¹	179,438 ¹	179,091 ¹	179,525	180,756	180,873	180,812	181,825	182,072
29 To individuals for personal expenditures	130,823 ¹	131,805 ¹	132,574 ¹	133,513	133,388	132,991	132,954	133,178	133,006
30 To depository and financial institutions	42,640 ¹	43,209 ¹	42,463 ¹	45,103	42,386	42,702	41,966	41,180	42,133
31 Commercial banks in the United States	11,533 ¹	12,096	11,720	12,511	11,244	11,772	12,022	11,731	12,589
32 Banks in foreign countries	5,876	5,244 ¹	5,464 ¹	5,697	5,361	5,291	5,403	5,248	5,435
33 Nonbank depository and other financial institutions	25,230	25,869	25,279	26,895	25,781	25,639	24,542	24,201	24,109
34 For purchasing and carrying securities	16,070	22,274	22,527	19,574	20,908	23,160	18,193	16,503	17,451
35 To finance agricultural production	6,611	6,597	6,573	6,724	6,643	6,527	6,464	6,444	6,444
36 To states and political subdivisions	31,932 ¹	32,420 ¹	33,239 ¹	36,150	36,610	36,754	37,052	36,954	36,763
37 To foreign governments and official institutions	3,271	3,327 ¹	3,339 ¹	3,288	3,355	3,253	3,149	3,073	3,106
38 All other	15,832 ¹	17,158 ¹	18,613 ¹	18,975	15,797	15,859	16,249	15,014	15,301
39 Lease financing receivables	14,628	14,772	14,844	15,352	15,467	15,581	15,622	15,664	15,607
40 LESS: Unearned income	5,049	5,062	5,084	5,058	5,093	5,081	5,097	5,077	5,027
41 Loan and lease reserve ²	13,663	13,634	13,645	13,560	13,682	13,639	13,701	13,667	13,972
42 Other loans and leases, net ²	675,904 ¹	687,261 ¹	689,781 ¹	699,586	695,010	696,508	690,071	685,692	688,706
43 All other assets	129,147	131,814 ¹	132,689	139,103	131,328	125,250	122,971	123,945	
44 Total assets	1,117,754 ¹	1,149,135	1,145,073 ¹	1,187,516	1,146,687	1,168,751	1,146,211	1,123,383	1,138,872
45 Demand deposits	206,688	217,340	220,204 ¹	253,930	209,130	222,582	211,701	193,226	206,010
46 Individuals, partnerships, and corporations	157,492 ¹	161,961 ¹	166,211 ¹	192,206	161,574	166,923	158,393	146,856	153,499
47 States and political subdivisions	5,457	5,556	5,748	6,563	5,350	5,997	5,454	4,807	5,730
48 U.S. government	2,531	3,748	2,068	1,582	2,706	4,556	3,021	2,682	4,979
49 Depository institutions in United States	23,447 ¹	26,005 ¹	27,682 ¹	30,626	23,176	26,418	26,697	22,442	23,864
50 Banks in foreign countries	6,271	5,489	6,779	7,385	6,166	6,906	5,322	5,398	5,398
51 Foreign governments and official institutions	694	991	822	1,090	960	1,026	956	1,200	888
52 Certified and officers' checks	10,795	13,590	10,892	14,478	9,745	11,496	10,274	9,914	11,652
53 Transaction balances other than demand deposits	41,584	41,709	41,799	43,109	44,269	43,640	42,058	40,981	43,207
54 Nontransaction balances	480,939	480,530	482,622	490,269	493,696	493,247	492,224	492,090	494,185
55 Individuals, partnerships and corporations	445,450	444,588	446,601	453,186	456,344	455,638	454,690	454,026	454,999
56 States and political subdivisions	23,570	23,588	23,830	24,813	25,182	25,342	25,506	25,982	26,064
57 U.S. government	551	559	548	522	512	510	517	529	538
58 Depository institutions in the United States	8,976	9,475	9,329	9,409	9,457	9,664	9,533	9,619	10,683
59 Foreign governments, official institutions and banks	2,392	2,321	2,313	2,339	2,200	2,093	1,978	1,934	1,900
60 Liabilities for borrowed money	222,075 ¹	242,632	233,277	230,184	234,112	242,390	233,824	232,337	232,598
61 Borrowings from Federal Reserve Banks	260	1,667	812	2,395	195	198	253	200	150
62 Treasury tax-and-loan notes	204	11,596	15,681	16,906	7,857	15,858	17,031	17,000	12,331
63 All other liabilities for borrowed money ³	221,610	229,369	216,784	210,882	226,059	226,334	216,540	215,137	220,118
64 Other liabilities and subordinated note and debentures	88,238	88,639	88,662	91,080	85,420	86,865	86,718	85,027	82,686
65 Total liabilities	1,039,525 ¹	1,070,850	1,066,564 ¹	1,108,571	1,066,628	1,088,724	1,066,526	1,043,660	1,058,686
66 Residual (total assets minus total liabilities) ⁴	78,229	78,285	78,509	78,945	80,059	80,027	79,685	79,723	80,186
MEMO									
67 Total loans and leases (gross) and investments adjusted ⁵	858,289 ¹	874,470 ¹	877,514 ¹	893,494	894,540	895,460	886,420	883,528	887,447
68 Total loans and leases (gross) adjusted ^{2,5}	705,785 ¹	714,919 ¹	718,223 ¹	727,019	727,516	730,260	720,448	717,002	720,172
69 Time deposits in amounts of \$100,000 or more	158,258	158,246	159,788	163,956	164,770	164,022	163,928	164,641	165,564
70 Loans sold outright to affiliates—total ⁶	1,837	1,884	1,890	1,830	1,888	1,847	1,845	1,848	1,660
71 Commercial and industrial	1,099	1,152	1,147	1,115	1,159	1,102	1,100	1,073	911
72 Other	738	731	742	714	729	745	744	774	749
73 Nontransaction savings deposits (including MMDAs)	191,834	191,581 ¹	192,139	195,544	195,941	196,154	195,294	194,219	195,248

1. Includes securities purchased under agreements to resell.

2. Levels of major loan items were affected by the Sept. 26, 1984, transaction between Continental Illinois National Bank and the Federal Deposit Insurance Corporation. For details see the H.4.2 statistical release dated Oct. 5, 1984.

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.

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

6. 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.

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

Millions of dollars, Wednesday figures except as noted

Account	1985				1986				
	Dec. 11	Dec. 18	Dec. 25	Dec. 31	Jan. 8	Jan. 15	Jan. 22	Jan. 29	Feb. 5
1 Cash and balances due from depository institutions	25,849	28,260	24,833	32,251	22,129	32,106	24,355	21,534	26,060
2 Total loans, leases and securities, net ²	193,040	199,610	196,522	197,591	199,144	203,258	196,922	195,026	192,291
<i>Securities</i>									
3 U.S. Treasury and government agency ³ .....	.....	.....	.....	.....	.....	.....	.....	.....	.....
4 Trading account ³ .....	.....	.....	.....	.....	.....	.....	.....	.....	.....
5 Investment account, by maturity	13,728	14,047	12,379	11,441	11,092	10,653	10,816	10,897	10,188
6 One year or less	2,505	2,334	1,894	1,409	1,438	1,439	1,458	1,524	1,468
7 Over one through five years	7,546	7,499	6,576	5,878	5,953	5,568	5,632	5,375	4,748
8 Over five years	3,677	4,214	3,910	4,154	3,701	3,645	3,726	3,998	3,972
9 Other securities ³ .....	.....	.....	.....	.....	.....	.....	.....	.....	.....
10 Trading account ³ .....	.....	.....	.....	.....	.....	.....	.....	.....	.....
11 Investment account	12,826	13,264	13,706	15,468	15,725	15,819	15,792	15,756	15,496
12 States and political subdivisions, by maturity	11,304	11,544	11,972	13,716	13,954	14,026	14,027	13,967	13,927
13 One year or less	1,785	1,769	1,512	1,922	1,758	1,778	1,740	1,826	1,825
14 Over one year	9,519	9,775	10,460	11,794	12,196	12,248	12,287	12,141	12,102
15 Other bonds, corporate stocks and securities	1,522	1,720	1,734	1,752	1,770	1,793	1,766	1,789	1,568
16 Other trading account assets ³ .....	.....	.....	.....	.....	.....	.....	.....	.....	.....
<i>Loans and leases</i>									
17 Federal funds sold ⁴	26,372	27,362	25,360	24,724	28,344	31,513	29,520	30,335	27,639
18 To commercial banks	12,355	15,173	13,167	13,781	12,555	15,248	14,507	15,339	12,427
19 To nonbank brokers and dealers in securities	8,418	7,176	7,254	6,656	8,980	9,590	8,696	8,807	8,448
20 To others	5,600	5,014	4,939	4,286	6,808	6,676	6,317	6,189	6,763
21 Other loans and leases, gross	145,634	150,436	150,600	151,336	149,401	150,684	146,215	143,456	144,436
22 Other loans, gross	142,805	147,602	147,758	148,514	146,515	147,742	143,253	140,466	141,436
23 Commercial and industrial	59,302	58,927	58,545	59,218	59,649	59,251	58,900	57,739	57,624
24 Bankers acceptances and commercial paper	597	531	565	529	415	590	455	479	550
25 All other	58,705	58,397	57,980	58,688	59,233	58,660	58,445	57,260	57,074
26 U.S. addressees	57,982	57,735	57,292	57,993	58,580	57,998	57,822	56,649	56,463
27 Non-U.S. addressees	723	662	688	696	653	662	624	611	611
28 Real estate loans	29,019	29,048	29,377	29,363	29,490	29,549	29,477	30,166	30,130
29 To individuals for personal expenditures	18,177	18,288	18,377	18,553	17,938	17,824	17,794	17,740	17,709
30 To depository and financial institutions	13,793	13,788	13,413	15,117	12,751	12,685	12,737	12,341	12,977
31 Commercial banks in the United States	3,391	3,694	3,469	4,555	3,099 ⁷	3,196	3,484	3,433	4,028
32 Banks in foreign countries	2,844	2,290	2,453	2,759	2,312	2,156	2,308	2,249	2,441
33 Nonbank depository and other financial institutions	7,558	7,803	7,490	7,803	7,339 ⁷	7,333	6,945	6,658	6,508
34 For purchasing and carrying securities	8,701	13,081	12,669	9,716	11,938	13,535	9,423	8,069	8,637
35 To finance agricultural production	276	283	294	317	296	286	289	305	315
36 To states and political subdivisions	8,275	8,329	8,464	9,731	9,482	9,593	9,650	9,562	9,360
37 To foreign governments and official institutions	892	922	975	894	916	824	719	619	667
38 All other	4,369	4,936	5,644	5,605	4,054	4,194	4,264	3,924	4,017
39 Lease financing receivables	2,828	2,835	2,842	2,822	2,886	2,942	2,962	2,991	3,000
40 LESS: Unearned income	1,424	1,433	1,441	1,435	1,453	1,449	1,461	1,460	1,440
41 Loan and lease reserve	4,097	4,068	4,083	3,944	3,965	3,962	3,958	3,959	4,028
42 Other loans and leases, net	140,113	144,936	145,076	145,958	143,983	145,273	140,793	138,038	138,968
43 All other assets ⁵	67,968	72,878	70,786	75,232	69,141	69,299	67,847	65,885	70,244
44 Total assets	286,858	300,748	292,141	305,074	290,414	304,663	289,124	282,446	288,595
<i>Deposits</i>									
45 Demand deposits	52,668	57,606	56,302	71,163	52,941	62,570	54,493	50,504	54,245
46 Individuals, partnerships, and corporations	34,587 ⁷	36,734 ⁷	37,035 ⁷	47,941 ⁷	37,344 ⁷	41,038	35,778	33,684	35,443
47 States and political subdivisions	703	837	681	1,152	683	1,407	796	673	1,112
48 U.S. government	502	665	401	181	424	878	316	630	1,073
49 Depository institutions in the United States	5,580 ⁷	6,709 ⁷	6,707 ⁷	7,572 ⁷	5,175 ⁷	7,649	6,428	5,578	5,368
50 Banks in foreign countries	5,004	4,177	5,461	6,004	4,338	4,895	5,546	4,032	4,165
51 Foreign governments and official institutions	516	820	638	873	775	846	788	1,026	715
52 Certified and officers' checks	5,749	7,664	5,379	7,440	4,201	5,856	4,839	4,881	6,370
53 Transaction balances other than demand deposits .....	.....	.....	.....	.....	.....	.....	.....	.....	.....
ATS, NOW, Super NOW, telephone transfers)	4,430	4,516	4,517	4,616	4,790	4,753	4,562	4,443	4,656
54 Nontransaction balances	88,458	88,635	89,380	92,914	92,287	92,441	91,793	91,455	91,983
55 Individuals, partnerships and corporations	80,383	80,382	81,009	83,956	83,392	83,540	82,959	82,571	83,030
56 States and political subdivisions	4,944	4,936	5,112	5,619	5,735	5,688	5,726	5,741	5,739
57 U.S. government	38	42	39	39	37	40	46	51	35
58 Depository institutions in the United States	1,880	2,138	2,082	2,151	2,106	2,190	2,149	2,148	2,226
59 Foreign governments, official institutions and banks	1,212	1,137	1,138	1,149	1,017	982	914	944	952
60 Liabilities for borrowed money	81,076	91,114	82,135	72,917	81,739	84,517	76,927	76,352	79,252
61 Borrowings from Federal Reserve Banks .....	.....	.....	.....	2,020	.....	.....	.....	.....	.....
62 Treasury tax-and-loan notes .....	.....	2,971	3,733	3,984	1,834	4,770	4,986	4,964	3,281
63 All other liabilities for borrowed money ⁶	81,076 ⁷	88,142	78,402	66,914	79,905	79,747	71,941	71,388	75,971
64 Other liabilities and subordinated note and debentures	35,246	34,149	34,827	38,176	33,197	34,774	35,754	34,194	32,739
65 Total liabilities	261,878	276,020	267,162	279,786	264,954	279,055	263,530	256,948	262,876
66 Residual (total assets minus total liabilities) ⁷	24,979	24,728	24,979	25,287	25,460	25,609	25,594	25,498	25,719
<i>MEMO</i>									
67 Total loans and leases (gross) and investments adjusted ^{2,8}	182,815	186,243	185,410	184,634	188,908 ⁷	190,225	184,352	181,672	181,304
68 Total loans and leases (gross) adjusted ⁸	156,260	158,932	159,324	157,724	162,091 ⁷	163,753	157,744	155,019	155,626
69 Time deposits in amounts of \$100,000 or more	34,018	34,440	34,865	37,346 ⁷	37,334 ⁷	36,956	36,735	36,664	36,886

1. These data are as of Tuesday the last day of the year.

2. Excludes trading account securities.

3. Not available due to confidentiality.

4. Includes securities purchased under agreements to resell.

5. Includes trading account securities.

6. Includes federal funds purchased and securities sold under agreements to repurchase.

7. Not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.

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

NOTE. These data also appear in the Board's H.4.2 (504) release. For address, see inside front cover.

1.30 LARGE WEEKLY REPORTING U.S. BRANCHES AND AGENCIES OF FOREIGN BANKS WITH ASSETS OF \$750 MILLION OR MORE ON JUNE 30, 1980 Assets and Liabilities ▲

Millions of dollars, Wednesday figures

Account ¹	1985			1986					
	Dec. 11	Dec. 18	Dec. 25 ^r	Jan. 1 ^r	Jan. 8 ^r	Jan. 15	Jan. 22	Jan. 29	Feb. 5
1 Cash and due from depository institutions	8,646	8,980 ^r	8,267	9,996	9,297	8,874	9,297	9,794	8,704
2 Total loans and securities	59,752	64,368 ^r	64,697	69,973	63,494	65,744	63,117	63,634	63,437
3 U.S. Treasury and govt. agency securities	3,874	3,716	3,728	3,700	3,663	4,267	3,887	3,506	3,960
4 Other securities	3,518	3,542	3,096	3,891	3,815	3,788	3,946	4,450	4,436
5 Federal funds sold ²	3,149	5,699	4,789	4,938	4,517	5,519	4,323	4,778	3,630
6 To commercial banks in the United States	2,434	4,730	4,167	4,368	3,906	4,738	3,661	3,862	2,685
7 To others	715	969	622	569	611	781	662	917	945
8 Other loans, gross	49,211	51,412 ^r	53,085	57,443	51,498	52,170	50,961	50,900	51,411
9 Commercial and industrial	29,709	30,163 ^r	30,477	33,083	30,244	30,742	30,311	30,002	30,497
10 Bankers acceptances and commercial paper	2,233	2,136	1,913	2,511	2,111	2,093	2,153	2,088	2,196
11 All other	27,476	28,028	28,564	30,572	28,133	28,649	28,157	27,914	28,300
12 U.S. addressees	25,881	26,415	26,927	28,715	26,349	26,786	26,298	26,054	26,461
13 Non-U.S. addressees	1,595	1,613	1,637	1,857	1,783	1,864	1,860	1,860	1,840
14 To financial institutions	13,405	14,444	15,110	15,118	13,963	14,210	13,892	14,078	13,864
15 Commercial banks in the United States	10,483	11,133	11,440	11,654	10,824	10,776	10,796	11,070	10,762
16 Banks in foreign countries	1,119	1,059	1,163	1,039	998	1,163	1,068	1,056	1,124
17 Nonbank financial institutions	1,803	2,252	2,506	2,425	2,142	2,270	2,028	1,952	1,979
18 To foreign govt. and official institutions	746	750	790	703	692	710	704	702	650
19 For purchasing and carrying securities	1,993	2,673	3,360	5,041	3,133	3,058	2,566	2,619	2,790
20 All other	3,357	3,381 ^r	3,348	3,499	3,466	3,450	2,566	3,500	3,609
21 Other assets (claims on nonrelated parties)	21,909 ^r	22,105 ^r	22,051	21,088	20,708	21,097	21,006	21,920	22,258
22 Net due from related institutions	12,893	14,858	15,064	12,044	11,889	11,932	11,177	10,723	12,996
23 Total assets	103,201 ^r	110,312	110,079	113,101	105,388	107,648	104,598	106,070	107,395
24 Deposits or credit balances due to other than directly related institutions	32,426	32,621	32,668	32,846	32,529	32,263	32,555	32,872	32,516
25 Transaction accounts and credit balances ³	3,924	4,045	4,402	2,781	2,544	2,490	2,710	2,586	2,585
26 Individuals, partnerships, and corporations	1,425	1,466	1,760	1,776	1,410	1,362	1,349	1,367	1,467
27 Other	2,499	2,578	2,641	1,004	1,133	1,128	1,361	1,219	1,118
28 Nontransaction accounts ⁴	28,501	28,576	28,267	30,065	29,986	29,773	29,845	30,286	29,931
29 Individuals, partnerships, and corporations	22,558	22,491	21,987	23,004	23,184	23,317	23,362	23,840	23,732
30 Other	5,944	6,085	6,279	7,061	6,801	6,456	6,483	6,446	6,198
31 Borrowings from other than directly related institutions	38,731 ^r	43,581	42,825	44,576	38,369	40,965	38,146	38,594	41,357
32 Federal funds purchased ⁵	16,651 ^r	21,204	19,817	19,819	15,845	18,537	15,871	17,187	20,612
33 From commercial banks in the United States	12,806 ^r	17,326	15,823	15,400	11,347	13,581	11,213	12,495	14,768
34 From others	3,846 ^r	3,877	3,994	4,419	4,497	4,956	4,658	4,692	5,844
35 Other liabilities for borrowed money	22,079	22,377	23,008	24,757	22,524	22,428	22,274	21,407	20,745
36 To commercial banks in the United States	19,843	20,125	20,661	22,307	20,592	20,644	20,282	19,356	18,737
37 To others	2,236	2,252	2,347	2,450	1,932	1,784	1,992	2,051	2,008
38 Other liabilities to nonrelated parties	23,868	23,787	23,921	23,661	22,857	23,530	22,899	23,576	24,292
39 Net due to related institutions	8,176	10,322	10,665	12,017	11,633	10,889	10,998	11,028	9,231
40 Total liabilities	103,201 ^r	110,312	110,079	113,101	105,388	107,648	104,598	106,070	107,395
MEMO									
41 Total loans (gross) and securities adjusted ⁶	46,835	48,506 ^r	49,090	53,950	48,764	50,230	48,660	48,702	49,990
42 Total loans (gross) adjusted ⁶	39,443	41,248 ^r	42,266	46,359	41,286	42,175	40,827	40,747	41,594

▲ Levels of many asset and liability items were revised beginning Oct. 31, 1984. For details, see the H.4.2 (504) statistical release dated Nov. 23, 1984.

1. Effective Jan. 1, 1986, The reporting panel includes 65 U.S. branches and agencies of foreign banks instead of the 50 banks previously reporting. Data shown for weeks before Jan. 1, 1986 are estimated to represent the new 65-bank panel. Minor definitional changes were made in a few items effective with Jan. 1 data due to a change in treatment of credit balances and other checkable deposits. Credit balances formerly were reported as a separate item and are now included in the transaction account breakdowns. Other checkable deposits are now included

in transaction accounts. Before Jan. 1, 1986, they were included in savings (nontransaction) accounts.

2. Includes securities purchased under agreements to resell.

3. Includes credit balances, demand deposits, and other checkable deposits.

4. Includes savings deposits, money market deposit accounts, and time deposits.

5. Includes securities sold under agreements to repurchase.

6. Exclusive of loans to and federal funds sold to commercial banks in the United States.

A22 Domestic Financial Statistics □ April 1986

1.31 GROSS DEMAND DEPOSITS Individuals, Partnerships, and Corporations¹

Billions of dollars, estimated daily-average balances, not seasonally adjusted

Type of holder	Commercial banks									
	1980 Dec.	1981 Dec.	1982 Dec.	1983 Dec.	1984			1985		
					June	Sept.	Dec.	Mar. ³	June	Sept.
1 All holders—Individuals, partnerships, and corporations.....	315.5	288.9	291.8	293.5	286.3	288.8	302.7	286.6	298.6	299.6
2 Financial business	29.8	28.0	35.4	32.8	30.8	30.4	31.7	28.1	28.9	28.9
3 Nonfinancial business	162.8	154.8	150.5	161.1	156.7	158.9	166.3	158.3	164.7	168.1
4 Consumer	102.4	86.6	85.9	78.5	78.7	79.9	81.5	77.9	81.8	80.7
5 Foreign	3.3	2.9	3.0	3.3	3.5	3.3	3.6	3.5	3.7	3.5
6 Other	17.2	16.7	17.0	17.8	16.7	16.3	19.7	18.8	19.5	18.5
	Weekly reporting banks									
	1980 Dec.	1981 Dec.	1982 Dec.	1983 Dec. ²	1984			1985		
					June	Sept.	Dec.	Mar. ³	June	Sept.
7 All holders—Individuals, partnerships, and corporations.....	147.4	137.5	144.2	146.2	145.3	145.3	157.1	147.8	151.4	153.7
8 Financial business	21.8	21.0	26.7	24.2	23.6	23.7	25.3	22.6	22.9	23.3
9 Nonfinancial business	78.3	75.2	74.3	79.8	79.7	79.2	87.1	82.8	84.0	85.9
10 Consumer	35.6	30.4	31.9	29.7	29.9	29.8	30.5	29.1	29.9	30.6
11 Foreign	3.1	2.8	2.9	3.1	3.2	3.2	3.4	3.3	3.5	3.3
12 Other	8.6	8.0	8.4	9.3	8.9	9.3	10.9	10.0	11.0	10.6

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

2. In January 1984 the weekly reporting panel was revised; it now includes 168 banks. Beginning with March 1984, estimates are constructed on the basis of 92 sample banks and are not comparable with earlier data. Estimates in billions of dollars for December 1983 based on the newly weekly reporting panel are: financial business, 24.4; nonfinancial business, 80.9; consumer, 30.1; foreign, 3.1; other, 9.5.

3. Beginning March 1985, financial business deposits and, by implication, total gross demand deposits have been redefined to exclude demand deposits due to thrift institutions. Historical data have not been revised. The estimated volume of such deposits for December 1984 is \$5.0 billion at all insured commercial banks and \$3.0 billion at weekly reporting banks.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1980 Dec.	1981 Dec.	1982 Dec. ¹	1983 Dec.	1984 Dec. ²	1985					
						July	Aug.	Sept.	Oct.	Nov.	Dec.
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 All issuers	124,374	165,829	166,436	188,312	239,117	262,792 ^r	273,337 ^r	276,587 ^r	280,956 ^r	288,638 ^r	303,108
Financial companies ³											
Dealer-placed paper ⁴											
2 Total	19,599	30,333	34,605	44,622	56,917	68,054 ^r	68,452 ^r	70,595 ^r	69,012 ^r	71,800 ^r	79,208
3 Bank-related (not seasonally adjusted)	3,561	6,045	2,516	2,441	2,035	2,083	2,136	2,333	2,077	1,969	1,602
Directly placed paper ⁵											
4 Total	67,854	81,660	84,393	96,918	110,474	118,722	128,216	131,801	131,064	131,578	135,412
5 Bank-related (not seasonally adjusted)	22,382	26,914	32,034	35,566	42,105	41,228	42,926	43,224	42,570	41,490	44,778
6 Nonfinancial companies ⁶	36,921	53,836	47,437	46,772	71,726	76,016 ^r	76,669 ^r	74,191 ^r	80,880 ^r	85,260 ^r	88,488
	Bankers dollar acceptances (not seasonally adjusted) ⁷										
7 Total	54,744	69,226	79,543	78,309	75,470	71,082	69,505	70,845	69,272	67,890	68,180
Holder											
8 Accepting banks	10,564	10,857	10,910	9,355	10,255	8,755	8,563	10,014	9,719	11,027	11,233
9 Own bills	8,963	9,743	9,471	8,125	9,065	7,468	7,365	8,501	8,041	8,903	9,507
10 Bills bought	1,601	1,115	1,439	1,230	1,191	1,287	1,198	1,513	1,679	2,123	1,726
Federal Reserve Banks											
11 Own account	776	195	1,480	418	0	0	0	0	0	0	0
12 Foreign correspondents	1,791	1,442	949	729	671	652	789	793	850	874	937
13 Others	41,614	56,731	66,204	68,225	67,595	64,900	63,338	63,857	62,910	61,109	60,398
Basis											
14 Imports into United States	11,776	14,765	17,683	15,649	16,975	17,058	17,350	17,146	16,503	15,845	15,225
15 Exports from United States	12,712	15,400	16,328	16,880	15,859	12,978	12,861	13,242	13,116	13,030	13,189
16 All other	30,257	39,060	45,531	45,781	42,635	38,030	38,281	38,776	38,362	37,516	36,688

1. Effective Dec. 1, 1982, there was a break in the commercial paper series. The key changes in the content of the data involved additions to the reporting panel, the exclusion of broker or dealer placed borrowings under any master note agreements from the reported data, and the reclassification of a large portion of bank-related paper from dealer-placed to directly placed.

2. Correction of a previous misclassification of paper by a reporter has created a break in the series beginning December 1983. The correction adds some paper to nonfinancial and to dealer-placed financial paper.

3. 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.

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

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

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

7. Beginning October 1984, the number of respondents in the bankers acceptance survey will be reduced from 340 to 160 institutions—those with \$50 million or more in total acceptances. The new reporting group accounts for over 95 percent of total acceptances activity.

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
1984—Mar. 19	11.50	1984—Nov. 9	11.75	1984—Jan.	11.00	1985—Jan.	10.61
Apr. 5	12.00	28	11.25	Feb.	11.00	Feb.	10.50
May 8	12.50	Dec. 20	10.75	Mar.	11.21	Mar.	10.50
June 25	13.00			Apr.	11.93	Apr.	10.50
Sept. 27	12.75	1985—Jan. 15	10.50	May.	12.39	May.	10.31
Oct. 17	12.50	May 20	10.00	June	12.60	June	9.78
29	12.00	June 18	9.50	July	13.00	July	9.50
				Aug.	13.00	Aug.	9.50
				Sept.	12.97	Sept.	9.50
				Oct.	12.58	Oct.	9.50
				Nov.	11.77	Nov.	9.50
				Dec.	11.06	Dec.	9.50
						1986—Jan.	9.50

NOTE: These data also appear in the Board's H.15 (519) release. For address, see inside front cover.

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	1983	1984	1985	1985			1986	1986, week ending					
				Oct.	Nov.	Dec.	Jan.	Jan. 3	Jan. 10	Jan. 17	Jan. 24	Jan. 31	
MONEY MARKET RATES													
1 Federal funds ^{1,2}	9.09	10.22	8.10	7.99	8.05	8.28 ^r	8.14	9.55	8.20	7.94	7.87	7.83	
2 Discount window borrowing ^{1,2,3}	8.50	8.80	7.69	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	
Commercial paper ^{4,5}													
3 1-month.....	8.87	10.05	7.94	7.81	7.84	7.87	7.78	7.89	7.75	7.84	7.77	7.72	
4 3-month.....	8.88	10.10	7.95	7.80	7.77	7.75	7.71	7.73	7.68	7.78	7.71	7.66	
5 6-month.....	8.89	10.16	8.01	7.79	7.69	7.62	7.62	7.59	7.58	7.71	7.64	7.59	
Finance paper, directly placed ^{4,5}													
6 1-month.....	8.80	9.97	7.91	7.79	7.82 ^r	7.81	7.75	7.78	7.73	7.84	7.74	7.67	
7 3-month.....	8.70	9.73	7.77	7.60	7.58	7.57	7.52	7.52	7.48	7.54	7.56	7.51	
8 6-month.....	8.69	9.65	7.75	7.59	7.57	7.51	7.47	7.46	7.43	7.49	7.50	7.46	
Bankers acceptances ^{5,6}													
9 3-month.....	8.90	10.14	7.92	7.76	7.70	7.65	7.62	7.62	7.64	7.69	7.60	7.58	
10 6-month.....	8.91	10.19	7.96	7.75	7.59	7.52	7.55	7.47	7.53	7.66	7.56	7.50	
Certificates of deposit, secondary market ⁷													
11 1-month.....	8.96	10.17	7.97	7.85	7.82	7.87	7.83	7.83	7.81	7.91	7.84	7.76	
12 3-month.....	9.07	10.37	8.05	7.88	7.81	7.80	7.82	7.74	7.81	7.91	7.84	7.76	
13 6-month.....	9.27	10.68	8.25	7.97	7.82	7.80	7.83	7.73	7.81	7.93	7.85	7.76	
14 Eurodollar deposits, 3-month ⁸	9.56	10.73	8.28	8.08	8.02	7.99	8.02	7.91	7.99	8.13	8.06	7.96	
U.S. Treasury bills ⁵													
Secondary market ⁹													
15 3-month.....	8.61	9.52	7.48	7.16	7.24	7.10	7.07	7.04	7.13	7.17	6.99	6.98	
16 6-month.....	8.73	9.76	7.65	7.33	7.30	7.14	7.16	7.11	7.20	7.26	7.13	7.07	
17 1-year.....	8.80	9.92	7.81	7.45	7.33	7.16	7.21	7.12	7.21	7.32	7.21	7.11	
Auction average ¹⁰													
18 3-month.....	8.63 ^r	9.58 ^r	7.49	7.17	7.20	7.07	7.04	7.04	7.05	7.23	6.98	6.92	
19 6-month.....	8.75 ^r	9.80 ^r	7.66	7.32	7.26	7.09	7.13	7.07	7.11	7.28	7.14	7.03	
20 1-year.....	8.86 ^r	9.98 ^r	7.79	7.42	7.33	7.06	7.31	n.a.	n.a.	n.a.	7.31	n.a.	
CAPITAL MARKET RATES													
U.S. Treasury notes and bonds ¹¹													
Constant maturities ¹²													
21 1-year.....	9.57	10.89	8.43	8.01	7.88	7.67	7.73	7.63	7.74	7.86	7.73	7.62	
22 2-year.....	10.21	11.65	9.27	8.87 ^r	8.58	8.15	8.14	8.01	8.15	8.27	8.17	8.03	
23 2-1/2-year ¹³				9.11	8.83	8.30	n.a.	8.15	n.a.	8.35	n.a.	8.35	
24 3-year.....	10.45	11.89	9.64	9.25	8.88	8.40	8.41	8.25	8.39	8.57	8.46	8.29	
25 5-year.....	10.80	12.24	10.13	9.69	9.28	8.73	8.68	8.50	8.65	8.86	8.75	8.56	
26 7-year.....	11.02	12.40	10.51	10.11	9.62	9.11	9.03	8.90	9.01	9.18	9.07	8.90	
27 10-year.....	11.10	12.44	10.62	10.24	9.78	9.26	9.19	9.03	9.16	9.35	9.24	9.09	
28 20-year.....	11.34	12.48	10.97	10.67	10.24	9.75	9.59	9.52	9.57	9.70	9.64	9.48	
29 30-year.....	11.18	12.39	10.79	10.50	10.06	9.54	9.40	9.28	9.37	9.49	9.43	9.34	
Composite ¹⁴													
30 Over 10 years (long-term).....	10.84	11.99	10.75	10.56	10.08	9.60	9.51	9.35	9.45	9.64	9.59	9.45	
State and local notes and bonds													
Moody's series ¹⁵													
31 Aaa.....	8.80	9.61	8.60	8.58	8.13	7.98	7.74	7.95	7.70	7.75	7.70	7.60	
32 Baa.....	10.17	10.38	9.58	9.54	9.20	9.05	8.79	9.00	8.75	8.80	8.75	8.65	
33 Bond Buyer series ¹⁶	9.51	10.10	9.10	9.08	8.54	8.43	8.08	8.33	8.04	8.10	8.05	7.86	
Corporate bonds													
Seasoned issues ¹⁷													
34 All industries.....	12.78	13.49	12.05	11.69	11.29	10.89	10.75	10.68	10.67	10.83	10.80	10.71	
35 Aaa.....	12.04	12.71	11.37	11.02	10.55	10.16	10.05	9.92	9.95	10.18	10.13	10.00	
36 Aa.....	12.42	13.31	11.82	11.45	11.07	10.63	10.46	10.40	10.37	10.56	10.49	10.43	
37 A.....	13.10	13.74	12.28	11.94	11.54	11.19	11.04	11.04	11.00	11.11	11.07	10.96	
38 Baa.....	13.55	14.19	12.72	12.36	11.99	11.58	11.44	11.36	11.37	11.48	11.49	11.43	
39 A-rated, recently-offered utility bonds ¹⁸	12.73	13.81	12.06	11.82	11.38	10.91	10.74	10.59	10.83	10.75	10.82	10.67	
MEMO: Dividend/price ratio ¹⁹													
40 Preferred stocks.....	11.02	11.59	10.49	10.35	10.12	10.05	9.85	10.11	9.80	9.91	9.88	9.81	
41 Common stocks.....	4.40	4.64	4.25	4.28	4.06	3.88	3.90	3.82	3.89	3.88	3.97	3.84	

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 averages for statement week ending Wednesday.

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

4. 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). 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.

5. Yields are quoted on a bank-discount basis, rather than an investment yield basis (which would give a higher figure).

6. 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).

7. Unweighted average of offered rates quoted by at least five dealers early in the day.

8. Calendar week average. For indication purposes only.

9. Unweighted average of closing bid rates quoted by at least five dealers.

10. Rates are recorded in the week in which bills are issued. Beginning with the Treasury bill auction held on Apr. 18, 1983, bidders were required to state the percentage yield (on a bank discount basis) that they would accept to two decimal places. Thus, average issuing rates in bill auctions will be reported using two rather than three decimal places.

11. Yields are based on closing bid prices quoted by at least five dealers.

12. 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.

13. Each biweekly figure is the average of five business days ending on the Monday following the date indicated. Until Mar. 31, 1983, the biweekly rate determined the maximum interest rate payable in the following two-week period on 2-1/2-year small saver certificates. (See table 1.16.)

14. Averages (to maturity or call) for all outstanding bonds neither due nor callable in less than 10 years, including one very low yielding "flower" bond.

15. General obligations based on Thursday figures; Moody's Investors Service.

16. General obligations only, with 20 years to maturity, issued by 20 state and local governmental units of mixed quality. Based on figures for Thursday.

17. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.

18. Compilation of the Federal Reserve. This series is an estimate of the yield on recently-offered, A-rated utility bonds with a 30-year maturity and 5 years of call protection. Weekly data are based on Friday quotations.

19. 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.

NOTE. These data also appear in the Board's H.15 (519) and G.13 (415) releases. For address, see inside front cover.

1.36 STOCK MARKET Selected Statistics

Indicator	1983	1984	1985	1985								1986	
				May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.		Jan.
Prices and trading (averages of daily figures)													
<i>Common stock prices</i>													
1 New York Stock Exchange (Dec. 31, 1965 = 50).....	92.63	92.46	108.09	107.00	109.52	111.64	109.09	106.62	107.57	113.93	119.33	120.16	
2 Industrial.....	107.45	108.01	123.79	121.88	124.11	126.94	124.92	122.35	123.65	130.53	136.77	137.13	
3 Transportation.....	89.36	85.63	104.11	99.66	105.79	111.67	109.92	104.96	103.72	108.61	113.52	115.72	
4 Utility.....	47.00	46.44	56.75	57.32	59.61	59.68	56.99	55.93	55.84	59.07	61.69	62.46	
5 Finance.....	95.34	89.28	114.21	115.31	118.47	119.85	114.68	110.21	112.36	122.83	128.86	132.36	
6 Standard & Poor's Corporation (1941-43 = 10) ¹ ...	160.41	160.50	186.84	16.88	17.21	17.35	17.84	18.44	18.74	17.38	18.43	208.19	
7 American Stock Exchange ² (Aug. 31, 1973 = 50).....	216.48	207.96	229.10	228.75	227.48	235.21	232.65	226.27	225.00	236.53	243.28	245.27	
<i>Volume of trading (thousands of shares)</i>													
8 New York Stock Exchange.....	85,418	91,084	109,191	2,077	1,877	1,804	2,526	1,935	2,282	2,448	133,446	130,872	
9 American Stock Exchange.....	8,215	6,107	8,355	7,171	7,128	7,284	7,275	7,057	7,648	9,183	11,890	11,105	
Customer financing (end-of-period balances, in millions of dollars)													
10 Margin credit at broker-dealers ³	23,000	22,470	28,390	24,300	25,260	25,220	25,780	25,330	26,350	26,400	28,390	26,810	
<i>Free credit balances at brokers⁴</i>													
11 Margin-account.....	6,620	7,015	7,120	6,865	7,300	7,000	6,455	6,225	6,125	6,485 ⁵	7,120	6,935	
12 Cash-account.....	8,430	10,215	12,840	9,230	10,115	9,700	9,440	10,080	9,630	10,340	12,840	11,697	
Margin-account debt at brokers (percentage distribution, end of period)													
13 Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
<i>By equity class (in percent)⁵</i>													
14 Under 40.....	22.0	18.0	34.0	36.0	34.0	34.0	35.0	40.0	37.0	35.0	34.0	32.0	
15 40-49.....	22.0	18.0	20.0	19.0	20.0	20.0	21.0	22.0	22.0	20.0	20.0	20.0	
16 50-59.....	16.0	16.0	19.0	19.0	19.0	19.0	18.0	16.0	17.0	19.0	19.0	20.0	
17 60-69.....	9.0	9.0	11.0	11.0	11.0	11.0	11.0	9.0	10.0	11.0	11.0	11.0	
18 70-79.....	6.0	5.0	8.0	7.0	8.0	8.0	8.0	6.0	7.0	7.0	8.0	8.0	
19 80 or more.....	6.0	6.0	8.0	8.0	8.0	8.0	7.0	7.0	7.0	8.0	8.0	9.0	
Special miscellaneous-account balances at brokers (end of period)													
20 Total balances (millions of dollars) ⁶	58,329	75,840	99,310	87,120	86,910	89,240	90,930	91,400	92,250	95,240	99,310	99,290	
<i>Distribution by equity status (percent)</i>													
21 Net credit status.....	63.0	59.0	58.0	60.0	59.0	59.0	59.0	59.0	58.0	57.0	58.0	59.0	
<i>Debt status, equity of</i>													
22 60 percent or more.....	28.0	29.0	31.0	30.0	31.0	32.0	30.0	31.0	31.0	32.0	31.0	33.0	
23 Less than 60 percent.....	9.0	11.0	11.0	10.0	10.0	9.0	11.0	10.0	11.0	11.0	11.0	8.0	
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							
24 Margin stocks.....	70	80	65	55	65	50							
25 Convertible bonds.....	50	60	50	50	50	50							
26 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. Beginning July 5, 1983, the American Stock Exchange rebased its index effectively cutting previous readings in half.

3. Beginning July 1983, under the revised Regulation T, margin credit at broker-dealers includes credit extended against stocks, convertible bonds, stocks acquired through exercise of subscription rights, corporate bonds, and government securities. Separate reporting of data for margin stocks, convertible bonds, and subscription issues was discontinued in April 1984, and margin credit at broker-dealers became the total that is distributed by equity class and 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.

A26 Domestic Financial Statistics □ April 1986

1.37 SELECTED FINANCIAL INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1982	1983	1985										
			Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
FSLIC insured institutions													
1 Assets.....	692,663	819,168	982,182	992,289	995,430	1,003,225	1,012,312	1,022,389	1,034,971 ^r	1,041,913 ^r	1,048,897 ^r	1,061,387 ^r	1,068,709 ^r
2 Mortgages.....	477,009	521,308	603,308	608,267	613,334	617,574	623,275	627,265	632,818 ^r	638,267 ^r	644,290 ^r	647,979 ^r	651,343 ^r
3 Mortgage-backed securities.....	62,793	90,902	107,779	108,755	108,174	106,433	102,892	105,870	108,684	112,955 ^r	111,242 ^r	110,303 ^r	110,322 ^r
4 Cash and investment securities ¹	82,300	109,923	131,625	132,438	125,528	129,918	132,109	132,991	135,139 ^r	130,745 ^r	130,812 ^r	139,609 ^r	142,410 ^r
5 Other.....			93,100	94,625	96,903	98,034	100,595	101,340	101,572 ^r	101,648 ^r	103,741 ^r	103,073 ^r	102,305 ^r
6 Liabilities and net worth.....	692,663	819,168	982,182	992,289	995,430	1,003,225	1,012,312	1,022,389	1,034,971 ^r	1,041,913 ^r	1,048,897 ^r	1,061,387 ^r	1,068,709 ^r
7 Savings capital.....	554,584	671,059	792,566	801,293	801,293	809,083	817,551	822,106	826,841	831,258 ^r	833,193 ^r	837,509 ^r	843,346 ^r
8 Borrowed money.....	97,459	98,511	129,321	132,665	132,230	129,082	130,269	133,995	139,484	144,837 ^r	147,006 ^r	152,747 ^r	156,025 ^r
9 FHLBB.....	63,818	57,253	71,470	71,674	72,785	74,159	75,897	77,756	80,129	81,486	82,569	82,718	84,849 ^r
10 Other.....	33,641	41,258	57,851	60,991	59,445	54,923	54,372	56,239	59,355	63,351 ^r	64,437 ^r	70,029 ^r	71,176 ^r
11 Other.....	15,233	16,619	21,816	19,290	22,468	24,215	22,055	23,246	25,193	21,854 ^r	24,255 ^r	26,042 ^r	22,149 ^r
12 Net worth ²	25,386	32,980	38,488	39,041	39,476	40,845	42,436	43,043 ^r	43,454	43,965 ^r	44,442	45,088 ^r	46,649 ^r
13 MEMO: Mortgage loan commitments outstanding ³ ..	27,806	56,785	65,323	67,615	68,671	69,683	69,585	68,712	65,902	65,936 ^r	64,862 ^r	65,273 ^r	63,600 ^r
Mutual savings banks ⁴													
14 Assets.....	174,197	193,535	206,175	210,568	210,469	212,509	212,163	213,824	215,298	215,560	215,893	216,793	↑ <

NOTES TO TABLE 1.37

1. Holdings of stock of the Federal Home Loan Banks are in "other assets."
2. Includes net undistributed income accrued by most associations.
3. As of July 1985, data include loans in process.
4. The National Council reports data on member mutual savings banks and on savings banks that have converted to stock institutions, and to federal savings banks.
5. Excludes checking, club, and school accounts.
6. Direct and guaranteed obligations. Excludes federal agency issues not guaranteed, which are shown in the table under "Business" securities.
7. Issues of foreign governments and their subdivisions and bonds of the International Bank for Reconstruction and Development.
8. Data for December 1984 through April 1985 have been revised.
9. As of June 1982, data include federally chartered or federally insured, state-chartered credit unions serving natural persons. Before that date, data were estimates of all credit unions.

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

Savings banks: Estimates of National Council of Savings Institutions 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 federally insured state credit unions serving natural persons. Figures are preliminary and revised annually to incorporate recent data.

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1983	Fiscal year 1984	Fiscal year 1985	Calendar year					
				1984	1985		1985		1986
				H2	H1	H2	Nov.	Dec.	Jan.
<i>U.S. budget</i>									
1 Receipts	600,562	666,457	733,996	341,393	380,619	364,791	51,163	68,193	76,710
2 Outlays	795,917	841,800	936,809	446,949	463,735	488,740	84,763	84,079	82,849
3 Surplus, or deficit (-)	-195,355	-175,343	-202,813	-105,557	-83,115	-123,950	-33,601	-15,886	-6,140
4 Trust funds	23,056	30,565	53,340	31,473	22,592	30,278	-1,420	15,268	1,710
5 Federal funds ¹	-218,410	-205,908	-256,353	-137,032	-105,707	-154,229	-32,181	-31,155	-7,849
<i>Off-budget entities (surplus, or deficit (-))²</i>									
6 Federal Financing Bank outlays	-10,404	-7,277	-7,339	-1,913	-6,274	-529	-322	1,020	-188
7 Other ³	-1,953	-2,719	-1,779	-77	-1,567	-545	537	210	-163
<i>U.S. budget plus off-budget, including Federal Financing Bank</i>									
8 Surplus, or deficit (-)	-207,711	-185,339	-211,931	-109,474	-90,553	-125,022	-33,386	-14,656	-6,492
Source of financing									
9 Borrowing from the public	212,425	170,817	197,269	118,209	87,054	136,567	45,863	33,261	12,660
10 Cash and monetary assets (decrease, or increase (-)) ⁴	-9,889	5,636	10,673	-16,683	-6,479	-10,428	-8,671	-21,020	-9,503
11 Other ⁵	5,176	8,885	3,989	7,948	9,978	1,117	-3,806	2,415	3,334
MEMO									
12 Treasury operating balance (level, end of period)	37,057	22,345	17,060	17,649	24,013	30,935	10,051	30,935	40,215
13 Federal Reserve Banks	16,557	3,791	4,174	5,316	3,288	9,351	2,294	9,351	16,228
14 Tax and loan accounts	20,500	18,553	12,886	12,333	20,725	21,584	7,757	21,584	23,987

1. Half-year figures are calculated as a residual (total surplus/deficit less trust fund surplus/deficit).

2. The recently enacted Gramm-Rudman legislation folds the unified and previously off-budget outlays into a total outlays and total deficit framework. However, the latest "Monthly Treasury Statement" continues to distinguish between the old unified and off-budget spending categories.

3. Other off-budget includes Postal Service Fund; Rural electrification and telephone revolving fund; Rural Telephone Bank; Synthetic fuels corporation fund; U.S. Railway Association; and petroleum acquisition and transportation and strategic petroleum reserve effective November 1981.

4. Includes U.S. Treasury operating cash accounts; SDRs; reserve position on the U.S. quota in the IMF; loans to International Monetary Fund; and other cash and monetary assets.

5. Includes accrued interest payable to the public; allocations of special drawing rights; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seigniorage; 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," "Daily Treasury Statement," and the *Budget of the U.S. Government, Fiscal Year 1987*.

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS

Millions of dollars

Source or type	Fiscal year 1984	Fiscal year 1985 ^a	Calendar year						
			1984		1985		1985		1986
			H1	H2	H1	H2	Nov.	Dec.	Jan.
RECEIPTS									
1 All sources.....	666,457	733,996	341,808	341,392	380,618	364,790	51,162	68,193	76,710
2 Individual income taxes, net.....	295,960	330,918	144,691	157,229	166,852	169,987	23,399	30,193	40,150
3 Withheld.....	279,350	298,941	140,657	145,210	149,288	155,725	23,416	28,568	26,146
4 Presidential Election Campaign Fund.....	35	35	29	5	29	6	0	0	0
5 Nonwithheld.....	81,346	97,685	61,463	19,403	76,155	22,295	1,269	2,448	14,484
6 Refunds.....	64,770	65,743	57,458	7,387	58,684	8,038	1,286	822	480
Corporation income taxes									
7 Gross receipts.....	74,179	77,413	40,328	35,190	42,193	36,528	2,364	13,108	3,588
8 Refunds.....	17,286	16,082	10,045	6,847	8,370	7,751	973	821	763
9 Social insurance taxes and contributions, net.....	241,902	268,805	131,372	118,690	144,528	128,017	20,151	19,662	26,983
10 Employment taxes and contributions ¹	212,180	238,288	114,102	105,624	125,969	116,276	17,478	19,012	25,363
11 Self-employment taxes and contributions ²	8,709	10,468	7,667	1,086	9,482	985	0	0	737
12 Unemployment insurance.....	25,138	25,758	14,942	10,706	16,213	9,281	2,241	221	1,211
13 Other net receipts ³	4,580	4,759	2,329	2,360	2,350	2,458	432	429	408
14 Excise taxes.....	37,361	35,865	18,304	18,961	17,259	18,470	3,211	3,017	3,167
15 Customs deposits.....	11,370	12,079	5,576	6,329	5,807	6,354	1,028	1,008	1,097
16 Estate and gift taxes.....	6,010	6,422	3,102	3,029	3,204	3,323	564	514	587
17 Miscellaneous receipts ⁴	16,965	18,576	8,481	8,812	9,144	9,861	1,419	1,511	1,901
OUTLAYS									
18 All types.....	851,781 ^a	946,323	420,700	446,943	463,842	488,739	84,763	84,079	82,849
19 National defense.....	227,413 ^a	252,748	114,639	118,286	124,186	134,675	21,971	23,915	20,945
20 International affairs.....	15,876 ^a	16,176	5,426	8,550	6,675	8,367	831	1,121	550
21 General science, space, and technology.....	8,317 ^a	8,627	3,981	4,473	4,230	4,727	697	853	689
22 Energy.....	7,086 ^a	5,685	1,080	1,423	680	3,305	480	384	248
23 Natural resources and environment.....	12,593 ^a	13,357	5,463	7,370	5,892	7,553	1,088	1,306	1,216
24 Agriculture.....	13,613 ^a	25,565	7,129	8,524	11,705	15,412	4,307	4,407	3,270
25 Commerce and housing credit.....	6,917 ^a	4,229	2,572	2,663	-260	644	-194	-33	280
26 Transportation.....	23,669 ^a	25,838	10,616	13,673	11,440	15,360	2,667	2,387	2,025
27 Community and regional development.....	7,673 ^a	7,680	3,154	4,836	3,408	3,901	661	615	603
28 Education, training, employment, social services.....	27,579 ^a	29,342	13,445	13,737	14,149	14,481	2,776	2,058	2,666
29 Health.....	30,417 ^a	33,542	15,551	15,692	16,945	17,237	2,780	2,799	3,174
30 Social security and medicare.....	235,764	254,446	119,420	119,613	128,351	129,037	21,326	21,502	22,399
31 Income security.....	112,668 ^a	128,200	58,684	61,558	65,246	59,435	10,791	10,022	10,778
32 Veterans benefits and services.....	25,614	26,352	12,849	13,317	11,956	14,527	3,302	2,418	2,077
33 Administration of justice.....	5,660	6,277	2,807	2,992	3,016	3,212	441	587	646
34 General government.....	5,053 ^a	5,228	2,462	2,552	2,857	3,634	600	1,287	313
35 General-purpose fiscal assistance.....	6,768 ^a	6,353	2,943	3,458	2,659	3,391	74	45	1,163
36 Net interest ⁵	111,058	129,436	54,748	61,293	65,143	67,448	12,312	11,287	12,364
37 Undistributed offsetting receipts ⁶	-31,957	-32,759	-16,270	-17,061	-14,436	-17,953	-2,146	-2,881	-2,557

1. Old-age, disability, and hospital insurance, and railroad retirement accounts.

2. Old-age, disability, and hospital insurance.

3. Federal employee retirement contributions and civil service retirement and disability fund.

4. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.

5. Net interest function includes interest received by trust funds.

6. Consists of 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 1987*.

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1983	1984				1985			
	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
1 Federal debt outstanding	1,415.3	1,468.3	1,517.2	1,576.7	1,667.4	1,715.1	1,779.0	1,827.5	n.a.
2 Public debt securities	1,410.7	1,463.7	1,512.7	1,572.3	1,663.0	1,710.7	1,774.6	1,823.1	1,945.9
3 Held by public	1,174.4	1,223.9	1,255.1	1,309.2	1,373.4	1,415.2	1,460.5	1,506.6	n.a.
4 Held by agencies	236.3	239.8	257.6	263.1	289.6	295.5	314.2	316.5	n.a.
5 Agency securities	4.6	4.6	4.5	4.5	4.5	4.4	4.4	4.4	n.a.
6 Held by public	3.5	3.5	3.4	3.4	3.4	3.3	3.3	3.3	n.a.
7 Held by agencies	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	n.a.
8 Debt subject to statutory limit	1,411.4	1,464.5	1,513.4	1,573.0	1,663.7	1,711.4	1,775.3	1,823.8	1,932.4
9 Public debt securities	1,410.1	1,463.1	1,512.1	1,571.7	1,662.4	1,710.1	1,774.0	1,822.5	1,931.1
10 Other debt ¹	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
11 MEMO: Statutory debt limit	1,490.0	1,490.0	1,520.0	1,573.0	1,823.8	1,823.8	1,823.8	1,823.8	2,078.7

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* and *Daily Treasury Statement* (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	1980	1981	1982	1983	1984	1985		
					Q4	Q1	Q2	Q3
1 Total gross public debt	930.2	1,028.7	1,197.1	1,410.7	1,663.0	1,710.7	1,774.6	1,823.1
By type								
2 Interest-bearing debt	928.9	1,027.3	1,195.5	1,400.9	1,660.6	1,695.2	1,759.8	1,821.0
3 Marketable	623.2	720.3	881.5	1,050.9	1,247.4	1,271.7	1,310.7	1,360.2
4 Bills	216.1	245.0	311.8	343.8	374.4	379.5	381.9	384.2
5 Notes	321.6	375.3	465.0	573.4	705.1	713.8	740.9	776.4
6 Bonds	85.4	99.9	104.6	133.7	167.9	178.4	187.9	199.5
7 Nonmarketable ¹	305.7	307.0	314.0	350.0	413.2	423.6	449.1	460.8
8 State and local government series	23.8	23.0	25.7	36.7	44.4	47.7	53.9	62.8
9 Foreign issues ²	24.0	19.0	14.7	10.4	9.1	9.1	8.3	6.6
10 Government	17.6	14.9	13.0	10.4	9.1	9.1	8.3	6.6
11 Public	6.4	4.1	1.7	.0	.0	.0	.0	.0
12 Savings bonds and notes	72.5	68.1	68.0	70.7	73.1	74.1	75.4	77.0
13 Government account series ³	185.1	196.7	205.4	231.9	286.2	292.2	311.0	313.9
14 Non-interest-bearing debt	1.3	1.4	1.6	9.8	2.3	15.5	14.8	2.1
By holder ⁴								
15 U.S. government agencies and trust funds	192.5	203.3	209.4	236.3	289.6	295.5	314.2	316.5
16 Federal Reserve Banks	121.3	131.0	139.3	151.9	160.9	161.0	169.1	169.7
17 Private investors	616.4	694.5	848.4	1,022.6	1,212.5	1,254.1	1,292.0	1,338.2
18 Commercial banks	112.1	111.4	131.4	188.8	183.4	195.0	196.3	196.9
19 Money market funds	3.5	21.5	42.6	22.8	25.9	26.7	24.8	22.7
20 Insurance companies	24.0	29.0	39.1	56.7	82.3	84.0	n.a.	n.a.
21 Other companies	19.3	17.9	24.5	39.7	50.1	50.9	52.3	56.5
22 State and local governments	87.9	104.3	127.8	155.1	n.a.	n.a.	n.a.	n.a.
Individuals								
23 Savings bonds	72.5	68.1	68.3	71.5	74.5	75.4	76.7	78.2
24 Other securities	44.6	42.7	48.2	61.9	69.3	69.7	72.0	73.1
25 Foreign and international ⁵	129.7	136.6	149.5	166.3	192.9	186.4	200.7	210.2
26 Other miscellaneous investors ⁶	122.8	163.0	217.0	259.8	n.a.	n.a.	n.a.	n.a.

1. Includes (not shown separately): Securities issued to the Rural Electrification Administration; depository bonds, retirement plan bonds, and individual retirement bonds.

2. Nonmarketable dollar-denominated and foreign currency-denominated series held by foreigners.

3. Held almost entirely by U.S. government agencies and trust funds.

4. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.

5. Consists of investments of foreign and international accounts. Excludes non-interest-bearing notes issued to the International Monetary Fund.

6. Includes savings and loan associations, nonprofit institutions, credit unions, mutual savings banks, corporate pension trust funds, dealers and brokers, certain U.S. government deposit accounts, and U.S. government-sponsored agencies.

SOURCES: Data by type of security, U.S. Treasury Department, *Monthly Statement of the Public Debt of the United States*; data by holder, *Treasury Bulletin*.

1.42 U.S. GOVERNMENT SECURITIES DEALERS Transactions¹

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

Item	1982	1983	1984	1985		1986	1985 and 1986 week ending Wednesday					
				Nov. ^r	Dec. ^r	Jan.	Dec. 25 ^r	Jan. 1	Jan. 8	Jan. 15	Jan. 22	Jan. 29
Immediate delivery ²												
1 U.S. government securities	42,135	52,778	75,321	91,956	80,815	89,129	73,706	59,820	84,068	88,324	91,584	90,099
<i>By maturity</i>												
2 Bills	42,393	26,035	32,894	35,971	31,590	36,033	30,139	30,902	30,811	34,067	42,554	38,293
3 Other within 1 year	708	1,305	1,809	1,961	2,218	2,082	1,883	2,750	3,191	2,167	1,455	1,434
4 1-5 years	8,758	11,733	18,359	21,275	20,031	20,576	20,255	12,615	16,983	19,375	19,225	22,544
5 5-10 years	5,279	7,606	12,702	18,811	14,785	17,335	11,388	7,175	20,275	18,528	15,662	15,461
6 Over 10 years	4,997	6,099	9,556	13,939	12,191	13,103	10,042	6,378	12,806	14,187	12,687	12,367
<i>By type of customer</i>												
7 U.S. government securities dealers	2,257	2,919	3,336	3,132	2,843	3,123	2,579	3,494	3,556	2,582	2,511	2,758
8 U.S. government securities brokers	21,045	25,580	36,223	43,621	38,009	46,040	33,193	23,859	40,585	47,643	49,735	46,028
9 All others ³	18,833	24,278	35,762	45,203	39,963	39,966	37,934	32,467	39,927	38,099	39,337	41,312
10 Federal agency securities	5,576	7,846	11,638	15,299	15,299	13,655	15,055	8,432	11,802	19,440	11,893	11,628
11 Certificates of deposit	4,333	4,947	4,015	3,096	3,795	4,503	3,203	3,194	5,037	4,813	4,262	4,223
12 Bankers acceptances	2,642	3,243	3,242	2,651	2,862	3,191	2,314	2,231	3,234	3,132	3,406	3,121
13 Commercial paper	8,036	10,018	12,716	14,703	16,571	17,792	15,236	16,573	19,144	17,929	17,396	16,670
14 Futures transactions ⁴												
15 Treasury bills	6,655	6,947	5,557	4,991	4,879	4,484	4,167	2,140	2,654	3,763	6,014	5,203
16 Treasury coupons	2,501	4,503	6,065	7,429	6,768	8,135	4,984	3,215	6,759	10,370	9,151	6,615
17 Federal agency securities	265	262	240	467	229	41	180	133	213	37	13	10
<i>Forward transactions⁵</i>												
17 U.S. government securities	1,493	1,364	1,281	1,759	1,313	1,302	1,579	1,126	1,278	1,312	1,128	1,373
18 Federal agency securities	1,646	2,843	3,856	5,671	6,163	6,121	5,296	3,856	5,573	8,874	5,687	4,508

1. Transactions are market purchases and sales of securities as reported to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers.

Averages for transactions are based on the number of trading days in the period. The figures exclude allotments of, and exchanges for, new U.S. government securities, redemptions of called or matured securities, purchases or sales of securities under repurchase agreement, reverse repurchase (resale), or similar contracts.

2. Data for immediate transactions do not include forward transactions.

3. Includes, among others, all other dealers and brokers in commodities and

securities, nondealer departments of commercial banks, foreign banking agencies, and the Federal Reserve System.

4. Futures contracts are standardized agreements arranged on an organized exchange in which parties commit to purchase or sell securities for delivery at a future date.

5. Forward transactions are agreements arranged in the over-the-counter market in which securities are purchased (sold) for delivery after 5 business days from the date of the transaction for government securities (Treasury bills, notes, and bonds) or after 30 days for mortgage-backed agency issues.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing¹

Averages of daily figures, in millions of dollars

Item	1982	1983	1984	1985		1986	1985 and 1986 week ending Wednesday					
				Nov.	Dec.	Jan.	Jan. 1	Jan. 8	Jan. 15	Jan. 22	Jan. 29	
Positions												
Net immediate ²												
1 U.S. government securities	14,315 ^r	14,082 ^r	5,429 ^r	17,493 ^r	10,378 ^r	8,657	-5,678	6,235	7,226	8,857	11,823	
2 Bills	8,226	10,800	5,500	17,498	14,062 ^r	14,023	10,533	10,130	13,003	16,158	16,457	
3 Other within 1 year	1,088	921	63	1,112	1,520	1,640	1,333	1,390	1,413	1,804	1,898	
4 1-5 years	3,293	1,912	2,159	9,242	8,852 ^r	9,779	10,652	10,316	8,366	8,188	11,574	
5 5-10 years	-318	-78	-1,119	-7,632 ^r	-10,999 ^r	-12,337	-13,709	-12,131	-11,659	-12,605	-12,552	
6 Over 10 years	2,026	528	-1,174	-2,727	-3,057	-4,448	-3,131	-3,470	-3,897	-4,687	-5,554	
7 Federal agency securities	4,169	7,313	15,294	26,485	33,144 ^r	34,496	36,006	36,120	36,424	34,211	32,388	
8 Certificates of deposit	5,532	5,838	7,369	9,995 ^r	10,630 ^r	10,861	10,335	11,498	12,547	10,088	9,652	
9 Bankers acceptances	2,832	3,332	3,874	5,525 ^r	5,475 ^r	4,666	4,934	4,538	4,381	4,553	4,983	
10 Commercial paper	3,317	3,159	3,788	7,449	7,957	5,919	7,666	5,621	5,965	6,278	5,819	
Futures positions												
11 Treasury bills	-2,507	-4,125	-4,525	-15,857	-12,469	-14,656	-13,204	-13,796	-14,253	-15,609	-14,949	
12 Treasury coupons	-2,303	-1,033	1,794	2,584 ^r	3,269 ^r	3,965	3,169	3,361	3,644	4,040	4,612	
13 Federal agency securities	-224	171	233	-1,333	-1,050	-612	-1,255	-1,528	-461	-229	-280	
Forward positions												
14 U.S. government securities	-788	-1,936	-1,643 ^r	-866 ^r	-388	-1,974	372	-1,355	-2,762	-2,622	-1,663	
15 Federal agency securities	-1,432	-3,561	-9,205	-11,106 ^r	-14,289 ^r	-12,151	-15,473	-14,950	-13,457	-11,321	-9,726	
Financing ³												
Reverse repurchase agreements ⁴												
16 Overnight and continuing	26,754	29,099	44,078	76,817	79,435	87,420	79,488	87,121	92,684	86,697	84,763	
17 Term agreements	48,247	52,493	68,357	96,966	99,204	100,046	106,867	95,613	97,620	101,130	104,458	
Repurchase agreements ⁵												
18 Overnight and continuing	49,695	57,946	75,717	116,992	120,458	130,777	114,858	126,570	137,211	132,214	130,298	
19 Term agreements	43,410	44,410	57,047	88,119	90,233	84,597	100,790	81,249	78,722	86,219	88,960	

1. Data for dealer positions and sources of financing are obtained from reports submitted to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers.

Data for positions are averages of daily figures, in terms of par value, based on the number of trading days in the period. Positions are net amounts and are shown on a commitment basis. Data for financing are in terms of actual amounts borrowed or lent and are based on Wednesday figures.

2. Immediate positions are 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 (RPs). The maturities of some repurchase agreements are sufficiently long, however, to suggest that the securities

involved are not available for trading purposes. Immediate positions include reverses to maturity, which are securities that were sold after having been obtained under reverse repurchase agreements that mature on the same day as the securities. Data for immediate positions do not include forward positions.

3. Figures cover financing involving U.S. government and federal agency securities, negotiable CDs, bankers acceptances, and commercial paper.

4. Includes all reverse repurchase agreements, including those that have been arranged to make delivery on short sales and those for which the securities obtained have been used as collateral on borrowings, that is, matched agreements.

5. Includes both repurchase agreements undertaken to finance positions and "matched book" repurchase agreements.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1982	1983	1984	1985					
				July	Aug.	Sept.	Oct.	Nov.	Dec.
1 Federal and federally sponsored agencies	237,787	240,068	271,220	286,159	289,277	288,657	292,584	293,930	n.a.
2 Federal agencies	33,055	33,940	35,145	35,354	35,338	35,903	35,990	36,121	36,390
3 Defense Department ¹	354	243	142	93	89	82	79	75	71
4 Export-Import Bank ^{2,3}	14,218	14,853	15,882	15,746	15,744	15,419	15,417	15,417	15,678
5 Federal Housing Administration ⁴	288	194	133	118	116	117	116	115	115
6 Government National Mortgage Association participation certificates ⁵	2,165	2,165	2,165	2,165	2,165	2,165	2,165	2,165	2,165
7 Postal Service ⁶	1,471	1,404	1,337	970	970	1,940	1,940	1,940	1,940
8 Tennessee Valley Authority	14,365	14,970	15,435	16,188	16,180	16,106	16,199	16,335	16,347
9 United States Railway Association ⁶	194	111	51	74	74	74	74	74	74
10 Federally sponsored agencies ⁷	204,732	206,128	236,075	250,805	253,939	252,754	256,594 ^r	257,809	n.a.
11 Federal Home Loan Banks	55,967	48,930	65,085	70,244	71,949	72,384	73,260	73,840	74,447
12 Federal Home Loan Mortgage Corporation	4,524	6,793	10,270	13,197	13,393	12,720	13,239	11,016	n.a.
13 Federal National Mortgage Association ⁸	70,052	74,594	83,720	90,208	91,318	91,693	92,578	94,576	93,896
14 Farm Credit Banks	73,004	72,816	71,193	70,069	70,092	68,287	69,274	69,933	68,851
15 Student Loan Marketing Association	2,293	3,402	5,745	7,087	7,187	7,670	8,243	8,444	8,395
MEMO									
16 Federal Financing Bank debt⁹	126,424	135,791	145,217	152,962	152,941	153,513	153,565	154,226^r	153,373
<i>Lending to federal and federally sponsored agencies</i>									
17 Export-Import Bank ³	14,177	14,789	15,852	15,729	15,729	15,409	15,409	15,409	15,670
18 Postal Service ⁶	1,221	1,154	1,087	720	720	1,690	1,690	1,690 ^r	1,690
19 Student Loan Marketing Association	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
20 Tennessee Valley Authority	12,640	13,245	13,710	14,463	14,455	14,381	14,474	14,610	14,622
21 United States Railway Association ⁶	194	111	51	74	74	74	74	74	74
<i>Other Lending¹⁰</i>									
22 Farmers Home Administration	53,261	55,266	58,971	63,546	63,779	64,169	63,969	64,189	64,234
23 Rural Electrification Administration	17,157	19,766	20,693	21,364	21,463	21,676	21,792	21,826	20,654
24 Other	22,774	26,460	29,853	32,066	31,721	31,114	31,157	31,428	31,429

1. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.

2. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.

3. Off-budget Aug. 17, 1974, through Sept. 30, 1976; on-budget thereafter.

4. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.

5. Certificates of participation issued before fiscal 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration; Department of Health, Education, and Welfare; Department of Housing and Urban Development; Small Business Administration; and the Veterans Administration.

6. Off-budget.

7. Includes outstanding noncontingent liabilities: Notes, bonds, and debentures. Some data are estimated.

8. Before late 1981, the Association obtained financing through the Federal Financing Bank.

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.

A34 Domestic Financial Statistics □ April 1986

1.45 NEW SECURITY ISSUES State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1982	1983	1984	1985							
				May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1 All issues, new and refunding¹	79,138	86,421	106,641	14,097	11,801	12,268	15,239	13,345	20,780	32,144	52,640
<i>Type of issue</i>											
2 General obligation	21,094	21,566	26,485	4,535	2,739	5,257	3,160	3,953	5,852	6,695	8,806
3 U.S. government loans ²	225	96	16	2	0	0	0	0	0	0	0
4 Revenue	58,044	64,855	80,156	9,562	9,062	7,011	12,079	9,392	14,928	25,449	43,834
5 U.S. government loans ²	461	253	17	0	1	6	2	0	6	7	0
<i>Type of issuer</i>											
6 State	8,438	7,140	9,129	1,298	350	786	800	1,501	1,337	1,648	2,146
7 Special district and statutory authority	45,060	51,297	63,550	8,126	7,625	6,893	9,484	7,580	12,374	21,563	36,711
8 Municipalities, counties, townships, school districts	25,640	27,984	33,962	4,673	3,826	4,589	4,955	4,264	6,371	21,563	13,783
9 Issues for new capital, total	74,804	72,441	94,050	9,279	7,966	7,660	10,709	9,797	12,288	21,362	42,072
<i>Use of proceeds</i>											
10 Education	6,482	8,099	7,553	1,169	962	797	1,194	1,317	1,518	1,954	3,965
11 Transportation	6,256	4,387	7,552	631	276	651	252	471	1,264	3,734	3,211
12 Utilities and conservation	14,259	13,588	17,844	1,478	1,844	720	1,987	1,358	2,924	3,266	6,708
13 Social welfare	26,635	26,910	29,928	3,454	2,956	3,155	4,283	3,989	4,305	8,672	18,887
14 Industrial aid	8,349	7,821	15,415	782	560	553	1,524	735	1,507	2,029	3,408
15 Other purposes	12,822	11,637	15,758	1,765	1,368	1,784	1,469	2,009	2,466	1,707	5,893

1. Par amounts of long-term issues based on date of sale.

SOURCE: Public Securities Association.

2. Consists of tax-exempt issues guaranteed by the Farmers Home Administration.

1.46 NEW SECURITY ISSUES Corporations

Millions of dollars

Type of issue or issuer, or use	1983	1984	1985	1985							
				May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1 All issues¹	120,074	132,311	154,284	12,958	19,450	11,959	14,733	11,267	11,553^r	13,543	18,901
2 Bonds²	68,495	109,683	119,161	9,800	15,710	8,752	11,337	8,796	9,229	10,888	14,304
<i>Type of offering</i>											
3 Public	47,369	73,357	119,161	9,800	15,710	8,752	11,337	8,796	9,229	10,888	14,304
4 Private placement	21,126	36,326	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<i>Industry group</i>											
5 Manufacturing	16,851	24,607	34,776	1,500	8,044	2,688	2,352	2,079	1,953	4,072	2,704
6 Commercial and miscellaneous	7,540	13,726	9,716	639	865	1,642	921	186	898	933	728
7 Transportation	3,833	4,694	3,032	357	512	76	459	177	348	125	187
8 Public utility	9,125	10,679	8,870	1,136	585	434	857	1,042	863	1,114	1,090
9 Communication	3,642	2,997	6,183	150	125	110	1,295	367	690	100	2,318
10 Real estate and financial	27,502	52,980	56,586	6,018	5,579	3,802	5,453	4,945	4,477	4,544	7,278
11 Stocks³	51,579	22,628	35,123	3,158	3,740	3,207	3,396	2,471	2,324^r	2,655	4,597
<i>Type</i>											
12 Preferred	7,213	4,118	6,430	634	726	631	754	653	406	782	833
13 Common	44,366	18,510	28,693	2,524	3,014	2,576	2,642	1,818	1,918 ^r	1,873	3,764
<i>Industry group</i>											
14 Manufacturing	14,135	4,054	5,625	504	558	605 ^r	235	820	279	746	970
15 Commercial and miscellaneous	13,112	6,277	9,049	624	1,453	568 ^r	1,293	507	403 ^r	596	1,120
16 Transportation	2,729	589	1,544	33	236	0	127	107	113	21	200
17 Public utility	5,001	1,624	1,966	185	91	87	73	47	408	12	201
18 Communication	1,822	419	978	119	151	99	18	7	41	5	146
19 Real estate and financial	14,780	9,665	15,961	1,693	1,251	1,848 ^r	1,650	983	1,080 ^r	1,275	1,960

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.

2. Monthly data include only public offerings.

3. Beginning in August 1981, gross stock offerings include new equity volume from swaps of debt for equity.

SOURCE: Securities and Exchange Commission and the Board of Governors of the Federal Reserve System.

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

Item	1984	1985	1985							
			May	June	July	Aug.	Sept.	Oct.	Nov. ⁷	Dec.
INVESTMENT COMPANIES ¹										
1 Sales of own shares ²	107,480	222,682	16,408	18,191	20,284	18,049	16,936	22,099	20,585	23,561
2 Redemptions of own shares ³	77,032	132,432	10,069	9,836	11,502	10,837	9,963	10,653	11,138	18,334
3 Net sales	30,448	90,250	6,339	8,355	8,782	7,212	6,973	11,446	9,447	5,227
4 Assets ⁴	137,126	251,536	178,275	186,284	195,707	201,608	203,210	218,720	237,410	251,536
5 Cash position ⁵	12,181 ⁶	20,590	15,017	15,565	16,943	17,959	18,700	21,987	21,894	20,590
6 Other	124,945 ⁶	230,946	163,258	170,719	178,764	183,649	184,510	196,733	215,516	230,946

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.

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

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

Account	1982	1983	1984	1983	1984				1985		
				Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
1 Corporate profits with inventory valuation and capital consumption adjustment	150.0	213.8	273.3	247.6	268.0	277.8	271.2	276.2	281.7	288.1	309.1
2 Profits before tax	169.6	205.0	237.6	227.6	247.4	247.4	227.7	228.0	220.0	218.7	228.6
3 Profits tax liability	63.1	75.2	93.6	84.0	99.1	100.6	87.4	87.4	83.4	82.3	87.4
4 Profits after tax	106.5	129.8	144.0	143.6	148.3	146.7	140.3	140.6	136.6	136.4	141.1
5 Dividends	66.9	70.8	78.1	73.1	75.3	77.5	78.9	80.7	82.0	83.1	83.9
6 Undistributed profits	39.6	59.0	65.9	70.6	73.1	69.2	61.3	60.0	54.6	53.3	57.3
7 Inventory valuation	-10.4	-10.0	-5.4	-8.9	-13.0	-5.6	-1.3	-1.6	.7	2.2	4.7
8 Capital consumption adjustment	-9.2	18.8	41.0	28.9	33.5	36.0	44.8	49.8	61.1	67.2	75.9

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

1.49 NONFINANCIAL CORPORATIONS Assets and Liabilities

Billions of dollars, except for ratio

Account	1979	1980 ^r	1981 ^r	1982 ^r	1983 ^r	1984 ^r		1985		
						Q3	Q4	Q1 ^r	Q2 ^r	Q3
1 Current assets	1,214.8	1,328.3	1,419.6	1,437.1	1,575.9	1,685.9	1,703.0	1,715.9	1,725.2	1,750.5
2 Cash.....	118.0	127.0	135.6	147.8	171.8	161.3	173.6	167.9	170.6	178.6
3 U.S. government securities.....	16.7	18.7	17.7	23.0	31.0	33.0	36.2	34.7	34.1	31.1
4 Notes and accounts receivable.....	459.0	507.5	532.5	517.4	583.0	639.1	633.1	647.4	648.5	653.2
5 Inventories.....	505.1	543.0	584.0	579.0	603.4	659.3	656.9	664.7	663.7	670.1
6 Other.....	116.0	132.1	149.7	169.8	186.7	193.2	203.2	201.1	208.3	217.4
7 Current liabilities	807.3	890.6	971.3	986.0	1,059.6	1,155.0	1,163.6	1,171.5	1,176.0	1,203.8
8 Notes and accounts payable.....	460.8	514.4	547.1	550.7	595.7	642.2	647.8	635.3	647.3	664.2
9 Other.....	346.5	376.2	424.1	435.3	463.9	512.9	515.8	536.2	528.7	539.5
10 Net working capital	407.5	437.8	448.3	451.1	516.3	530.8	539.5	544.4	549.3	546.7
11 MEMO: Current ratio¹	1.505	1.492	1.462	1.458	1.487	1.460	1.464	1.465	1.467	1.454

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, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SOURCE. Federal Trade Commission and Bureau of the Census.

1.50 TOTAL NONFARM BUSINESS EXPENDITURES on New Plant and Equipment ▲

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

Industry	1983	1984	1985	1984			1985				1986
				Q2	Q3	Q4	Q1	Q2	Q3	Q4 ¹	Q1 ¹
1 Total nonfarm business	304.78	354.44	384.22	349.97	361.48	368.29	371.16	387.83	388.90	388.98	402.13
<i>Manufacturing</i>											
2 Durable goods industries.....	53.08	66.24	72.53	64.03	68.26	71.43	69.87	73.96	72.85	73.46	71.95
3 Nondurable goods industries.....	63.12	72.58	79.89	71.93	74.18	75.53	75.78	80.36	81.19	82.22	82.79
<i>Nonmanufacturing</i>											
4 Mining.....	15.19	16.86	15.84	16.38	16.82	17.00	15.66	16.51	15.94	15.24	15.30
<i>Transportation</i>											
5 Railroad.....	4.88	6.79	7.33	7.34	7.31	6.44	6.02	7.48	8.13	7.68	7.02
6 Air.....	4.36	3.56	4.42	3.53	3.72	3.65	4.20	3.66	5.20	4.64	5.96
7 Other.....	4.72	6.17	6.02	6.14	6.47	6.18	6.01	6.37	5.77	5.93	5.83
<i>Public utilities</i>											
8 Electric.....	37.27	37.03	35.60	37.79	36.63	35.40	36.65	36.04	35.34	34.38	35.49
9 Gas and other.....	7.70	10.44	12.63	10.16	11.28	11.52	11.81	12.43	12.80	13.47	13.50
10 Commercial and other ²	114.45	134.75	149.96	132.67	136.80	141.13	145.16	151.02	151.69	151.96	164.30

▲Trade and services are no longer being reported separately. They are included in Commercial and other, line 10.

1. Anticipated by business.

2. "Other" consists of construction; wholesale and retail trade; finance and insurance; personal and business services; and communication.

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

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities

Billions of dollars, end of period

Account	1981	1982	1983	1984			1985			
				Q2	Q3	Q4	Q1	Q2	Q3	Q4
ASSETS										
Accounts receivable, gross										
1 Consumer	72.4	78.1	87.4	90.5	95.6	96.7	99.1	106.0	116.4	120.8
2 Business	100.3	101.4	113.4	124.4	124.5	135.2	142.1	144.6	141.4	152.8
3 Real estate	17.9	20.2	22.5	23.0	25.2	26.3	27.2	28.4	29.0	30.4
4 Total	190.5	199.7	223.4	238.0	245.3	258.3	268.5	279.0	286.5	304.0
Less:										
5 Reserves for unearned income	30.0	31.9	33.0	33.9	36.0	36.5	36.6	38.6	41.0	40.9
6 Reserves for losses	3.2	3.5	4.0	4.4	4.3	4.4	4.9	4.8	4.9	5.0
7 Accounts receivable, net	157.3	164.3	186.4	199.6	205.0	217.3	227.0	235.6	240.6	258.1
8 All other	27.1	30.7	34.0	35.8	36.4	35.4	35.9	39.5	46.3	46.8
9 Total assets	184.4	195.0	220.4	235.4	241.3	252.7	262.9	275.2	286.9	304.9
LIABILITIES										
10 Bank loans	16.1	18.3	18.7	18.3	19.7	21.3	19.8	18.5	18.2	21.0
11 Commercial paper	57.2	51.1	59.7	68.5	66.8	72.5	79.1	82.6	93.6	96.9
Debt										
12 Other short-term	11.3	12.7	13.9	15.5	16.1	16.2	16.8	16.6	16.6	17.2
13 Long-term	56.0	64.4	68.1	69.7	73.8	77.2	78.3	85.7	86.4	93.0
14 All other liabilities	18.5	21.2	30.1	32.1	32.6	33.1	35.4	36.9	36.6	39.6
15 Capital, surplus, and undivided profits	25.3	27.4	29.8	31.4	32.3	32.3	33.5	34.8	35.7	37.1
16 Total liabilities and capital	184.4	195.0	220.4	235.4	241.3	252.7	262.9	275.2	286.9	304.9

NOTE. Components may not add to totals due to rounding.
These data also appear in the Board's G.20 (422) release. For address, see inside front cover.

1.52 DOMESTIC FINANCE COMPANIES Business Credit

Millions of dollars, seasonally adjusted except as noted

Type	Accounts receivable outstanding Dec. 31, 1985 ¹	Changes in accounts receivable			Extensions			Repayments		
		1985			1985			1985		
		Oct.	Nov.	Dec.	Oct.	Nov.	Dec.	Oct.	Nov.	Dec.
1 Total	152,761	5,112	2,181	2,129	31,099	29,341	29,677	25,987	27,160	27,548
Retail financing of installment sales										
2 Automotive (commercial vehicles)	14,339	586	199	-76	1,441	1,081	820	855	882	896
3 Business, industrial, and farm equipment	20,555	-46	-185	527	1,222	1,202	1,365	1,268	1,387	838
Wholesale financing										
4 Automotive	23,333	3,716	1,358	2,277	12,252	10,747	11,813	8,536	9,389	9,536
5 Equipment	4,235	32	63	-265	494	591	536	462	528	801
6 All other	7,322	45	267	156	1,815	1,861	1,799	1,770	1,594	1,643
Leasing										
7 Automotive	15,254	417	-832	-109	972	700	719	555	1,532	828
8 Equipment	40,116	381	574	-15	1,178	1,754	1,696	797	1,180	1,711
9 Loans on commercial accounts receivable and factored commercial accounts receivable	15,685	-662	526	-348	9,749	10,182	9,502	10,411	9,656	9,850
10 All other business credit	11,922	643	211	-18	1,976	1,223	1,427	1,333	1,012	1,445

1. Not seasonally adjusted.

NOTE. These data also appear in the Board's G.20 (422) release. For address, see inside front cover.

1.53 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

Item	1982	1983	1984	1985						1986
				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)	92.8	96.8	104.1	119.2	104.4	104.6	104.1	107.5	111.5	110.1
2 Amount of loan (thousands of dollars)	69.5	73.7	77.4	89.4	74.4	76.7	77.1	78.5	80.3	78.9
3 Loan/price ratio (percent)	77.1	78.7	77.1	77.5	74.6	76.0	76.0	75.5	75.0	74.3
4 Maturity (years)	26.7	27.8	26.9	27.5	24.5	26.7	26.7	26.4	26.7	25.6
5 Fees and charges (percent of loan amount) ²	2.40	2.64	2.53	2.24	2.46	2.62	2.49	2.57	2.59	2.53
6 Contract rate (percent per annum)	12.20	11.87	11.12	10.94	10.78	10.69	10.64	10.55	10.47	10.38
Yield (percent per annum)										
7 FHLBB series ³	12.66	12.37	11.58	11.34	11.24	11.17	11.09	11.01	10.94	10.87
8 HUD series ⁴	13.43	13.80	12.28	12.09	12.06	12.02	11.86	11.56	11.03	10.82
SECONDARY MARKETS										
Yield (percent per annum)										
9 FHA mortgages (HUD series) ⁵	13.11	13.81	12.24	12.12	11.99	12.04	11.87	11.28	10.70	10.78
10 GNMA securities ⁶	12.25	13.13	11.61	11.48	11.24	11.29	11.16	10.81	10.39	10.25
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	74,847	83,339	94,574	95,634	96,324	96,769	97,228	97,807	98,282	98,671
12 FHA/VA-insured	37,393	35,148	34,244	34,276	34,177	34,084	33,885	33,828	33,684	33,583
13 Conventional	37,454	48,191	60,331	61,359	62,147	62,685	63,343	63,979	64,598	65,088
Mortgage transactions (during period)										
14 Purchases	17,554	16,721	21,510	1,918	1,921	1,739	1,767	1,624	1,663	1,188
15 Sales	3,528	978	1,301	251	230	101	200	100	319	0
Mortgage commitments ⁷										
16 Contracted (during period)	18,607	21,007	20,155	1,583	1,797	1,638	1,733	1,199	1,858	1,315
17 Outstanding (end of period)	5,461	6,384	3,402	4,517	4,245	3,974	3,840	3,330	3,402	3,211
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period) ⁸										
18 Total	5,996	9,283	n.a.	12,844	13,521	13,088	13,025	13,194	n.a.	n.a.
19 FHA/VA	974	910	n.a.	842	835	829	823	816	n.a.	n.a.
20 Conventional	5,022	8,373	n.a.	12,002	12,686	12,259	12,202	12,378	n.a.	n.a.
Mortgage transactions (during period)										
21 Purchases	23,089	21,886	n.a.	4,626	3,602	4,219	3,215	3,680	n.a.	n.a.
22 Sales	19,686	18,506	n.a.	4,200	2,682	4,501	3,076	3,449	n.a.	n.a.
Mortgage commitments ⁹										
23 Contracted (during period)	32,852	32,603	n.a.	3,259	3,958	2,919	3,995	4,854	n.a.	n.a.
24 Outstanding (end of period)	16,964	13,318	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

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) 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; 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 averages of Friday figures from the *Wall Street Journal*.

7. 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.

8. Includes participation as well as whole loans.

9. Includes conventional and government-underwritten loans. FHLMC's mortgage commitments and mortgage transactions include activity under mortgage/securities swap programs, while the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING

Millions of dollars, end of period

Type of holder, and type of property	1983	1984 ¹	1985 ¹	1984 ¹	1985				
				Q4	Q1 ²	Q2 ²	Q3 ²	Q4	
1 All holders	1,811,540	2,022,828	2,248,501	2,022,828	2,068,845	2,127,640	2,187,562	2,248,501	
2 1- to 4-family	1,189,811	1,319,416	1,467,231	1,319,416	1,347,580	1,385,637	1,426,048	1,467,231	
3 Multifamily	158,718	178,817	202,891	178,817	183,660	189,917	195,393	202,891	
4 Commercial	350,389	412,958	471,279	412,958	426,040	441,355	457,353	471,279	
5 Farm	112,622	111,637	107,100	111,637	111,565	110,731	108,768	107,100	
6 Selected financial institutions	1,130,781	1,267,488	1,385,494	1,267,488	1,289,271	1,321,054	1,353,438	1,385,530	
7 Commercial banks ¹	330,521	374,780	423,003	374,780	383,598	396,141	410,653	423,003	
8 1- to 4-family	182,514	196,540	214,340	196,540	198,849	203,654	209,724	214,340	
9 Multifamily	18,410	20,216	22,906	20,216	20,609	21,544	22,239	22,906	
10 Commercial	120,210	147,845	174,336	147,845	153,827	160,315	167,603	174,336	
11 Farm	9,387	10,179	11,421	10,179	10,313	10,628	11,087	11,421	
12 Savings banks	131,940	154,441	177,193	154,441	161,032	165,705	174,012	177,193	
13 1- to 4-family	93,649	107,302	122,136	107,302	111,592	114,375	119,552	122,136	
14 Multifamily	17,247	19,817	23,236	19,817	20,668	21,357	22,552	23,236	
15 Commercial	21,016	27,291	31,743	27,291	28,741	29,942	31,791	31,743	
16 Farm	28	31	78	31	31	31	117	78	
17 Savings and loan associations	494,789	555,277	587,045	555,277	559,263	569,291	575,829	587,045	
18 1- to 4-family	387,924	421,489	430,876	421,489	425,024	426,294	426,294	430,876	
19 Multifamily	44,333	55,750	66,467	55,750	57,660	60,231	62,478	66,467	
20 Commercial	62,403	77,603	89,126	77,603	80,070	83,447	86,369	89,126	
21 Life insurance companies	150,999	156,699	167,887	156,699	158,162	161,485	163,929	167,887	
22 1- to 4-family	15,319	14,120	13,499	14,120	13,840	13,562	13,382	13,499	
23 Multifamily	19,107	18,938	19,453	18,938	18,964	18,973	19,453	19,453	
24 Commercial	103,831	111,175	122,925	111,175	113,187	116,812	119,543	122,925	
25 Farm	12,742	12,466	12,010	12,466	12,171	12,128	12,032	12,010	
26 Finance companies ²	22,532	26,291	30,402	26,291	27,216	28,432	29,015	30,402	
27 Federal and related agencies	148,328	158,993	166,764	158,993	163,531	165,912	166,248	166,764	
28 Government National Mortgage Association	3,395	2,301	1,473	2,301	1,964	1,825	1,640	1,473	
29 1- to 4-family	630	585	539	585	576	564	552	539	
30 Multifamily	2,765	1,716	934	1,716	1,388	1,261	1,088	934	
31 Farmers Home Administration	2,141	1,276	733	1,276	1,062	790	577	733	
32 1- to 4-family	1,159	213	183	213	156	223	185	183	
33 Multifamily	173	119	113	119	82	136	139	113	
34 Commercial	409	497	159	497	421	163	72	159	
35 Farm	400	447	278	447	403	268	181	278	
36 Federal Housing and Veterans Administration	4,894	4,816	4,903	4,816	4,878	4,888	4,918	4,903	
37 1- to 4-family	1,893	2,048	2,246	2,048	2,181	2,199	2,251	2,246	
38 Multifamily	3,001	2,768	2,657	2,768	2,697	2,689	2,667	2,657	
39 Federal National Mortgage Association	78,256	87,940	98,282	87,940	91,975	94,777	96,769	98,282	
40 1- to 4-family	73,045	82,175	91,966	82,175	86,129	88,788	90,590	91,966	
41 Multifamily	5,211	5,765	6,316	5,765	5,846	5,989	6,179	6,316	
42 Federal Land Banks	52,010	52,261	48,129	52,261	52,104	51,056	49,255	48,129	
43 1- to 4-family	3,081	3,074	2,829	3,074	3,064	3,006	2,895	2,829	
44 Farm	48,929	49,187	45,300	49,187	49,040	48,050	46,360	45,300	
45 Federal Home Loan Mortgage Corporation	7,632	10,399	13,244	10,399	11,548	12,576	13,089	13,244	
46 1- to 4-family	7,559	9,654	11,208	9,654	10,642	11,288	11,457	11,208	
47 Multifamily	73	745	2,036	745	906	1,288	1,632	2,036	
48 Mortgage pools or trusts ³	285,073	332,057	413,913	332,057	347,793	365,748	388,948	413,913	
49 Government National Mortgage Association	159,850	179,981	212,145	179,981	185,954	192,925	201,026	212,145	
50 1- to 4-family	155,950	175,589	207,198	175,589	181,419	188,228	196,198	207,198	
51 Multifamily	3,900	4,392	4,947	4,392	4,535	4,697	4,828	4,947	
52 Federal Home Loan Mortgage Corporation	57,895	70,822	99,088	70,822	76,759	83,327	91,915	99,088	
53 1- to 4-family	57,273	70,253	98,182	70,253	75,781	82,369	90,997	98,182	
54 Multifamily	622	569	906	569	978	958	918	906	
55 Federal National Mortgage Association	25,121	36,215	54,987	36,215	39,370	42,755	48,769	54,987	
56 1- to 4-family	25,121	35,965	54,036	35,965	38,772	41,985	47,857	54,036	
57 Multifamily	n.a.	250	951	250	598	770	912	951	
58 Farmers Home Administration	42,207	45,039	47,693	45,039	45,710	46,741	47,238	47,693	
59 1- to 4-family	20,404	21,813	22,186	21,813	21,928	21,962	22,090	22,186	
60 Multifamily	5,090	5,841	6,675	5,841	6,041	6,377	6,415	6,675	
61 Commercial	7,351	7,559	8,189	7,559	7,681	8,014	8,192	8,189	
62 Farm	9,362	9,826	10,643	9,826	10,060	10,388	10,541	10,643	
63 Individual and others ⁴	247,358	264,290	282,510	264,290	268,250	274,926	278,928	282,294	
64 1- to 4-family	141,758	152,305	165,405	152,305	154,411	159,981	163,009	165,405	
65 Multifamily	38,786	41,931	45,294	41,931	42,688	43,637	44,374	45,294	
66 Commercial	35,169	40,986	44,801	40,986	42,113	42,662	43,783	44,801	
67 Farm	31,645	29,068	26,794	29,068	29,038	28,646	27,762	26,794	

1. Includes loans held by nondeposit trust companies but not bank trust departments.

2. Previously included in "Individuals and others." Assumed to be entirely 1- to 4-family loans.

3. Outstanding principal balances of mortgages backing securities insured or guaranteed by the agency indicated.

4. 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 other U.S. agencies.

NOTE: Based on data from various institutional and governmental sources, with some quarters estimated in part by the Federal Reserve. Multifamily debt refers to loans on structures of five or more units.

1.55 CONSUMER INSTALLMENT CREDIT¹ Total Outstanding, and Net Change

Millions of dollars

Holder, and type of credit	1983	1984	1985								
			Apr.	May	June	July	Aug.	Sept.	Oct.	Nov. ^r	Dec.
Amounts outstanding (end of period)											
1 Total.....	383,701	460,500	479,935	488,666	495,813	503,834	512,393	524,698	531,896 ^r	537,215	549,903
<i>By major holder</i>											
2 Commercial banks.....	171,978	212,391	223,850	226,973	229,676	232,913	236,390	241,030	243,573	245,987	251,247
3 Finance companies.....	87,429	96,747	101,324	104,130	105,971	107,985	110,378	116,422	118,846	119,632	120,842
4 Credit unions.....	53,471	67,858	71,418	72,381	73,468	74,614	75,689	76,447	77,474 ^r	78,035	79,129
5 Retailers ²	37,470	40,913	37,091	37,472	37,548	37,399	37,481	37,421	37,784	38,905	42,846
6 Savings and loans.....	23,108	29,945	33,514	34,754	35,901	37,301	38,496	39,421	40,281	40,728	41,644
7 Gasoline companies.....	4,131	4,315	3,834	3,918	4,075	4,316	4,467	4,346	4,241	4,145	4,304
8 Mutual savings banks.....	6,114	8,331	8,904	9,038	9,174	9,306	9,492	9,611	9,697	9,783	9,891
<i>By major type of credit</i>											
9 Automobile.....	143,114	172,589	183,558	187,795	191,315	194,678	197,768	205,102	208,265 ^r	209,102	210,492
10 Commercial banks.....	67,557	85,501	90,915	92,403	94,099	95,763	96,576	98,042	98,604	98,826	99,270
11 Credit unions.....	25,574	32,456	34,159	34,620	35,139	35,687	36,201	36,563	37,054 ^r	37,322	37,845
12 Finance companies.....	49,983	54,632	58,484	60,772	62,077	63,228	64,991	70,497	72,607	72,954	73,377
13 Revolving.....	81,977	101,555	101,887	103,492	104,333	105,539	107,584	109,941	111,919	114,927	123,073
14 Commercial banks.....	44,184	60,549	65,127	66,311	66,956	68,093	69,949	72,514	74,255	76,310	80,575
15 Retailers.....	33,662	36,691	32,926	33,263	33,302	33,130	33,168	33,081	33,423	34,472	38,194
16 Gasoline companies.....	4,131	4,315	3,834	3,918	4,075	4,316	4,467	4,346	4,241	4,145	4,304
17 Mobile home.....	23,862	24,556	24,675	24,925	25,205	25,545	25,826	26,043	26,200 ^r	26,243	26,440
18 Commercial banks.....	9,842	9,610	9,432	9,445	9,480	9,493	9,550	9,600	9,598	9,598	9,574
19 Finance companies.....	9,547	9,243	8,992	9,016	9,061	9,146	9,163	9,170	9,177 ^r	9,141	9,200
20 Savings and loans.....	3,906	4,985	5,496	5,699	5,887	6,117	6,313	6,465	6,606	6,679	6,829
21 Credit unions.....	567	718	755	765	777	789	800	808	819 ^r	825	837
22 Other.....	134,748	161,800	169,815	172,454	174,960	178,072	181,215	185,612	185,512 ^r	186,943	189,898
23 Commercial banks.....	50,395	56,731	58,376	58,814	59,141	59,564	60,315	60,874	61,116	61,253	61,828
24 Finance companies.....	27,899	32,872	33,848	34,342	34,833	35,611	36,224	36,755	37,062	37,537	38,265
25 Credit unions.....	27,330	34,684	36,504	36,996	37,552	38,138	38,688	39,076	39,601 ^r	39,888	40,447
26 Retailers.....	3,808	4,222	4,165	4,209	4,246	4,269	4,313	4,340	4,361	4,433	4,652
27 Savings and loans.....	19,202	24,960	28,018	29,055	30,014	31,184	32,183	32,956	33,675	34,049	34,815
28 Mutual savings banks.....	6,114	8,331	8,904	9,038	9,174	9,306	9,492	9,611	9,697	9,783	9,891
Net change (during period)											
29 Total.....	48,742	76,799	8,270	9,042	5,227	6,247	5,726	11,531	8,417 ^r	4,792	5,142
<i>By major holder</i>											
30 Commercial banks.....	19,488	40,413	3,853	4,108	1,690	1,824	1,764	3,748	2,863	3,144	1,482
31 Finance companies.....	18,572	18,636	1,885	2,373	1,218	1,629	2,371	6,407	3,140	550	897
32 Credit unions.....	6,218	14,387	1,215	673	797	1,149	479	374	1,471 ^r	466	1,102
33 Retailers ²	5,075	3,443	168	341	-31	112	-99	-27	97	245	362
34 Savings and loans.....	7,285	6,837	1,063	1,327	1,417	1,338	969	924	620	335	976
35 Gasoline companies.....	68	184	-45	59	-51	21	103	-43	62	30	170
36 Mutual savings banks.....	1,322	2,217	131	161	187	174	139	148	164	22	153
<i>By major type of credit</i>											
37 Automobile.....	16,856	29,475	3,488	3,792	2,686	2,365	2,206	7,204	3,794 ^r	1,116	1,396
38 Commercial banks.....	8,002	17,944	1,546	1,589	1,488	1,025	136	1,048	494	304	190
39 Credit unions.....	2,978	6,882	580	325	380	550	226	180	705 ^r	229	520
40 Finance companies.....	11,752	9,298	1,362	1,878	818	790	1,844	5,976	2,595	583	686
41 Revolving.....	12,353	19,578	2,126	2,429	-73	856	936	1,974	2,042	2,615	1,323
42 Commercial banks.....	7,518	16,365	2,003	2,095	42	733	968	2,071	1,908	2,386	875
43 Retailers.....	4,767	3,029	168	275	-64	102	-135	-54	72	199	278
44 Gasoline companies.....	68	184	-45	59	-51	21	103	-43	62	30	170
45 Mobile home.....	1,452	694	218	186	196	324	199	168	181 ^r	1	339
46 Commercial banks.....	237	-232	19	-21	-31	-22	3	61	13	9	78
47 Finance companies.....	776	-608	13	-19	1	74	-13	-19	32	-12	59
48 Savings and loans.....	763	1,079	175	219	217	261	204	121	122	0	189
49 Credit unions.....	64	151	11	7	9	11	12	5	14 ^r	4	13
50 Other.....	18,081	27,052	2,438	2,635	2,418	2,702	2,385	2,185	2,400 ^r	1,060	2,084
51 Commercial banks.....	3,731	6,336	285	445	191	88	657	568	448	445	339
52 Finance companies.....	6,044	9,946	510	514	399	765	540	450	513	-21	152
53 Credit unions.....	3,176	7,354	624	341	408	588	248	189	752 ^r	233	569
54 Retailers.....	308	414	0	66	33	10	36	27	25	46	84
55 Savings and loans.....	6,522	5,758	888	1,108	1,200	1,077	765	803	498	335	787
56 Mutual savings banks.....	1,322	2,217	131	161	187	174	139	148	164	22	153

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.

NOTE. Total consumer noninstallment credit outstanding—credit scheduled to be repaid in a lump sum, including single-payment loans, charge accounts, and service credit—amounted to, not seasonally adjusted, \$85.9 billion at the end of 1982, \$96.9 billion at the end of 1983, and \$116.6 billion at the end of 1984.

These data also appear in the Board's G.19 (421) release. For address, see inside front cover.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT

Percent unless noted otherwise

Item	1983	1984	1985	1985						
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.
INTEREST RATES										
Commercial banks ¹										
1 48-month new car ²	13.92	13.71	n.a.	n.a.	n.a.	12.72	n.a.	n.a.	12.39	n.a.
2 24-month personal	16.50	16.47	n.a.	n.a.	n.a.	15.84	n.a.	n.a.	15.61	n.a.
3 120-month mobile home ²	16.08	15.58	n.a.	n.a.	n.a.	14.72	n.a.	n.a.	14.66	n.a.
4 Credit card	18.78	18.77	n.a.	n.a.	n.a.	18.62	n.a.	n.a.	18.57	n.a.
Auto finance companies										
5 New car	12.58	14.62	n.a.	12.06	12.46	10.87	8.84	9.97	11.71	12.52
6 Used car	18.74	17.85	n.a.	17.77	17.49	17.57	17.31	17.21	17.28	17.22
OTHER TERMS ³										
Maturity (months)										
7 New car	45.9	48.3	n.a.	51.3	51.7	51.1	51.2	51.5	52.0	52.1
8 Used car	37.9	39.7	n.a.	41.3	41.5	41.6	41.4	41.4	41.5	41.4
Loan-to-value ratio										
9 New car	86	88	n.a.	91	91	91	92	93	92	92
10 Used car	92	92	n.a.	94	95	95	95	95	95	95
Amount financed (dollars)										
11 New car	8,787	9,333	n.a.	9,965	10,355	10,422	10,449	10,498	10,205	9,925
12 Used car	5,033	5,691	n.a.	6,116	6,146	6,139	6,097	6,091	6,167	6,255

1. Data for midmonth of quarter only.

2. Before 1983 the maturity for new car loans was 36 months, and for mobile home loans was 84 months.

3. At auto finance companies.

NOTE. These data also appear in the Board's G.19 (421) release. For address, see inside front cover.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS

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

Transaction category, sector	1979	1980	1981	1982	1983	1984	1982	1983		1984		1985
							H2	H1	H2	H1	H2	H1
Nonfinancial sectors												
1 Total net borrowing by domestic nonfinancial sectors	388.7	340.0	371.6	398.3	538.9	755.6	442.1	508.8	569.0	704.0	807.3	718.0
By sector and instrument												
2 U.S. government	37.4	79.2	87.4	161.3	186.6	198.8	218.4	222.0	151.1	172.7	224.9	181.1
3 Treasury securities	38.8	79.8	87.8	162.1	186.7	199.0	218.8	222.1	151.2	172.9	225.0	181.2
4 Agency issues and mortgages	-1.4	-6	-5	-9	-1	-2	-4	-1	-1	-2	-1	-1
5 Private domestic nonfinancial sectors	351.3	260.8	284.2	237.0	352.3	556.8	223.7	286.7	417.9	531.3	582.4	536.9
6 Debt capital instruments	213.9	186.3	153.7	153.5	249.1	322.1	167.1	225.4	272.7	281.8	362.4	349.7
7 Tax-exempt obligations	30.3	30.3	23.4	48.6	57.3	65.8	54.6	57.3	57.3	38.9	92.6	88.5
8 Corporate bonds	17.3	26.7	21.8	18.7	16.0	42.3	25.3	21.4	10.6	24.4	60.2	61.5
9 Mortgages	166.2	129.4	108.5	86.2	175.7	214.1	87.1	146.7	204.7	218.5	209.6	199.7
10 Home mortgages	121.7	93.8	71.6	50.4	115.6	139.2	50.1	96.2	135.1	144.8	133.5	136.7
11 Multifamily residential	8.3	7.1	4.8	5.3	9.4	14.0	5.8	6.3	12.6	16.0	12.0	15.1
12 Commercial	24.4	19.2	22.2	25.2	47.6	58.8	27.3	42.3	53.0	55.6	62.0	49.7
13 Farm	11.8	9.3	9.9	5.3	3.0	2.1	3.9	1.9	4.1	2.0	2.1	-1.8
14 Other debt instruments	137.5	74.5	130.5	83.6	103.3	234.8	56.6	61.3	145.2	249.5	220.0	187.2
15 Consumer credit	45.4	4.7	22.7	20.1	59.8	96.5	21.7	44.1	75.5	102.1	90.9	116.7
16 Bank loans n.e.c.	51.2	37.0	54.7	54.1	26.7	79.4	41.9	13.7	39.8	90.2	68.7	25.4
17 Open market paper	11.1	5.7	19.2	-4.7	-1.6	23.7	-19.3	-10.0	6.9	33.5	13.8	16.3
18 Other	29.7	27.1	33.9	14.0	18.3	35.2	12.4	13.6	23.1	23.7	46.7	28.8
19 By borrowing sector	351.3	260.8	284.2	237.0	352.3	556.8	223.7	286.7	417.9	531.3	582.4	536.9
20 State and local governments	17.6	17.2	6.8	25.9	37.6	45.0	29.3	36.1	39.2	21.4	68.6	71.6
21 Households	181.0	117.9	119.2	90.4	190.4	249.5	93.5	156.0	224.8	248.2	250.7	268.0
22 Farm	21.4	14.3	16.4	7.9	4.5	2.9	5.9	1.1	7.8	2.1	3.8	-7.2
23 Nonfarm noncorporate	35.3	31.0	38.4	40.9	65.2	77.8	42.1	55.5	75.0	83.0	72.5	71.4
24 Corporate	96.0	80.4	103.4	71.9	54.6	181.7	52.9	38.0	71.1	176.6	186.8	133.0
25 Foreign net borrowing in United States	20.2	27.2	27.2	15.7	18.9	1.7	21.2	15.3	22.5	22.9	-19.5	-7.1
26 Bonds	3.9	.8	5.4	6.7	3.8	4.1	11.0	4.6	2.9	1.1	7.0	5.2
27 Bank loans n.e.c.	2.3	11.5	3.7	-6.2	4.9	-7.8	-4.7	11.3	-1.5	-4.6	-11.0	-6.0
28 Open market paper	11.2	10.1	13.9	10.7	6.0	1.4	9.0	-4.6	16.5	20.9	-18.1	-8.8
29 U.S. government loans	2.9	4.7	4.2	4.5	4.3	4.0	6.0	3.9	4.6	5.5	2.6	2.6
30 Total domestic plus foreign	408.9	367.2	398.8	414.0	557.8	757.4	463.3	524.0	591.5	726.9	787.8	710.9
Financial sectors												
31 Total net borrowing by financial sectors	82.4	57.6	89.0	76.2	85.2	130.3	57.5	66.7	103.7	119.2	141.3	165.6
By instrument												
32 U.S. government related	47.9	44.8	47.4	64.9	67.8	74.9	69.7	66.2	69.4	69.6	80.1	92.7
33 Sponsored credit agency securities	24.3	24.4	30.5	14.9	1.4	30.4	7.5	-4.1	6.9	29.9	31.0	26.1
34 Mortgage pool securities	23.1	19.2	15.0	49.5	66.4	44.4	62.2	70.3	62.5	39.7	49.2	66.7
35 Loans from U.S. government . . . . .	.6	1.2	1.9	.4								
36 Private financial sectors	34.5	12.8	41.6	11.3	17.4	55.4	-12.2	.5	34.4	49.6	61.2	72.8
37 Corporate bonds	7.8	1.8	3.5	9.7	8.6	18.5	11.2	6.4	10.7	12.2	24.7	30.6
38 Mortgages . . . . .	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
39 Bank loans n.e.c.	-5	-9	.9	1.9	-2	1.0	-6	-2.5	2.2	2.3	1.6	1.8
40 Open market paper	18.0	4.8	20.9	-1.1	16.0	20.4	-14.6	8.7	23.4	21.3	19.5	28.8
41 Loans from Federal Home Loan Banks	9.2	7.1	16.2	.8	-7.0	15.7	-9.5	-12.1	-2.0	15.9	15.5	11.7
By sector												
42 Sponsored credit agencies	24.8	25.6	32.4	15.3	1.4	30.4	7.5	-4.1	6.9	29.9	31.0	26.1
43 Mortgage pools	23.1	19.2	15.0	49.5	66.4	44.4	62.2	70.3	62.5	39.7	49.2	66.7
44 Private financial sectors	34.5	12.8	41.6	11.3	17.4	55.4	-12.2	.5	34.4	49.6	61.2	72.8
45 Commercial banks	1.6	.5	.4	1.2	.5	4.4	1.7	.8	1.2	4.8	3.9	5.2
46 Bank affiliates	6.5	6.9	8.3	1.9	8.6	10.9	-5.8	6.1	11.1	20.0	1.8	9.2
47 Savings and loan associations	12.6	7.4	15.5	2.5	-2.1	22.7	-9.3	-9.3	5.2	19.7	25.6	10.9
48 Finance companies	15.3	-1.1	18.2	6.3	11.3	18.1	1.9	3.9	18.8	5.6	30.6	48.4
49 REITs	-1	-5	-2	*	.3	.2	*	-3	-2	.3	.1	.1
All sectors												
50 Total net borrowing	491.3	424.9	487.8	490.2	643.0	887.6	520.8	590.7	695.2	846.1	929.2	876.5
51 U.S. government securities	84.8	122.9	133.0	225.9	254.4	273.8	288.3	288.4	220.5	242.4	305.1	273.9
52 State and local obligations	30.3	30.3	23.4	48.6	57.3	65.8	54.6	57.3	57.3	38.9	92.6	88.5
53 Corporate and foreign bonds	29.0	29.3	30.7	35.0	28.4	64.8	47.5	32.5	24.3	37.7	92.0	97.2
54 Mortgages	166.1	129.3	108.4	86.2	175.6	213.9	87.1	146.6	204.7	218.3	209.4	199.6
55 Consumer credit	45.4	4.7	22.7	20.1	59.8	96.5	21.7	44.1	75.5	102.1	90.9	116.7
56 Bank loans n.e.c.	52.9	47.7	59.2	49.9	31.4	72.6	37.8	22.5	40.4	85.9	59.3	21.2
57 Open market paper	40.3	20.6	34.0	4.9	20.4	45.4	-25.0	-5.9	46.8	75.7	15.2	36.3
58 Other loans	42.4	40.1	56.2	19.7	15.5	54.9	8.9	5.3	25.7	45.1	64.8	43.1
External corporate equity funds raised in United States												
59 Total new share issues	-4.3	21.9	-3.0	35.3	67.8	-33.1	47.2	83.4	52.1	-40.8	-25.5	25.9
60 Mutual funds . . . . .	.1	5.2	6.3	18.4	32.8	37.7	24.3	36.8	28.9	39.6	35.7	92.0
61 All other	-4.3	16.8	-9.3	16.9	35.0	-70.8	22.9	46.7	23.2	-80.4	-61.2	-66.1
62 Nonfinancial corporations	-7.8	12.9	-11.5	11.4	28.3	-77.0	15.8	38.2	18.4	-84.5	-69.4	-75.7
63 Financial corporations	2.7	1.8	1.9	4.0	2.7	5.1	4.1	2.7	2.6	4.8	5.3	5.4
64 Foreign shares purchased in United States . . . . .	.8	2.1	.3	1.5	4.0	1.1	3.0	5.7	2.2	-7	2.9	4.2

1.58 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	1979	1980	1981	1982	1983	1984	1982		1983		1984		1985
							H2	H1	H2	H1	H2	H1	
1 Total funds advanced in credit markets to domestic nonfinancial sectors	388.7	340.0	371.6	398.3	538.9	755.6	442.1	508.8	569.0	704.0	807.3	718.0	
<i>By public agencies and foreign</i>													
2 Total net advances	75.2	97.1	97.7	114.1	117.5	142.2	127.1	120.2	114.7	123.2	161.2	193.3	
3 U.S. government securities	-6.3	15.8	17.1	22.7	27.6	36.0	35.7	40.7	14.4	29.5	42.5	52.1	
4 Residential mortgages	35.8	31.7	23.5	61.0	76.1	56.5	74.5	80.2	72.1	52.8	60.1	86.0	
5 FHLB advances to savings and loans	9.2	7.1	16.2	.8	-7.0	15.7	-9.5	-12.1	-2.0	15.9	15.5	11.7	
6 Other loans and securities	36.5	42.5	40.9	29.5	20.8	34.1	26.5	11.5	30.2	25.1	43.2	43.5	
Total advanced, by sector													
7 U.S. government	19.0	23.7	24.0	15.9	9.7	17.2	17.1	9.1	10.3	7.9	26.5	19.4	
8 Sponsored credit agencies	53.1	45.6	48.2	65.5	69.8	73.3	69.1	68.6	71.0	73.6	73.0	97.7	
9 Monetary authorities	7.7	4.5	9.2	9.8	10.9	8.4	15.7	15.6	6.2	11.9	4.9	27.3	
10 Foreign	-4.5	23.3	16.2	22.8	27.1	43.4	25.3	27.0	27.2	29.9	56.9	48.9	
Agency and foreign borrowing not in line 1													
11 Sponsored credit agencies and mortgage pools	47.9	44.8	47.4	64.9	67.8	74.9	69.7	66.2	69.4	69.6	80.1	92.7	
12 Foreign	20.2	27.2	27.2	15.7	18.9	1.7	21.2	15.3	22.5	22.9	-19.5	-7.1	
<i>Private domestic funds advanced</i>													
13 Total net advances	381.6	314.9	348.5	364.8	508.1	690.0	405.9	470.0	546.1	673.3	706.8	610.3	
14 U.S. government securities	91.0	107.1	115.9	203.1	226.9	237.8	252.6	247.6	206.1	213.0	262.7	221.8	
15 State and local obligations	30.3	30.3	23.4	48.6	57.3	65.8	54.6	57.3	57.3	38.9	92.6	88.5	
16 Corporate and foreign bonds	18.5	19.3	18.8	14.8	14.9	29.9	29.6	21.4	8.5	17.7	42.2	33.9	
17 Residential mortgages	94.2	69.1	52.9	-5.5	48.9	96.6	-18.7	22.2	75.5	107.9	85.3	65.7	
18 Other mortgages and loans	156.7	96.3	153.8	104.6	153.0	275.6	78.2	109.4	196.7	311.7	239.5	212.1	
19 Less: Federal Home Loan Bank advances	9.2	7.1	16.2	.8	-7.0	15.7	-9.5	-12.1	-2.0	15.9	15.5	11.7	
<i>Private financial intermediation</i>													
20 Credit market funds advanced by private financial institutions	316.4	281.3	317.2	287.6	382.7	553.2	300.7	334.6	430.7	548.1	558.3	472.9	
21 Commercial banking	123.1	100.6	102.3	107.2	136.1	181.9	114.5	121.6	150.6	196.0	167.9	149.6	
22 Savings institutions	56.5	54.5	27.4	31.4	140.5	143.0	37.6	132.7	148.4	161.5	124.6	62.0	
23 Insurance and pension funds	85.6	94.5	97.6	107.4	94.2	123.1	103.8	83.0	105.3	111.8	134.4	117.1	
24 Other finance	51.2	31.7	89.9	41.5	11.9	105.1	44.8	-2.7	26.5	78.8	131.4	144.2	
25 Sources of funds	316.4	281.3	317.2	287.6	382.7	553.2	300.7	334.6	430.7	548.1	558.3	472.9	
26 Private domestic deposits and RPs	137.4	169.6	211.9	174.4	205.2	287.7	201.7	194.1	216.3	277.1	298.2	173.8	
27 Credit market borrowing	34.5	12.8	41.6	11.3	17.4	55.4	-12.2	.5	34.4	49.6	61.2	72.8	
28 Other sources	144.5	98.8	63.7	101.8	160.0	210.1	111.2	140.0	180.0	221.3	198.9	226.3	
29 Foreign funds	27.6	-21.7	-8.7	-26.7	22.1	19.0	-25.1	-14.2	58.5	27.2	10.9	10.8	
30 Treasury balances	4.4	-2.6	-1.1	6.1	-5.3	4.0	14.1	10.1	-20.8	1.7	6.4	19.4	
31 Insurance and pension reserves	72.9	83.7	90.7	103.2	95.1	111.7	95.3	83.5	106.8	118.0	105.5	117.4	
32 Other, net	43.6	39.4	-17.2	19.3	48.1	75.4	26.9	60.6	35.6	74.6	76.2	78.8	
<i>Private domestic nonfinancial investors</i>													
33 Direct lending in credit markets	99.7	46.5	72.9	88.5	142.8	192.2	93.0	135.9	149.8	174.8	209.6	210.2	
34 U.S. government securities	52.5	24.6	29.3	32.1	88.3	122.8	28.9	97.5	79.1	128.3	117.3	110.0	
35 State and local obligations	9.9	7.0	11.1	29.2	43.5	42.2	29.7	47.2	39.8	24.3	60.1	49.2	
36 Corporate and foreign bonds	-1.4	-11.0	-3.9	3.9	-9.2	*	13.8	-14.5	-4.0	-8.4	8.5	11.4	
37 Open market paper	8.6	-3.1	2.7	-6	6.5	-1.0	-4.7	-6.0	19.1	4.4	-6.5	15.7	
38 Other	30.1	29.1	33.7	24.0	13.7	28.2	25.4	11.8	15.6	26.2	30.3	23.9	
39 Deposits and currency	146.8	181.1	221.9	181.6	224.4	292.2	211.5	215.9	232.8	288.5	296.0	188.0	
40 Currency	8.0	10.3	9.5	9.7	14.3	8.6	12.7	14.8	13.8	15.9	1.4	18.6	
41 Checkable deposits	18.3	5.2	18.0	15.4	23.0	21.4	29.3	49.1	-3.0	25.0	17.7	7.4	
42 Small time and savings accounts	59.3	82.9	47.0	138.1	219.5	149.2	193.1	278.9	160.1	129.9	168.6	162.7	
43 Money market fund shares	34.4	29.2	107.5	24.7	-44.1	47.2	10.0	-84.0	-4.2	30.2	64.2	4.2	
44 Large time deposits	18.8	45.8	36.9	-7.7	-7.5	75.7	-37.3	-61.0	45.9	88.8	62.7	.8	
45 Security RPs	6.6	6.5	2.5	3.8	14.3	-5.8	6.6	11.0	17.5	3.3	-15.0	-1.3	
46 Deposits in foreign countries	1.5	1.1	.5	-2.5	4.8	-4.0	-2.9	7.0	2.7	-4.5	-3.6	-4.3	
47 Total of credit market instruments, deposits and currency	246.5	227.6	294.7	270.1	367.2	484.5	304.5	351.8	382.6	463.3	505.6	398.3	
48 Public holdings as percent of total	18.4	26.4	24.5	27.6	21.1	18.8	27.4	22.9	19.4	17.0	20.5	27.2	
49 Private financial intermediation (in percent)	82.9	89.3	91.0	78.8	75.3	80.2	74.1	71.2	78.9	81.4	79.0	77.5	
50 Total foreign funds	23.1	1.6	7.6	-3.9	49.2	62.4	.1	12.8	85.7	57.0	67.8	59.7	
MEMO: Corporate equities not included above													
51 Total net issues	-4.3	21.9	-3.0	35.3	67.8	-33.1	47.2	83.4	52.1	-40.8	-25.5	25.9	
52 Mutual fund shares	.1	5.2	6.3	18.4	32.8	37.7	24.3	36.8	28.9	39.6	35.7	92.0	
53 Other equities	-4.3	16.8	-9.3	16.9	35.0	-70.8	22.9	46.7	23.2	-80.4	-61.2	-66.1	
54 Acquisitions by financial institutions	12.9	24.9	20.9	37.1	56.4	11.1	63.9	76.2	36.5	2.6	19.6	40.9	
55 Other net purchases	-17.1	-3.0	-23.9	-1.8	11.4	-44.3	-16.7	7.2	15.6	-43.4	-45.1	-15.0	

NOTES BY LINE NUMBER.

1. Line 1 of table 1.58.
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.
13. Line 1 less line 2 plus line 11 and 12. Also line 20 less line 27 plus line 33. Also sum of lines 28 and 47 less lines 40 and 46.
18. Includes farm and commercial mortgages.
26. Line 39 less lines 40 and 46.
27. Excludes equity issues and investment company shares. Includes line 19.
29. Foreign deposits at commercial banks, bank borrowings from foreign branches, and liabilities of foreign banking agencies to foreign affiliates.
30. Demand deposits at commercial banks.
31. Excludes net investment of these reserves in corporate equities.
32. Mainly retained earnings and net miscellaneous liabilities.
33. Line 13 less line 20 plus line 27.
- 34-38. Lines 14-18 less amounts acquired by private finance. Line 38 includes mortgages.
40. Mainly an offset to line 9.
47. Lines 33 plus 39, or line 13 less line 28 plus 40 and 46.
48. Line 2/line 1.
49. Line 20/line 13.
50. Sum of lines 10 and 29.
- 51, 53. Includes issues by financial institutions.

NOTE. Full statements for sectors and transaction types in flows and in 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 Measures¹

1977 = 100; monthly and quarterly data are seasonally adjusted. Exceptions noted.

Measure	1983	1984	1985	1985								1986
				May	June	July	Aug.	Sept.	Oct. ^r	Nov. ^r	Dec. ^r	
1 Industrial production	109.2	121.8	124.5	124.1	124.3	124.1	125.2	125.1	124.4	125.4	126.3	126.7
Market groupings												
2 Products, total	113.9	127.1	131.7	131.4	131.6	131.6	133.0	133.1	131.8	133.5	134.4	135.0
3 Final, total	114.7	127.8	132.0	131.7	131.6	131.8	133.3	133.3	131.9	133.7	134.7	135.4
4 Consumer goods	109.3	118.2	120.7	120.0	120.4	120.1	121.5	121.8	120.8	122.8	124.2	125.2
5 Equipment	121.7	140.5	147.1	147.1	146.6	147.3	149.0	148.6	146.6	148.3	148.6	148.8
6 Intermediate	111.2	124.9	130.6	130.3	131.4	130.7	132.0	132.3	131.5	132.7	133.2	133.9
7 Materials	102.8	114.6	114.7	114.2	114.3	113.8	114.5	114.2	114.2	114.3	115.2	115.3
Industry groupings												
8 Manufacturing	110.2	123.9	127.1	126.6	126.7	126.9	128.2	127.7	127.2	128.3	129.3	129.8
Capacity utilization (percent) ²												
9 Manufacturing	74.0	80.8	80.3	80.3	80.1	80.1	80.7	80.1	79.6	80.1	80.5	80.6
10 Industrial materials industries	75.3	82.3	80.2	80.1	80.1	79.5	79.9	79.5	79.3	79.2	79.7	79.6
11 Construction contracts (1977 = 100) ³	138.0 ^r	150.0 ^r	161.0	161.0 ^r	154.0 ^r	164.0 ^r	164.0 ^r	167.0 ^r	168.0	162.0	162.0	162.0
12 Nonagricultural employment, total ⁴	137.1	143.6	148.5	148.0	148.1	148.5	148.9	149.3	149.8	150.1	150.6	151.4
13 Goods-producing, total	100.1	106.1	107.5	107.5	107.3	107.2	107.3	107.1	107.5	107.6	107.9	108.7
14 Manufacturing, total	94.8	99.8	99.9	99.9	99.7	99.5	99.6	99.1	99.4	99.7	99.9	100.1
15 Manufacturing, production-worker	87.6 ^r	93.0 ^r	92.4	92.3	92.0	91.8	91.9	91.5	91.8	92.0	92.5	92.6
16 Service-producing	157.3	164.1	170.9	170.3	170.5	171.1	171.7	172.4	173.0	173.5	174.0	174.8
17 Personal income, total	440.1	482.8	511.0	507.6	509.0	510.5	511.3	513.6	516.7	519.3	525.3	524.9
18 Wages and salary disbursements	390.7	427.8	457.1	453.9	456.6	456.9	459.2	461.9	464.3	467.1	471.3	472.9
19 Manufacturing	295.9	326.8	340.7	338.8	339.4	339.2	340.7	341.3	344.9	344.8	348.3	347.4
20 Disposable personal income ⁵	175.8	193.6	203.1	207.2	202.1	202.7	202.8	203.5	204.8	205.8	208.3	208.7
21 Retail sales (1977 = 100) ⁶	162.0	179.0	190.6	190.7	188.8	189.9	194.2	198.4	190.6	191.6	194.9	195.0
Prices ⁷												
22 Consumer	298.4	311.1	322.2	321.3	322.3	322.8	323.5	324.5	325.5	326.6	327.4	328.4
23 Producer finished goods	285.2	291.1	293.7	294.1	294.0	294.8	293.5	289.9 ^r	294.8	296.7	297.2	296.2

1. A major revision of the industrial production index and the capacity utilization rates was released in July 1985. See "A Revision of the Index of Industrial Production" and accompanying tables that contain revised indexes (1977=100) through December 1984 in the FEDERAL RESERVE BULLETIN, vol. 71 (July 1985), pp. 487-501. The revised indexes for January through June 1985 were shown in the September BULLETIN.

2. Ratios of indexes of production to indexes of capacity. Based on data from Federal Reserve, McGraw-Hill Economics Department, Department of Commerce, and other sources.

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).

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 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

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

Category	1983	1984	1985	1985 ^r							1986
				June	July	Aug.	Sept.	Oct.	Nov. ^r	Dec. ^r		Jan.
HOUSEHOLD SURVEY DATA											
1 Noninstitutional population ¹	176,414	178,602	180,440	180,322	180,492	180,657	180,831	181,011	181,186	181,349	181,898
2 Labor force (including Armed Forces) ¹	113,749	115,763	117,695	117,250	117,501	117,595	118,049	118,355	118,376	118,466	119,014
3 Civilian labor force	111,550	113,544	115,461	115,024	115,272	115,343	115,790	116,114	116,130	116,229	116,786
4 <i>Employment</i>											
Nonagricultural industries ²	97,450	101,685	103,971	103,461	103,751	104,115	104,502	104,755	104,899	105,055	105,655
5 Agriculture	3,383	3,321	3,179	3,140	3,120	3,095	3,017	3,058	3,070	3,151	3,299
6 <i>Unemployment</i>											
Number	10,717	8,539	8,312	8,423	8,401	8,133	8,271	8,301	8,161	8,023	7,831
7 Rate (percent of civilian labor force)	9.6	7.5	7.2	7.3	7.3	7.1	7.1	7.1	7.0	6.9	6.7
8 Not in labor force	62,665	62,839	62,745	63,072	62,991	63,062	62,782	62,656	62,810	62,883	62,884
ESTABLISHMENT SURVEY DATA											
9 Nonagricultural payroll employment ³	90,196	94,461	97,692	97,473	97,707	97,977	98,217	98,559	98,801	99,069	99,635
10 Manufacturing	18,434	19,412	19,424	19,398	19,351	19,362	19,279	19,338	19,381 ^r	19,431 ^r	19,466
11 Mining	952	974	969	974	969	965	962	960	954 ^r	953 ^r	951
12 Contract construction	3,948	4,345	4,661	4,638	4,660	4,688	4,721	4,753	4,754 ^r	4,761 ^r	4,918
13 Transportation and public utilities	4,954	5,171	5,301	5,295	5,302	5,282	5,317	5,327	5,342 ^r	5,345 ^r	5,377
14 Trade	20,881	22,134	23,188	23,193	23,226	23,305	23,344	23,440	23,473 ^r	23,560 ^r	23,789
15 Finance	5,468	5,682	5,924	5,906	5,932	5,959	5,987	6,011	6,048 ^r	6,069 ^r	6,104
16 Service	19,694	20,761	21,931	21,856 ^r	21,926 ^r	22,073 ^r	22,155 ^r	22,244 ^r	22,365	22,438	22,552
17 Government	15,869 ^r	15,984 ^r	16,294	16,213	16,341	16,343	16,452	16,486	16,484 ^r	16,512 ^r	16,478

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 1984 benchmark and only seasonally adjusted data are available at this time. Based on data from *Employment and Earnings* (U.S. Department of Labor).

A46 Domestic Nonfinancial Statistics □ April 1986

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION

Seasonally adjusted

Series	1985				1985				1985				
	Q1	Q2	Q3	Q4 ^r	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4 ^r	
	Output (1977 = 100)				Capacity (percent of 1977 output)				Utilization rate (percent)				
1 Total industry	123.8	124.2	124.8	125.3	152.8	154.0	155.1	156.2	81.0	80.7	80.5	80.2	
2 Mining	110.1	110.0	108.5	107.5	133.4	133.6	133.9	134.1	82.6	82.3	81.0	80.2	
3 Utilities	114.2	113.6	111.4	113.3	133.7	134.5	135.4	136.3	85.5	84.4	82.3	83.1	
4 Manufacturing	126.0	126.6	127.6	128.3	156.5	157.7	158.9	160.2	80.5	80.3	80.3	80.1	
5 Primary processing	107.5	108.1	109.5	110.2	131.6	132.0	132.4	132.8	81.6	81.9	82.7	82.9	
6 Advanced processing	137.1	137.9	138.6	139.2	171.4	173.2	174.9	176.7	80.0	79.6	79.2	78.8	
7 Materials	115.4	114.5	114.2	114.6	141.6	142.5	143.4	144.3	81.5	80.4	79.6	79.4	
8 Durable goods	123.6	121.4	120.7	121.4	155.9	157.4	158.9	160.5	79.3	77.1	76.0	75.6	
9 Metal materials	80.6	80.2	79.4	82.4	117.3	117.3	117.3	117.3	68.7	68.4	67.7	70.3	
10 Nondurable goods	110.9	111.2	113.7	113.2	137.3	137.8	138.2	138.7	80.7	80.7	82.2	81.6	
11 Textile, paper, and chemical	111.6	111.0	114.1	113.2	136.7	137.0	137.4	137.8	81.7	81.0	83.0	82.2	
12 Paper	126.3	121.8	123.8	123.5	136.1	136.2	136.3	136.5	92.8	89.4 ^r	90.8	90.5	
13 Chemical	113.2	112.6	114.6	114.1	141.5	142.0	142.6	143.1	80.0	79.3	80.4	79.7	
14 Energy materials	105.0	105.2	103.2	103.8	120.0	120.3	120.6	120.9	87.5	87.5	85.5	85.8	
	Previous cycle ¹		Latest cycle ²		1985		1985						1986
	High	Low	High	Low	Jan.	May	June	July	Aug.	Sept.	Oct. ^r	Nov. ^r	Dec. ^r Jan.
	Capacity utilization rate (percent)												
15 Total industry	88.6	72.1	86.9	69.5	81.1	80.6	80.5	80.2	80.7	80.5	79.8	80.3	80.7 80.8
16 Mining	92.8	87.8	95.2	76.9	82.9	82.2	82.7	81.2	80.9	81.0	80.9	79.9	79.7 80.6
17 Utilities	95.6	82.9	88.5	78.0	84.7	84.5	84.1	81.9	81.5	83.4	82.7	82.9	83.8 82.7
18 Manufacturing	87.7	69.9	86.5	68.0	80.7	80.3	80.1	80.1	80.7	80.1	79.6	80.1	80.5 80.6
19 Primary processing	91.9	68.3	89.1	65.1	81.6	81.5	82.0	82.3	82.9	82.8	83.1	82.8	83.0 83.4
20 Advanced processing	86.0	71.1	85.1	69.5	80.2	79.8	79.3	79.1	79.6	79.0	78.0	78.9	79.4 79.3
21 Materials	92.0	70.5	89.1	68.4	81.7	80.1	80.1	79.5	79.9	79.5	79.3	79.2	79.7 79.6
22 Durable goods	91.8	64.4	89.8	60.9	79.9	76.6	76.5	75.8	76.6	75.4	75.2	75.7	76.0 76.0
23 Metal materials	99.2	67.1	93.6	45.7	68.1	66.2	69.0	66.4	69.4	67.3	69.4	70.5	71.0 71.5
24 Nondurable goods	91.1	66.7	88.1	70.6	80.9	80.8	81.0	81.7	82.1	82.9	81.9	81.3	81.8 81.9
25 Textile, paper, and chemical	92.8	64.8	89.4	68.6	81.7	80.9	81.4	82.7	82.8	83.7	82.4	81.6	82.5 82.5
26 Paper	98.4	70.6	97.3	79.9	93.7	88.8	90.5	91.7	90.1	90.7	88.8	90.2	92.5 n.a.
27 Chemical	92.5	64.4	87.9	63.3	80.1	79.5	79.2	80.1	79.8	81.2	80.5	78.9	79.8 n.a.
28 Energy materials	94.6	86.9	94.0	82.2	86.6	87.5	87.3	85.8	85.1	85.6	86.2	85.1	86.2 85.7

1. Monthly high 1973; monthly low 1975.
2. Monthly highs 1978 through 1980; monthly lows 1982.

NOTE. These data also appear in the Board's G.3 (402) release. For address, see inside front cover.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value ▲

Monthly data are seasonally adjusted

Grouping	1977 pro- portion	1985 avg.	1985												1986	
			Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec. ^P	Jan. ^E	
			Index (1977 = 100)													
MAJOR MARKET																
1 Total index	100.00	124.5	123.6	123.7	124.0	124.1	124.1	124.3	124.1	125.2	125.1	124.4	125.4	126.3	126.7	
2 Products	57.72	131.7	129.6	129.8	130.3	130.8	131.4	131.6	131.6	133.0	133.1	131.8	133.5	134.4	135.0	
3 Final products	44.77	132.0	130.4	130.4	130.8	131.3	131.7	131.6	131.8	133.3	133.3	131.9	133.7	134.7	135.4	
4 Consumer goods	25.52	120.7	118.8	119.1	119.8	119.5	120.0	120.4	120.1	121.5	121.8	120.8	122.8	124.2	125.2	
5 Equipment	19.25	147.1	145.7	145.3	145.4	146.9	147.1	146.6	147.3	149.0	148.6	146.6	148.3	148.6	148.8	
6 Intermediate products	12.94	130.6	126.8	127.7	128.6	129.3	130.3	131.4	130.7	132.0	132.3	131.5	132.7	133.2	133.9	
7 Materials	42.28	114.7	115.4	115.4	115.5	115.0	114.2	114.3	113.8	114.5	114.2	114.2	114.3	115.2	115.3	
Consumer goods																
8 Durable consumer goods	6.89	112.9	112.8	112.8	113.5	111.5	111.8	112.0	111.3	114.0	112.9	111.4	115.5	116.8	119.4	
9 Automotive products	2.98	115.1	114.2	115.4	115.1	113.1	113.6	113.4	115.0	120.0	117.8	112.9	116.8	116.2	121.1	
10 Autos and trucks	1.79	112.0	112.5	111.7	110.5	109.0	109.6	109.4	113.7	120.2	116.6	108.7	113.7	112.0	120.6	
11 Autos, consumer	1.16	98.9	102.5	100.7	101.3	100.5	98.1	97.0	101.1	101.3	98.8	92.3	94.9	99.9	103.6	
12 Trucks, consumer .....	.63	136.3	131.1	132.0	127.5	124.7	130.9	132.3	137.2	155.4	149.7	139.1	148.6	134.5	.....
13 Auto parts and allied goods	1.19	119.7	116.8	121.1	122.0	119.4	119.6	119.4	116.8	119.6	119.5	119.3	121.4	122.4	121.8	
14 Home goods	3.91	111.3	111.6	110.9	112.2	110.2	110.4	110.9	108.4	109.5	109.3	110.2	114.6	117.2	118.1	
15 Appliances, A/C and TV	1.24	129.5	126.1	127.1	131.8	126.9	129.3	131.5	121.6	124.5	123.7	126.3	139.4	144.2	145.1	
16 Appliances and TV	1.19	130.3	126.6	127.2	131.8	127.1	128.7	131.7	123.2	125.5	125.6	128.6	141.9	147.1	.....
17 Carpeting and furniture .....	.96	119.4	112.7	117.9	117.7	118.1	116.9	119.6	122.2	119.5	120.2	120.1	122.9	125.3	.....
18 Miscellaneous home goods	1.71	93.6	100.6	95.1	95.0	93.7	93.1	91.2	91.2	93.0	92.7	92.9	92.0	93.2	.....
19 Nondurable consumer goods	18.63	123.6	121.1	121.4	122.1	122.5	123.1	123.5	123.4	124.2	125.1	124.3	125.5	126.9	127.4	
20 Consumer staples	15.29	129.4	126.6	126.9	127.9	128.5	129.0	129.6	129.3	130.3	131.0	130.1	131.0	132.6	132.9	
21 Consumer foods and tobacco	7.80	129.7	127.1	127.8	128.0	129.4	128.9	130.5	130.1	130.8	131.5	129.5	130.5	131.9	.....
22 Nonfood staples	7.49	129.1	126.0	126.0	127.7	127.6	129.1	128.7	128.5	129.7	130.5	130.6	131.6	133.3	134.2	
23 Consumer chemical products	2.75	147.5	142.9	143.2	145.1	145.1	147.3	145.4	145.4	149.1	151.4	149.4	152.1	153.9	.....
24 Consumer paper products	1.88	143.7	141.2	138.1	141.7	142.0	143.7	144.6	144.9	143.9	144.7	145.5	145.7	147.7	.....
25 Consumer energy	2.86	101.9	99.9	101.5	101.9	101.5	102.1	102.2	101.5	101.8	101.0	102.9	102.7	104.1	.....
26 Consumer fuel	1.44	88.5	85.1	84.9	87.0	90.0	90.2	88.8	89.2	91.1	85.8	90.2	90.1	90.9	.....
27 Residential utilities	1.42	.....	115.0	118.4	117.1	113.2	114.4	115.9	114.0	112.7	116.5	115.8	115.6	.....	.....
Equipment																
28 Business and defense equipment	18.01	147.8	145.5	145.6	146.1	147.7	147.9	147.4	147.9	149.7	149.4	147.5	149.7	150.0	150.6	
29 Business equipment	14.34	141.3	140.4	140.0	140.2	142.0	141.9	140.7	141.3	143.0	142.2	139.6	141.7	142.2	143.0	
30 Construction, mining, and farm	2.08	67.7	68.8	68.3	67.1	68.4	67.4	67.7	68.6	67.2	67.0	65.9	68.2	68.0	.....
31 Manufacturing	3.27	112.8	111.6	112.3	112.0	112.4	113.1	111.9	113.5	115.1	114.8	111.7	112.8	112.6	112.4	
32 Power	1.27	83.6	82.5	81.8	79.6	81.8	82.8	84.1	85.6	84.5	85.1	85.5	84.7	85.8	85.1	
33 Commercial	5.22	219.3	217.4	217.0	218.9	221.8	222.8	219.6	219.5	222.8	219.4	213.9	217.7	221.0	220.6	
34 Transit	2.49	106.1	106.7	104.9	104.5	106.0	102.9	103.4	103.3	106.0	108.3	109.7	111.2	106.6	113.3	
35 Defense and space equipment	3.67	173.6	165.3	167.3	169.0	170.1	171.2	173.4	173.9	175.5	177.5	178.7	180.7	180.7	180.4	
Intermediate products																
36 Construction supplies	5.95	119.0	116.2	115.7	116.9	117.4	118.1	119.2	119.4	121.5	121.3	120.0	121.0	121.1	122.2	
37 Business supplies	6.99	140.5	135.9	137.9	138.6	139.4	140.7	141.7	140.3	140.9	141.7	141.2	142.8	143.6	.....
38 General business supplies	5.67	144.4	140.2	141.1	141.9	143.4	144.4	146.1	144.4	145.1	145.4	144.8	146.8	147.7	.....
39 Commercial energy products	1.31	123.7	117.1	124.1	124.5	122.4	124.6	122.7	122.7	122.5	125.7	125.7	125.3	125.9	.....
Materials																
40 Durable goods materials	20.50	121.8	124.2	123.3	123.3	122.8	120.7	120.8	120.2	121.8	120.2	120.4	121.5	122.3	122.7	
41 Durable consumer parts	4.92	100.7	102.6	102.2	102.1	101.8	100.1	98.7	98.3	100.0	99.0	100.2	101.3	101.9	102.7	
42 Equipment parts	5.94	159.0	166.7	164.2	163.3	161.1	157.8	157.3	157.0	158.7	156.5	154.0	155.0	156.2	156.2	
43 Durable materials n.e.c.	9.64	109.7	109.1	109.0	109.6	110.0	108.2	109.6	108.6	110.2	108.7	109.9	111.1	111.8	112.2	
44 Basic metal materials	4.64	84.8	83.5	84.1	85.1	86.6	82.0	85.0	82.5	85.1	82.8	85.8	87.2	88.5	.....
45 Nondurable goods materials	10.09	112.2	110.9	111.4	110.3	110.4	111.3	111.8	112.8	113.5	114.7	113.4	112.7	113.6	113.8	
46 Textile, paper, and chemical	7.53	112.4	111.5	112.1	111.3	110.5	110.9	111.7	113.5	113.8	115.1	113.5	112.5	113.7	114.0	
47 Textile materials	1.52	97.7	90.3	93.5	93.0	94.1	95.0	97.3	100.2	104.4	104.1	101.2	100.4	99.3	.....
48 Pulp and paper materials	1.55	123.7	127.5	126.0	125.4	121.3	120.9	123.3	125.0	122.8	123.7	121.1	123.1	126.3	.....
49 Chemical materials	4.46	113.6	113.3	113.5	112.7	112.3	112.9	112.6	114.0	113.8	115.9	115.0	112.9	114.3	.....
50 Miscellaneous nondurable materials	2.57	111.3	109.2	109.4	107.2	110.1	112.5	112.0	110.8	112.7	113.5	113.3	113.4	113.2	.....
51 Energy materials	11.69	104.3	103.9	104.9	106.2	105.3	105.3	105.1	103.5	102.7	103.4	104.2	102.9	104.3	103.8	
52 Primary energy	7.57	107.8	107.0	107.6	110.2	107.9	107.8	109.0	107.4	106.4	106.8	108.2	107.1	108.3	.....
53 Converted fuel materials	4.12	97.9	98.2	100.0	99.0	100.6	100.6	98.1	96.2	95.9	97.0	96.8	95.3	97.1	.....

A48 Domestic Nonfinancial Statistics □ April 1986

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value—Continued

Grouping	SIC code	1977 proportion	1985 avg.	1985												1986	
				Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct. ^e	Nov.	Dec. ^d		Jan. ^e
				Index (1977 = 100)													
MAJOR INDUSTRY																	
1 Mining and utilities.....		15.79	110.6	111.4	111.9	111.8	111.1	111.3	111.6	109.4	109.1	110.3	109.9	109.3	109.8	110.1	
2 Mining.....		9.83	109.0	110.5	109.5	110.5	109.6	109.8	110.6	108.7	108.3	108.4	108.4	107.1	107.0	108.2	
3 Utilities.....		5.96	113.2	113.0	115.8	113.9	113.6	113.7	113.4	110.7	110.3	113.2	112.4	113.0	114.4	113.2	
4 Manufacturing.....		84.21	127.1	125.9	125.8	126.3	126.6	126.6	126.7	126.9	128.2	127.7	127.2	128.3	129.3	129.8	
5 Nondurable.....		35.11	125.6	123.2	123.8	123.9	124.3	124.7	125.5	125.6	126.6	126.9	126.4	127.1	128.2	128.4	
6 Durable.....		49.10	128.2	127.8	127.2	128.0	128.2	127.9	127.6	127.9	129.4	128.3	127.7	129.1	130.1	130.8	
Mining																	
7 Metal.....	10	.50	75.1	70.5	74.5	83.6	81.2	78.3	77.5	60.9	73.1	71.4	74.2	78.3	76.0	.....
8 Coal.....	11.12	1.60	127.5	118.5	121.5	131.9	128.5	128.7	134.0	128.0	127.7	126.3	130.1	125.5	128.0	132.3	
9 Oil and gas extraction.....	13	7.07	106.3	110.7	108.2	106.8	106.5	106.9	106.9	105.5	105.5	106.0	104.8	103.9	103.4	104.0	
10 Stone and earth minerals.....	14	.66	118.8	118.5	119.8	118.7	118.5	118.7	117.9	116.6	117.7	119.3	120.4	119.2	117.8	.....
Nondurable manufactures																	
11 Foods.....	20	7.96	131.0	128.2	129.4	128.5	130.8	131.4	131.8	132.2	132.6	132.5	130.7	131.4	132.4	.....
12 Tobacco products.....	21	.62	.....	97.2	103.8	103.4	98.4	95.7	98.9	96.0	97.7	97.8	105.3	100.4	.....	.....
13 Textile mill products.....	22	2.29	102.5	93.6	98.5	99.4	99.0	100.0	103.3	104.1	106.3	106.7	104.9	105.6	104.9	.....
14 Apparel products.....	23	2.79	101.8	102.6	103.1	101.3	100.2	100.3	99.2	100.6	100.4	101.8	102.6	103.9	106.0	.....
15 Paper and products.....	26	3.15	127.4	128.3	126.4	126.9	125.1	124.1	127.1	129.0	127.5	128.6	127.3	128.3	130.9	.....
16 Printing and publishing.....	27	4.54	155.3	150.4	150.3	152.6	154.2	155.4	156.7	154.3	156.3	156.2	157.0	158.9	161.5	161.0	
17 Chemicals and products.....	28	8.05	127.1	125.7	125.8	126.5	125.8	126.7	126.4	126.4	128.2	129.0	127.9	128.1	128.2	.....
18 Petroleum products.....	29	2.40	86.7	84.1	84.0	84.7	87.3	87.4	87.1	88.3	88.2	85.9	87.7	87.3	87.9	92.3	
19 Rubber and plastic products.....	30	2.80	147.0	145.9	145.7	144.1	144.9	144.3	145.5	145.6	148.0	148.6	148.7	150.5	151.1	.....
20 Leather and products.....	31	.53	70.9	69.1	69.2	69.4	69.9	71.0	71.5	72.2	72.7	72.3	71.4	72.1	70.0	.....
Durable manufactures																	
21 Lumber and products.....	24	2.30	.....	109.2	109.1	109.5	110.9	112.2	113.5	113.0	114.8	115.9	116.5	115.7	.....	.....
22 Furniture and fixtures.....	25	1.27	142.0	136.5	139.0	139.2	141.0	142.0	141.9	145.3	144.3	143.2	141.9	144.1	146.0	.....
23 Clay, glass, stone products.....	32	2.72	114.8	112.7	110.5	111.4	114.5	116.3	116.1	115.1	116.2	116.2	115.6	115.2	116.3	.....
24 Primary metals.....	33	5.33	80.6	81.7	80.2	81.8	81.4	76.4	78.3	79.0	82.0	80.3	83.1	83.3	81.5	84.1	
25 Iron and steel.....	331.2	3.49	70.7	71.0	68.5	73.2	71.9	65.4	67.6	68.7	71.6	69.7	74.4	75.3	72.7	.....
26 Fabricated metal products.....	34	6.46	107.8	106.4	107.6	108.6	109.1	108.3	107.4	107.3	107.8	107.5	108.4	107.9	108.3	108.3	
27 Nonelectrical machinery.....	35	9.54	146.6	145.0	144.9	146.5	148.9	149.1	145.6	147.5	149.2	146.5	143.0	145.6	147.5	147.0	
28 Electrical machinery.....	36	7.15	169.3	176.0	173.2	173.1	168.9	169.3	169.5	165.7	166.1	165.1	165.1	168.7	172.0	172.3	
29 Transportation equipment.....	37	9.13	123.2	120.4	120.5	120.8	120.7	120.9	121.8	123.7	126.8	126.2	124.5	126.5	126.8	129.0	
30 Motor vehicles and parts.....	371	5.25	112.8	113.0	112.5	111.3	110.9	110.5	110.5	112.8	116.8	115.3	111.7	114.5	115.3	118.5	
31 Aerospace and miscellaneous transportation equipment.....	372-6.9	3.87	137.5	130.5	131.4	133.7	134.1	134.9	137.1	138.5	140.4	141.1	141.9	142.9	142.4	143.3	
32 Instruments.....	38	2.66	139.9	138.7	138.7	139.0	138.5	139.9	140.7	141.1	141.8	139.4	139.8	140.7	141.0	139.8	
33 Miscellaneous manufactures.....	39	1.46	96.4	99.0	96.4	96.0	98.3	98.3	96.8	95.9	97.2	96.4	95.9	94.6	94.3	.....
Utilities																	
34 Electric.....		4.17	119.5	118.9	121.9	119.5	119.1	119.5	119.4	117.5	116.7	120.6	119.3	119.8	121.5	.....
Gross value (billions of 1972 dollars, annual rates) ^e																	
MAJOR MARKET																	
35 Products, total.....		517.5	773.4	761.3	764.2	769.5	773.3	774.4	773.5	769.0	778.7	777.9	772.2	783.1	784.6	795.9	
36 Final.....		405.7	614.8	606.5	608.7	613.3	616.2	616.2	614.0	610.1	618.6	617.8	613.0	622.6	622.9	633.0	
37 Consumer goods.....		272.7	364.8	358.8	360.9	364.6	364.7	365.1	364.0	361.7	366.2	365.6	363.8	370.7	373.0	379.6	
38 Equipment.....		133.0	250.1	247.6	242.7	244.8	248.0	250.8	251.0	250.3	252.4	252.2	249.3	251.9	249.9	253.4	
39 Intermediate.....		111.9	158.6	154.9	153.6	153.9	155.6	158.3	159.7	160.4	160.1	160.1	159.2	160.4	161.7	162.9	

▲ A major revision of the industrial production index and the capacity utilization rates was released in July 1985. See "A Revision of the Index of Industrial Production" and accompanying tables that contain revised indexes (1977=100) through December 1984 in the FEDERAL RESERVE BULLETIN, vol. 71

(July 1985), pp. 487-501. The revised indexes for January through June 1985 were shown in the September BULLETIN.

NOTE: These data also appear in the Board's G.12.3 (414) release. For address, see inside front cover.

2.14 HOUSING AND CONSTRUCTION

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

Item	1983	1984	1985	1985									
				Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Private residential real estate activity (thousands of units)													
NEW UNITS													
1 Permits authorized	1,605	1,682	1,726	1,741	1,704	1,778	1,712	1,694	1,784	1,808	1,688	1,661	1,873
2 1-family	902	922	953	993	948	933	961	967	990	949	965	918	978
3 2-or-more-family	703	759	773	748	756	845	751	727	794	859	723	743	895
4 Started	1,703	1,749	1,736	1,785	1,824	1,883	1,834	1,976	1,945	2,052	2,042	2,051	2,121
5 1-family	1,067	1,084	1,072	1,147	1,129	1,041	1,036	1,068	1,071	1,006	1,118	1,006	1,087
6 2-or-more-family	635	665	664	702	722	643	657	605	666	647	666	648	717
7 Under construction, end of period ¹	1,003	1,051	1,062	1,063	1,088	1,089	1,075	1,073	1,084	1,063	1,090	1,082	1,083
8 1-family	524	556	542	578	583	582	575	578	583	567	576	569	562
9 2-or-more-family	479	494	520	485	505	507	500	495	502	496	513	513	520
10 Completed	1,390	1,652	1,700	1,685	1,641	1,627	1,789	1,725	1,721	1,793	1,529	1,702	1,712
11 1-family	924	1,025	1,070	1,043	1,074	1,020	1,097	1,048	1,019	1,110	1,065	1,070	1,112
12 2-or-more-family	466	627	629	642	567	607	692	677	702	683	464	632	600
13 Mobile homes shipped	296	296	284	286	288	287	272	285	286	283	291	287	285
Merchant builder activity in 1-family units													
14 Number sold	622	639	686	699	649	682	710	748	708	681	634	709	721
15 Number for sale, end of period ¹	304	358	356	357	356	356	354	351	348	350	354	355	354
Price (thousands of dollars) ²													
16 Median	75.5	80.0	84.3	84.2	85.6	80.1	86.3	82.1	83.3	84.7	85.0	86.4	89.3
17 Average	89.9	97.5	101.1	100.9	104.7	98.1	99.6	99.4	99.2	102.6	101.5	103.9	108.6
EXISTING UNITS (1-family)													
18 Number sold	2,719	2,868	3,219	3,030	3,040	3,040	3,060	3,140	3,500	3,450	3,550	3,420	3,530
Price of units sold (thousands of dollars) ²													
19 Median	69.8	72.3	75.1	74.2	74.5	75.0	76.2	77.4	76.9	75.5	74.8	74.6	74.8
20 Average	82.5	85.9	90.4	88.6	89.7	90.1	91.5	93.5	93.0	91.1	90.8	90.0	91.2
Value of new construction ³ (millions of dollars)													
CONSTRUCTION													
21 Total put in place	268,730	312,989	343,006	333,723	341,861	339,943	343,837	344,206	343,246	346,084	346,053	344,802	354,620
22 Private	218,016	257,802	280,702	274,575	281,988	276,420	278,939	279,521	279,371	282,505	283,302	282,423	291,152
23 Residential	121,309	145,058	148,322	146,195	146,539	142,254	147,158	148,699	146,858	148,915	151,078	149,364	151,301
24 Nonresidential, total	96,707	112,744	132,380	128,380	135,449	134,166	131,781	130,822	132,513	133,590	132,224	133,059	139,851
Buildings													
25 Industrial	12,863	13,746	15,769	14,585	17,283	16,443	15,170	15,384	15,118	15,567	15,674	16,303	17,485
26 Commercial	35,787	48,102	60,151	59,382	61,219	60,064	58,290	57,956	59,910	61,227	60,769	61,015	65,498
27 Other	11,660	12,298	12,436	11,245	12,663	12,929	12,786	12,578	12,957	12,769	12,236	12,500	12,326
28 Public utilities and other	36,397	38,598	44,024	43,168	44,284	44,730	45,535	44,904	44,528	44,027	43,545	43,241	44,542
29 Public	50,715	55,186	62,305	59,148	59,873	63,523	64,897	64,686	63,875	63,580	62,752	62,380	63,468
30 Military	2,544	2,839	3,163	3,078	3,166	3,349	3,426	3,364	2,966	3,008	3,369	2,969	3,285
31 Highway	14,143	16,295	19,969	19,176	19,920	22,314	21,093	19,589	20,224	19,585	19,207	19,789	20,796
32 Conservation and development	4,822	4,656	4,954	4,727	4,393	5,051	5,410	5,075	4,824	5,254	4,899	5,185	4,936
33 Other	29,206	31,396	34,219	32,167	32,394	32,809	34,968	36,658	35,861	35,733	35,277	34,437	34,451

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 because of 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.

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2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data, except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (at annual rate)				Change from 1 month earlier					Index level Jan. 1986 (1967 = 100) ¹
	1985 Jan.	1986 Jan.	1985 ^r				1985				1986 Jan.	
			Mar.	June	Sept.	Dec.	Sept. ^r	Oct. ^r	Nov. ^r	Dec. ^r		
CONSUMER PRICES ²												
1 All items	3.6	3.9	4.0	3.3	2.4	5.3	.2	.4	.6	.4	.3	328.4
2 Food	2.6	2.7	1.8	.6	2.1	5.9	.4	.1	.7	.6	.2	315.6
3 Energy items	-.5	2.5	.6	6.9	-3.2	3.3	-.2	-.2	.6	.4	.1	424.7
4 All items less food and energy	4.5	4.4	5.2	3.5	3.4	5.4	.2	.5	.5	.3	.4	321.6
5 Commodities	3.3	2.1	5.1	-.9	1.1	3.6	.2	.5	.2	.2	.3	261.8
6 Services	5.3	5.9	5.4	6.2	4.8	6.5	.2	.6	.7	.4	.5	387.9
PRODUCER PRICES												
7 Finished goods .....	.9	1.4	-.1	2.2	-2.7	9.5	-.6	1.0	.7	.5	-.7	296.2
8 Consumer foods .....	.6	.4	-3.3	-5.7	-2.9	15.0	-1.0	1.8	1.0	.7	-.4	274.9
9 Consumer energy	-5.6	-1.0	-21.3	24.7	-11.3	22.2	-.4	.1	2.8	2.2	-4.2	704.8
10 Other consumer goods	2.4	2.4	5.3	1.9	-.5	5.0	-.5	.8	.3	.2	.0	255.5
11 Capital equipment	2.0	2.2	5.1	1.5	-1.1	5.4	-.6	1.1	.2	.1	-.1	304.0
12 Intermediate materials ³	1.5	-.6	-1.9	.6	-1.3	2.7	-.1	.1	.2	.3	-.5	323.5
13 Excluding energy	1.9	-.3	-.4	.8	-.7	-.3	-.1	-.1	.0	.0	.0	304.2
Crude materials												
14 Foods	-5.0	-7.7	-21.5	-16.7	-8.7	27.9	1.7	2.4	4.3	-.5	-2.6	231.4
15 Energy	-3.6	-2.3	-13.1	4.4	-5.9	-2.0	.0	.0	-.1	-.5	.1	739.9
16 Other	-3.5	-4.2	-5.5	-7.8	-4.4	1.0	-.9	.7	.0	-.4	-.3	243.7

1. Not seasonally adjusted.

2. Figures for consumer prices are those for all urban consumers and reflect a rental equivalence measure of homeownership after 1982.

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	1983	1984	1985 ¹	1984	1985			
				Q4	Q1	Q2	Q3	Q4 ²
GROSS NATIONAL PRODUCT								
1 Total	3,401.6	3,774.7	3,989.1	3,852.5	3,917.5	3,960.6	4,016.9	4,061.5
By source								
2 Personal consumption expenditures	2,229.3	2,423.0	2,582.1	2,480.1	2,525.0	2,563.3	2,606.1	2,634.0
3 Durable goods	289.6	331.1	361.1	341.5	351.5	356.5	376.0	360.3
4 Nondurable goods	817.0	872.4	912.3	883.1	895.7	910.2	914.5	928.6
5 Services	1,122.7	1,219.6	1,308.8	1,255.4	1,277.8	1,296.6	1,315.6	1,345.1
6 Gross private domestic investment	501.9	674.0	668.6	676.2	657.6	672.8	666.1	678.0
7 Fixed investment	508.3	607.0	661.4	637.2	639.1	657.3	665.9	683.4
8 Nonresidential	356.3	427.9	475.8	458.1	459.6	474.2	478.5	490.9
9 Structures	126.1	147.6	170.3	157.2	166.1	169.7	170.4	175.2
10 Producers' durable equipment	230.2	280.2	305.5	300.9	293.5	304.5	308.1	315.7
11 Residential structures	152.0	179.1	185.6	179.1	179.4	183.1	187.4	192.6
12 Change in business inventories	-6.4	67.1	7.2	39.0	18.5	15.5	.2	-5.5
13 Nonfarm .....	.8	58.0	10.7	36.4	14.2	10.8	3.1	14.5
14 Net exports of goods and services	-5.3	-59.2	-76.9	-72.2	-42.3	-70.3	-87.8	-106.9
15 Exports	354.1	384.6	370.2	389.5	379.6	369.2	363.2	368.7
16 Imports	359.4	443.8	447.0	461.7	421.9	439.5	451.0	475.7
17 Government purchases of goods and services	675.7	736.8	815.3	768.4	777.2	794.8	832.5	856.5
18 Federal	284.8	312.9	355.0	332.9	334.4	337.8	364.8	382.9
19 State and local	390.9	423.9	460.3	435.5	442.8	457.1	467.7	473.6
By major type of product								
20 Final sales, total	3,408.0	3,707.6	3,981.9	3,813.5	3,899.0	3,945.0	4,016.7	4,066.9
21 Goods	1,394.7	1,585.9	1,644.2	1,604.1	1,628.3	1,636.1	1,650.7	1,661.8
22 Durable	572.3	679.5	712.4	701.9	706.2	705.9	714.8	708.5
23 Nondurable	822.4	906.3	931.8	902.2	922.1	930.2	935.9	936.9
24 Services	1,678.0	1,806.6	1,928.8	1,855.6	1,887.6	1,908.2	1,939.9	1,982.5
25 Structures	328.9	382.2	419.5	392.9	401.5	416.3	426.2	433.6
26 Change in business inventories	-6.4	67.1	7.2	39.0	18.5	15.5	.2	-5.5
27 Durable goods	-8	37.0	7.8	29.3	16.9	1.8	-6.4	9.5
28 Nondurable goods	-5.5	30.1	1.2	9.7	1.6	13.7	6.6	-15.0
29 MEMO: Total GNP in 1982 dollars	3,275.2	3,492.0	3,571.0	3,515.6	3,547.8	3,557.4	3,584.1	3,594.8
NATIONAL INCOME								
30 Total	2,718.3	3,039.3	3,212.0	3,104.4	3,155.3	3,192.2	3,228.0	n.a.
31 Compensation of employees	2,025.9	2,221.3	2,372.4	2,278.5	2,320.4	2,356.9	2,385.2	2,427.2
32 Wages and salaries	1,675.4	1,835.2	1,960.2	1,884.4	1,917.7	1,947.6	1,970.1	2,005.5
33 Government and government enterprises	324.2	346.1	370.8	354.7	362.6	367.4	372.6	379.7
34 Other	1,351.6	1,488.9	1,589.7	1,529.8	1,555.1	1,580.2	1,597.5	1,625.8
35 Supplement to wages and salaries	350.5	386.2	412.2	394.0	402.7	409.4	415.1	421.7
36 Employer contributions for social insurance	171.0	192.8	205.8	196.8	201.8	204.6	206.7	210.2
37 Other labor income	179.5	193.4	206.4	197.2	200.9	204.8	208.4	211.5
38 Proprietors' income ¹	192.3	233.7	242.3	232.9	239.4	240.9	237.5	251.2
39 Business and professional ¹	178.0	201.6	220.9	206.3	212.9	218.1	225.3	227.5
40 Farm ¹	14.3	32.1	21.3	26.6	26.5	22.8	12.2	23.7
41 Rental income of persons ²	12.8	10.8	14.0	9.7	11.0	13.8	14.5	16.7
42 Corporate profits ¹	213.8	273.3	296.2	276.2	281.7	288.1	309.1	n.a.
43 Profits before tax ³	205.0	237.6	225.0	228.0	220.0	218.7	228.6	n.a.
44 Inventory valuation adjustment	-10.0	-5.4	-6	-1.6	.7	2.2	4.7	-10.0
45 Capital consumption adjustment	18.8	41.0	71.8	49.8	61.1	67.2	75.9	83.0
46 Net interest	273.6	300.2	287.2	307.0	302.9	292.4	281.8	271.6

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

3. For after-tax profits, dividends, and the like, see table 1.48.
 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	1983	1984	1985 ^r	1984	1985			
				Q4	Q1	Q2	Q3	Q4 ^r
PERSONAL INCOME AND SAVING								
1 Total personal income	2,836.4	3,111.9	3,293.4	3,186.2	3,240.9	3,280.1	3,298.5	3,354.1
2 Wage and salary disbursements	1,675.8	1,834.9	1,960.5	1,883.9	1,917.6	1,948.6	1,970.1	2,005.5
3 Commodity-producing industries	523.0	577.9	607.3	591.2	600.1	604.7	607.6	616.8
4 Manufacturing	397.4	438.9	457.6	449.0	453.5	454.9	457.2	464.7
5 Distributive industries	404.2	441.6	468.7	453.0	459.8	467.4	471.2	476.5
6 Service industries	424.4	469.4	513.6	485.5	495.2	508.1	518.7	532.5
7 Government and government enterprises	324.2	346.1	370.8	354.1	362.5	368.4	372.6	379.7
8 Other labor income	179.5	193.4	206.4	197.2	200.9	204.8	208.4	211.5
9 Proprietors' income ¹	192.3	233.7	242.3	232.9	239.4	240.9	237.5	251.2
10 Business and professional ¹	178.0	201.6	220.9	206.3	212.9	218.1	225.3	227.5
11 Farm ¹	14.3	32.1	21.3	26.6	26.5	22.8	12.2	23.7
12 Rental income of persons ²	12.8	10.8	14.0	9.7	11.0	13.8	14.5	16.7
13 Dividends	68.0	74.6	78.9	76.9	77.9	78.7	79.1	79.8
14 Personal interest income	385.7	442.2	456.0	461.3	462.8	460.5	450.6	450.1
15 Transfer payments	442.2	454.7	484.5	459.2	477.6	481.0	488.1	491.2
16 Old-age survivors, disability, and health insurance benefits	221.7	235.7	253.4	241.8	249.2	250.7	256.5	257.1
17 LESS: Personal contributions for social insurance	119.8	132.4	149.1	134.9	146.3	148.3	149.7	152.0
18 EQUALS: Personal income	2,836.4	3,111.9	3,293.4	3,186.2	3,240.9	3,280.1	3,298.5	3,354.1
19 LESS: Personal tax and nontax payments	411.1	441.8	492.7	462.4	501.7	462.4	498.2	508.4
20 EQUALS: Disposable personal income	2,425.4	2,670.2	2,800.7	2,723.8	2,739.2	2,817.7	2,800.2	2,845.6
21 LESS: Personal outlays	2,292.2	2,497.7	2,671.6	2,559.4	2,608.4	2,650.6	2,697.6	2,729.6
22 EQUALS: Personal saving	133.2	172.5	129.1	164.5	130.9	167.2	102.6	116.0
MEMO								
Per capita (1982 dollars)								
23 Gross national product	13,962.0	14,750.9	14,961.3	14,797.2	14,902.6	14,915.5	14,988.3	15,039.4
24 Personal consumption expenditures	9,147.8	9,461.8	9,682.2	9,520.8	9,613.3	9,658.1	9,742.1	9,714.9
25 Disposable personal income	9,952.0	10,427.0	10,484.0	10,457.0	10,429.0	10,617.0	10,468.0	10,481.0
26 Saving rate (percent)	5.5	6.5	4.6	6.0	4.8	5.9	3.7	4.1
GROSS SAVING								
27 Gross saving	469.8	584.5	554.4	573.5	578.3	571.7	537.3	n.a.
28 Gross private saving	600.6	693.0	694.8	700.3	677.7	723.6	681.8	n.a.
29 Personal saving	133.2	172.5	129.1	164.5	130.9	167.2	102.6	116.0
30 Undistributed corporate profits ¹	67.9	101.6	127.2	108.2	116.3	122.6	137.8	n.a.
31 Corporate inventory valuation adjustment	-10.0	-5.4	-6	-1.6	.7	2.2	4.7	-10.0
Capital consumption allowances								
32 Corporate	245.0	256.6	269.2	261.8	264.3	266.8	270.9	274.8
33 Noncorporate	154.6	162.3	169.3	165.9	166.3	167.0	170.5	173.4
34 Wage accruals less disbursements .....	.0	.0	.0	.0	.0	.0	.0	.0
35 Government surplus, or deficit (-), national income and product accounts	-130.8	-108.5	-140.4	-126.8	-99.4	-151.9	-144.5	n.a.
36 Federal	-179.4	-172.9	-199.1	-192.7	-162.6	-209.1	-201.3	n.a.
37 State and local	48.6	64.4	58.7	65.8	63.2	57.3	56.9	n.a.
38 Capital grants received by the United States, net .....	.0	.0	.0	.0	.0	.0	.0	.0
39 Gross investment	469.2	583.0	555.1	565.8	580.8	567.0	539.9	532.9
40 Gross private domestic	501.9	674.0	668.6	676.2	657.6	672.8	666.1	678.0
41 Net foreign	-32.7	-91.0	-113.5	-110.4	-76.8	-105.8	-126.2	-145.1
42 Statistical discrepancy	-.6	-1.5	.7	-7.6	2.5	-4.7	2.5	2.5

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	1982	1983	1984	1984		1985		
				Q3	Q4	Q1	Q2	Q3 ^p
1 Balance on current account	-8,051	-45,994	-107,358	-28,969	-31,805	-24,247	-27,696	-30,451
2 Not seasonally adjusted				-32,297	-28,982	-23,417	-27,927	-34,087
3 Merchandise trade balance ²	-36,444	-67,216	-114,107	-28,977	-30,885	-23,454	-28,587	-33,142
4 Merchandise exports	211,198	201,712	219,916	55,649	56,242	55,302	53,624	52,310
5 Merchandise imports	-247,642	-268,928	-334,023	-84,626	-87,127	-78,756	-82,211	-85,452
6 Military transactions, net	-318	-163	-1,765	-250	-575	-212	-586	-487
7 Investment income, net ³	29,493	25,401	19,109	3,256	4,003	2,537	5,387	7,549
8 Other service transactions, net	7,353	4,837	819	-122	-253	54	-482	-403
9 Remittances, pensions, and other transfers	-2,633	-2,566	-2,891	-669	-782	-934	-843	-849
10 U.S. government grants (excluding military)	-5,501	-6,287	-8,522	-2,207	-3,313	-2,238	-2,585	-3,119
11 Change in U.S. government assets, other than official reserve assets, net (increase, -)	-6,131	-5,006	-5,516	-1,369	-734	-850	-853	-420
12 Change in U.S. official reserve assets (increase, -)	-4,965	-1,196	-3,130	-799	-1,109	-233	-356	-121
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	-1,371	-66	-979	-271	-194	-264	-180	-264
15 Reserve position in International Monetary Fund	-2,552	-4,434	-995	-331	-143	281	72	388
16 Foreign currencies	-1,041	3,304	-1,156	-197	-772	-250	-248	-245
17 Change in U.S. private assets abroad (increase, -) ³	-108,121	-48,842	-11,800	20,532	-13,003	718	-1,246	-9,458
18 Bank-reported claims	-111,070	-29,928	-8,504	17,725	-4,933	135	4,095	-1,408
19 Nonbank-reported claims	6,626	-6,513	6,266	2,099	970	1,201	1,863	n.a.
20 U.S. purchase of foreign securities, net	-8,102	-7,007	-5,059	-1,313	-3,663	-2,494	-2,214	-1,787
21 U.S. direct investments abroad, net ³	4,425	-5,394	-4,503	2,021	-5,377	1,876	-4,990	-6,263
22 Change in foreign official assets in the United States (increase, +)	3,672	5,795	3,424	-686	7,119	-11,204	8,465	2,415
23 U.S. Treasury securities	5,779	6,972	4,690	-575	5,814	-7,219	8,722	-90
24 Other U.S. government obligations	-694	-476	167	85	-67	-307	136	24
25 Other U.S. government liabilities ⁴	684	552	453	-139	-197	-462	575	-95
26 Other U.S. liabilities reported by U.S. banks	-1,747	545	663	430	2,052	-3,099	-134	2,954
27 Other foreign official assets ⁵	-350	-1,798	-2,549	-487	-483	-117	-834	-378
28 Change in foreign private assets in the United States (increase, +) ³	90,775	78,527	93,895	3,825	26,191	24,915	17,849	31,494
29 U.S. bank-reported liabilities	65,922	49,341	31,674	-5,125	4,481	13,345	195	6,452
30 U.S. nonbank-reported liabilities	-2,383	-118	4,284	-2,939	-1,863	-2,655	-1,324	n.a.
31 Foreign private purchases of U.S. Treasury securities, net	7,052	8,721	22,440	5,058	9,501	2,633	5,106	7,824
32 Foreign purchases of other U.S. securities, net	6,392	8,636	12,983	1,603	9,380	9,510	7,135	11,641
33 Foreign direct investments in the United States, net ³	13,792	11,947	22,514	5,228	4,692	2,082	6,737	5,577
34 Allocation of SDRs	0	0	0	0	0	0	0	0
35 Discrepancy	32,821	16,717	30,486	7,466	13,341	10,901	3,837	6,541
36 Owing to seasonal adjustments				-3,274	4,305	-384	-570	-3,487
37 Statistical discrepancy in recorded data before seasonal adjustment	32,821	16,717	30,486	10,740	9,036	11,285	4,407	10,028
MEMO								
38 Changes in official assets								
39 U.S. official reserve assets (increase, -)	-4,965	-1,196	-3,130	-799	-1,110	-233	-356	-121
40 Foreign official assets in the United States (increase, +)	2,988	5,243	2,971	-547	7,316	-10,742	7,890	2,510
41 Change in Organization of Petroleum Exporting Countries official assets in the United States (part of line 22 above)	7,291	-8,283	-4,143	-453	812	-2,021	-1,808	-1,960
42 Transfers under military grant programs (excluded from lines 4, 6, and 10 above)	585	194	190	45	61	10	12	15

1. Seasonal factors are not calculated for lines 6, 10, 12-16, 18-20, 22-34, and 38-41.

2. Data are on an international accounts (IA) basis. Differs from the Census basis data, shown in table 3.11, for reasons of coverage and timing; military exports are reported from merchandise data and are included in line 6.

3. Includes reinvested earnings.

4. Primarily associated with military sales contracts and other transactions arranged with or through foreign official agencies.

5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

NOTE: Data are from Bureau of Economic Analysis, *Survey of Current Business* (Department of Commerce).

3.11 U.S. FOREIGN TRADE

Millions of dollars; monthly data are seasonally adjusted.

Item	1982	1983	1984	1985						
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments	212,193	200,486	217,865	17,438	17,411	17,423	17,732	17,368	17,976	17,024
2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses	243,952	258,048	325,726	29,425	26,630	26,083	31,764	27,594	30,285	32,888
3 Trade balance	-31,759	-57,562	107,861	-11,987	-9,219	-8,660	-14,032	-10,226	-12,310	-15,864

NOTE. The data through 1981 in this table are reported by the Bureau of Census data of 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. Beginning with 1982 data, the value of imports are on a customs valuation basis.

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: (1) the addition of exports to Canada not covered in Census statistics, and (2) 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" (Department of Commerce, Bureau of the Census).

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Type	1982	1983	1984	1985						1986
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
1 Total	33,958	33,747	34,934	37,071	37,154	38,295	41,657	42,852	43,191	43,673
2 Gold stock, including Exchange Stabilization Fund ¹	11,148	11,121	11,096	11,090	11,090	11,090	11,090	11,090	11,090	11,090
3 Special drawing rights ^{2,3}	5,250	5,025	5,641	6,510	6,692	6,847	6,926	7,253	7,293	7,441
4 Reserve position in International Monetary Fund ²	7,348	11,312	11,541	11,513	11,478	11,686	11,843	11,955	11,952	11,824
5 Foreign currencies ⁴	10,212	6,289	6,656	7,958	7,894	8,672	11,798	12,554	12,856	13,318

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 3.13. Gold stock is valued at \$42.22 per fine troy ounce.

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 transactions in SDRs.

4. Valued at current market exchange rates.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS

Millions of dollars, end of period

Assets	1982	1983	1984	1985						1986
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
1 Deposits	328	190	253	274	223	535	267	340	480	256
Assets held in custody										
2 U.S. Treasury securities ¹	112,544	117,670	118,267	124,400	123,321	120,978	118,000	117,814	121,004	121,995
3 Earmarked gold ²	14,716	14,414	14,265	14,251	14,251	14,245	14,242	14,240	14,245	14,193

1. Marketable U.S. Treasury bills, notes, and bonds; and nonmarketable U.S. Treasury securities payable in dollars and in foreign currencies.

2. Earmarked gold is valued at \$42.22 per fine troy ounce.

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.

3.14 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data¹

Millions of dollars, end of period

Asset account	1982	1983	1984	1985						
				June	July	Aug.	Sept.	Oct.	Nov.	Dec. ^P
All foreign countries										
1 Total, all currencies	469,712	477,090	453,656	458,244	464,002	457,554	456,405	454,216	455,564	457,567
2 Claims on United States	91,805	115,542	113,449	121,267	119,379	122,925	119,431	121,702	115,479	119,531
3 Parent bank	61,666	82,026	78,165	85,259	84,033	86,779	85,447	87,291	82,379	87,172
4 Other banks in United States ²	30,139	33,516	13,664	14,457	14,737	14,051	13,129	12,655	11,924	12,792
5 Nonbanks ²			21,620	21,551	20,609	22,095	20,855	21,756	21,176	19,567
6 Claims on foreigners	358,493	342,689	320,106	316,048	322,720	313,037	314,717	310,266 ^P	317,241	315,532
7 Other branches of parent bank	91,168	96,004	95,128	89,826	91,167	89,634	87,658	86,876	89,530	91,397
8 Banks	133,752	117,668	100,397	101,481	104,785	99,005	102,135	98,465	102,766	102,816
9 Public borrowers	24,131	24,517	23,343	23,037	23,110	22,859	23,277	23,366 ^P	23,501	23,381
10 Nonbank foreigners	109,442	107,785	101,238	101,704	103,658	101,539	101,647	101,559	101,444	97,938
11 Other assets	19,414	18,859	20,101	20,929	21,903	21,592	22,257	22,248 ^P	22,844	22,504
12 Total payable in U.S. dollars	361,982	371,508	350,636	350,135	346,112	341,872	335,021	331,299	329,252	335,901
13 Claims on United States	90,085	113,436	111,482	118,709	116,408	120,177	116,535	118,526	112,311	116,463
14 Parent bank	61,010	80,909	77,285	84,273	82,883	85,850	84,236	86,137	81,212	85,942
15 Other banks in United States ²	29,075	32,527	13,500	14,015	14,113	13,444	12,568	12,105	11,291	12,189
16 Nonbanks ²			20,697	20,421	19,412	20,883	19,731	20,284	19,808	18,332
17 Claims on foreigners	259,871	247,406	228,544	221,443	219,796	211,987	208,664	202,808	207,002	209,813
18 Other branches of parent bank	73,537	78,431	78,690	74,586	74,466	72,431	69,226	68,540	70,499	72,688
19 Banks	106,447	93,332	76,940	75,316	75,312	70,946	70,890	67,244	69,505	71,540
20 Public borrowers	18,413	17,890	17,626	17,206	17,019	17,033	17,274	17,320	17,165	17,178
21 Nonbank foreigners	61,474	60,977	55,288	54,335	52,999	51,577	51,274	49,704	49,833	48,407
22 Other assets	12,026	10,666	10,610	9,983	9,908	9,708	9,822	9,965	9,939	9,625
United Kingdom										
23 Total, all currencies	161,067	158,732	144,385	149,600	151,456	151,118	150,276	149,607	152,456	148,503
24 Claims on United States	27,354	34,433	27,731	31,322	31,140	35,300	32,635	33,852	33,824	33,054
25 Parent bank	23,017	29,111	21,918	23,930	24,368	28,200	25,813	26,992	26,768	26,874
26 Other banks in United States ²	4,337	5,322	1,429	1,691	1,525	1,474	1,334	1,269	1,289	1,106
27 Nonbanks ²			4,384	5,701	5,247	5,626	5,488	5,591	5,767	5,047
28 Claims on foreigners	127,734	119,280	111,772	113,185	114,822	110,469	112,514	110,289 ^P	112,815	110,228
29 Other branches of parent bank	37,000	36,565	37,897	34,181	33,534	32,610	32,403	32,074	30,550	31,576
30 Banks	50,767	43,352	37,443	39,850	40,546	37,796	40,504	37,858	40,482	39,250
31 Public borrowers	6,240	5,898	5,334	4,973	5,056	5,054	5,112	5,482 ^P	5,735	5,644
32 Nonbank foreigners	33,727	33,465	31,098	34,181	35,686	35,009	34,495	34,875	36,048	33,758
33 Other assets	5,979	5,019	4,882	5,093	5,494	5,349	5,127	5,466 ^P	5,817	5,221
34 Total payable in U.S. dollars	123,740	126,012	112,809	112,687	110,452	110,973	108,731	108,024	108,699	108,630
35 Claims on United States	26,761	33,756	26,924	30,368	30,087	34,251	31,520	32,605	32,603	31,989
36 Parent bank	22,756	28,756	21,551	23,625	23,995	27,897	25,342	26,531	26,260	26,472
37 Other banks in United States ²	4,005	5,000	1,363	1,604	1,415	1,355	1,247	1,194	1,205	1,005
38 Nonbanks ²			4,010	5,139	4,677	4,999	4,931	4,880	5,138	4,512
39 Claims on foreigners	92,228	88,917	82,889	79,457	77,441	73,763	74,286	72,287	72,792	73,582
40 Other branches of parent bank	31,648	31,838	33,551	29,357	28,618	26,987	26,581	26,683	24,939	26,011
41 Banks	36,717	32,188	26,805	27,317	26,349	24,382	25,458	23,888	25,667	26,139
42 Public borrowers	4,329	4,194	4,030	3,587	3,538	3,599	3,633	3,966	3,982	3,999
43 Nonbank foreigners	19,534	20,697	18,503	19,196	18,936	18,795	18,614	17,750	18,204	17,433
44 Other assets	4,751	3,339	2,996	2,862	2,924	2,959	2,925	3,132	3,304	3,059
Bahamas and Caymans										
45 Total, all currencies	145,156	152,083	146,811	143,549	140,786	138,510	135,214	134,951	133,274	141,614
46 Claims on United States	59,403	75,309	77,296	78,032	75,261	74,441	72,634	73,432	69,765	74,784
47 Parent bank	34,653	48,720	49,449	51,158	48,657	47,815	47,299	47,918	45,811	50,620
48 Other banks in United States ²	24,750	26,589	11,544	11,995	12,379	11,718	11,009	10,659	9,910	10,950
49 Nonbanks ²			16,303	14,879	14,225	14,908	14,326	14,855	14,044	13,214
50 Claims on foreigners	81,450	72,868	65,598	61,933	62,185	60,934	59,277	58,302	60,296	63,662
51 Other branches of parent bank	18,720	20,626	17,661	15,645	15,669	16,479	15,428	15,856	17,050	19,042
52 Banks	42,699	36,842	30,246	28,482	29,212	27,574	26,964	25,761	26,627	27,973
53 Public borrowers	6,413	6,093	6,089	6,628	6,491	6,428	6,486	6,305	6,328	6,444
54 Nonbank foreigners	13,618	12,592	11,602	11,178	10,813	10,453	10,399	10,380	10,291	10,203
55 Other assets	4,303	3,906	3,917	3,584	3,340	3,135	3,303	3,217	3,213	3,168
56 Total payable in U.S. dollars	139,605	145,641	141,562	138,579	135,474	133,521	129,830	129,476	127,626	136,353

1. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from \$50 million to \$150 million equivalent in total assets, the threshold now applicable to all reporting branches.

2. Data for assets vis-à-vis other banks in the United States and vis-à-vis nonbanks are combined for dates before June 1984.

3.14 Continued

Liability account	1982	1983	1984	1985						
				June	July	Aug.	Sept.	Oct.	Nov.	Dec. ^P
All foreign countries										
57 Total, all currencies	469,712	477,090	453,656	458,244	464,002	457,554	456,405	454,216	455,564	457,567
58 Negotiable CDs ³	n.a.	n.a.	37,725	37,946	37,679	37,880	39,676	38,044	36,607	34,607
59 To United States	179,015	188,070	147,583	147,386	146,374	144,390	143,252	139,832	142,796	156,952
60 Parent bank	75,621	81,261	78,739	79,819	80,650	77,472	78,415	75,236	80,857	85,393
61 Other banks in United States	33,405	29,453	18,409	19,424	17,025	16,085	17,006	15,582	15,457	16,874
62 Nonbanks	69,989	77,356	50,435	48,143	48,699	50,833	47,831	49,014	46,482	54,685
63 To foreigners	270,853	269,685	247,907	251,573	256,751	252,696	250,344	252,252	252,207	243,790
64 Other branches of parent bank	90,191	90,615	93,909	91,103	92,979	90,477	87,854	88,539	88,441	87,332
65 Banks	96,860	92,889	78,203	80,507	82,762	80,931	82,424	82,470	81,871	77,125
66 Official institutions	19,614	18,896	20,281	21,703	20,935	21,234	21,020	21,322	21,658	19,523
67 Nonbank foreigners	64,188	68,845	55,514	58,260	60,075	60,054	59,049	59,921	60,237	59,810
68 Other liabilities	19,844	19,335	20,441	21,339	23,198	22,588	23,133	24,088	23,954	22,218
69 Total payable in U.S. dollars	379,270	388,291	367,145	365,813	361,407	357,183	350,089	346,572	345,439	352,878
70 Negotiable CDs ³	n.a.	n.a.	35,227	34,631	33,712	34,025	35,695	33,995	32,838	31,063
71 To United States	175,528	184,305	143,571	142,461	141,128	138,768	136,613	133,956	136,666	151,576
72 Parent bank	73,295	79,035	76,254	77,013	77,537	74,164	74,562	71,753	77,581	82,367
73 Other banks in United States	33,040	28,936	17,935	18,863	16,439	15,464	16,081	15,108	14,893	16,251
74 Nonbanks	69,193	76,334	49,382	46,585	47,152	49,140	45,970	47,095	44,192	52,958
75 To foreigners	192,510	194,139	178,260	179,354	177,130	174,624	167,784	168,377	165,392	161,144
76 Other branches of parent bank	72,921	73,522	77,770	75,923	76,381	73,764	69,606	70,007	69,261	68,746
77 Banks	57,463	57,022	45,123	44,705	43,676	42,850	41,180	41,559	39,685	37,569
78 Official institutions	15,055	13,855	15,773	17,278	15,935	16,238	16,224	16,010	15,905	14,354
79 Nonbank foreigners	47,071	51,260	39,594	41,448	41,138	41,772	40,774	40,801	40,544	40,475
80 Other liabilities	11,232	9,847	10,087	9,367	9,437	9,766	9,997	10,244	10,543	9,095
United Kingdom										
81 Total, all currencies	161,067	158,732	144,385	149,600	151,456	151,118	150,276	149,607	152,456	148,503
82 Negotiable CDs ³	n.a.	n.a.	34,413	34,431	34,090	34,151	35,819	33,913	32,708	31,260
83 To United States	53,954	55,799	25,250	25,480	24,167	25,158	25,547	24,958	27,933	31,526
84 Parent bank	13,091	14,021	14,651	14,910	13,434	14,336	14,592	13,893	18,167	21,431
85 Other banks in United States	12,205	11,328	3,125	3,571	2,853	2,839	3,526	2,602	2,453	2,974
86 Nonbanks	28,658	30,450	7,474	6,999	7,880	7,983	7,429	8,463	7,313	7,121
87 To foreigners	99,567	95,847	77,424	81,004	83,480	82,317	79,671	80,646	81,446	76,325
88 Other branches of parent bank	18,361	19,038	21,631	22,565	23,647	22,348	20,233	20,175	21,932	21,192
89 Banks	44,020	41,624	30,436	30,852	32,389	31,518	32,041	33,102	32,200	28,581
90 Official institutions	11,504	10,151	10,154	11,240	10,180	10,823	10,824	10,812	10,519	9,676
91 Nonbank foreigners	25,682	25,034	15,203	16,347	17,264	17,628	16,573	16,557	16,795	16,876
92 Other liabilities	7,546	7,086	7,298	8,685	9,719	9,492	9,239	10,090	10,369	9,392
93 Total payable in U.S. dollars	130,261	131,167	117,497	117,334	114,124	115,065	112,816	111,263	112,681	112,601
94 Negotiable CDs ³	n.a.	n.a.	33,070	32,715	31,739	31,906	33,380	31,574	30,570	29,337
95 To United States	53,029	54,691	24,105	23,729	22,254	23,119	23,329	22,854	25,581	29,860
96 Parent bank	12,814	13,839	14,339	14,472	12,777	13,773	13,995	13,350	17,651	21,057
97 Other banks in United States	12,026	11,044	2,980	3,387	2,687	2,628	3,309	2,479	2,295	2,826
98 Nonbanks	28,189	29,808	6,786	5,870	6,790	6,718	6,025	7,025	5,635	5,977
99 To foreigners	73,477	73,279	56,923	57,504	56,783	56,208	52,245	52,469	52,091	49,780
100 Other branches of parent bank	14,300	15,403	18,294	19,053	19,640	18,241	15,999	15,480	16,687	16,296
101 Banks	28,810	29,320	18,356	17,175	17,249	16,975	15,787	17,053	15,840	14,344
102 Official institutions	9,668	8,279	8,871	9,648	8,430	9,005	9,055	8,877	8,357	7,661
103 Nonbank foreigners	20,699	20,277	11,402	11,628	11,464	11,987	11,404	11,059	11,207	11,479
104 Other liabilities	3,755	3,197	3,399	3,386	3,348	3,832	3,862	4,366	4,439	3,624
Bahamas and Caymans										
105 Total, all currencies	145,156	152,083	146,811	143,549	140,786	138,510	135,214	134,951	133,274	141,614
106 Negotiable CDs ³	n.a.	n.a.	615	344	320	356	686	745	747	610
107 To United States	104,425	111,299	102,955	99,818	98,667	95,775	94,071	92,668	92,138	103,126
108 Parent bank	47,081	50,980	47,162	45,713	47,141	43,372	44,431	42,841	43,198	44,189
109 Other banks in United States	18,466	16,057	13,938	14,742	12,972	12,151	12,081	11,940	11,871	12,760
110 Nonbanks	38,878	44,262	41,855	39,363	38,554	40,252	37,559	37,887	37,069	46,177
111 To foreigners	38,274	38,445	40,320	40,622	39,063	39,658	37,667	38,786	37,306	35,034
112 Other branches of parent bank	15,796	14,936	16,782	16,608	16,640	17,632	16,023	17,201	15,593	14,075
113 Banks	10,166	11,876	12,405	13,611	12,314	11,443	11,420	11,120	10,954	10,913
114 Official institutions	1,967	1,919	2,054	1,866	1,939	1,687	1,763	1,872	2,278	1,776
115 Nonbank foreigners	10,345	11,274	9,079	8,537	8,170	8,896	8,461	8,593	8,481	8,270
116 Other liabilities	2,457	2,339	2,921	2,765	2,736	2,721	2,790	2,752	3,083	2,844
117 Total payable in U.S. dollars	141,908	148,278	143,582	139,648	136,823	134,623	130,921	130,681	129,204	137,881

3. Before June 1984, liabilities on negotiable CDs were included in liabilities to the United States or liabilities to foreigners, according to the address of the initial purchaser.

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1983	1984	1985						
			June	July	Aug.	Sept.	Oct. ^r	Nov.	Dec. ^p
1 Total ¹	177,950	180,525	177,780	180,766	181,175	180,309	178,298	179,928	178,359
<i>By type</i>									
2 Liabilities reported by banks in the United States ²	25,534	26,089	22,915	22,101	23,224	25,889	27,014	29,326	26,318
3 U.S. Treasury bills and certificates ³	54,341	59,976	58,589	60,727	60,921	56,493	54,398	54,331	53,252
4 Marketable	68,514	69,029	73,265	75,053	75,157	76,221	74,972	74,686	77,399
5 Nonmarketable ⁴	7,250	5,800	4,500	4,500	3,550	3,550	3,550	3,550	3,550
6 U.S. securities other than U.S. Treasury securities ⁵	22,311	19,631	18,511	18,385	18,323	18,156	18,364	18,035	17,840
<i>By area</i>									
7 Western Europe ¹	67,645	69,789	70,346	73,378	75,226	74,545	74,257	76,882	74,016
8 Canada	2,438	1,528	1,571	2,010	1,664	1,561	1,586	1,536	1,348
9 Latin America and Caribbean	6,248	8,554	8,467	8,846	9,524	10,532	10,100	10,871	11,123
10 Asia	92,572	93,920	91,406	90,834	89,485	88,282	87,255	85,815	86,192
11 Africa	958	1,264	1,299	1,259	1,110	1,397	1,410	1,629	1,824
12 Other countries ⁶	8,089	5,470	4,691	4,439	4,166	3,992	3,690	3,255	3,198

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.

3.16 LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Banks in the United States

Payable in Foreign Currencies

Millions of dollars, end of period

Item	1981	1982	1983	1984	1985		
				Dec.	Mar.	June	Sept.
1 Banks' own liabilities	3,523	4,844	5,219	8,578	8,012	10,150	12,048
2 Banks' own claims	4,980	7,707	7,231	11,874	12,639	14,012	14,895
3 Deposits	3,398	4,251	2,731	4,998	6,148	7,437	8,498
4 Other claims	1,582	3,456	4,501	6,876	6,491	6,575	6,397
5 Claims of banks' domestic customers ¹	971	676	1,059	569	440	243	328

1. 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.

3.17 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	1982	1983	1984	1985						
				June	July	Aug.	Sept.	Oct.	Nov.	Dec. ^P
1 All foreigners	307,056	369,607	407,133	412,861	416,420	420,182	420,801	418,485 ^a	421,452	435,941
2 Banks' own liabilities	227,089	279,087	306,499	317,062	318,944	321,364	323,382	322,801 ^a	324,168	341,645
3 Demand deposits	15,889	17,470	19,571	19,423	17,662	17,735	20,926	18,450 ^a	20,959	21,147
4 Time deposits ¹	68,797	90,632	110,286	116,331	116,069	119,071	115,221	114,438 ^a	114,364	116,859
5 Other ²	23,184	25,874	26,002	25,782	25,875	25,701	29,754	28,932 ^a	30,118	29,381
6 Own foreign offices ³	119,219	145,111	150,640	155,526	159,338	158,857	157,481	160,981 ^a	158,727	174,258
7 Banks' custody liabilities ⁴	79,967	90,520	100,634	95,799	97,477	98,818	97,419	95,684	97,285	94,296
8 U.S. Treasury bills and certificates ⁵	55,628	68,669	76,368	73,061	75,396	75,797	73,398	72,163	73,165	68,785
9 Other negotiable and readily transferable instruments ⁶	20,636	17,467	18,747	16,207	16,165	16,610	17,160	16,755	16,979	17,964
10 Other	3,702	4,385	5,518	6,532	5,916	6,412	6,861	6,766	7,140	7,547
11 Nonmonetary international and regional organizations ⁷	4,922	5,957	4,083	5,709	5,019	7,353	7,467	6,766	7,803	5,547
12 Banks' own liabilities	1,909	4,632	1,644	3,928	3,243	5,569	3,275	1,842	1,535	2,347
13 Demand deposits	106	297	254	164	134	252	243	143	252	85
14 Time deposits ¹	1,664	3,584	1,102	3,023	2,556	4,366	2,261	1,299	1,051	2,064
15 Other ²	139	750	288	740	553	951	771	399	233	197
16 Banks' custody liabilities ⁴	3,013	1,325	2,440	1,782	1,777	1,784	4,192	4,924	6,268	3,200
17 U.S. Treasury bills and certificates	1,621	463	916	642	767	742	2,759	3,636	5,069	1,736
18 Other negotiable and readily transferable instruments ⁶	1,392	862	1,524	1,140	1,010	1,042	1,433	1,287	1,195	1,464
19 Other	0	0	0	0	0	1	0	1	5	0
20 Official institutions ⁸	71,647	79,876	86,065	81,504	82,828	84,145	82,382	81,412 ^a	83,658	79,644
21 Banks' own liabilities	16,640	19,427	19,039	17,795	17,256	17,720	20,262	21,178 ^a	23,373	20,607
22 Demand deposits	1,899	1,837	1,823	1,891	1,546	1,538	2,151	1,707	2,018	2,075
23 Time deposits ¹	5,528	7,318	9,374	9,050	9,070	9,334	8,954	10,277 ^a	10,573	10,907
24 Other ²	9,212	10,272	7,842	6,853	6,640	6,849	9,157	9,195 ^a	10,783	7,624
25 Banks' custody liabilities ⁴	55,008	60,448	67,026	63,710	65,572	66,425	62,120	60,234	60,284	59,037
26 U.S. Treasury bills and certificates ⁵	46,658	54,341	59,976	58,589	60,727	60,921	56,493	54,398	54,331	53,252
27 Other negotiable and readily transferable instruments ⁶	8,321	6,082	6,966	5,042	4,725	5,291	5,492	5,767	5,848	5,711
28 Other	28	25	84	78	120	213	135	69	105	75
29 Banks ⁹	185,881	226,887	248,897	254,045	257,113	256,645	257,733	257,323 ^a	255,052	276,414
30 Banks' own liabilities	169,449	205,347	225,372	232,319	235,488	234,401	235,106	235,372 ^a	233,228	253,714
31 Unaffiliated foreign banks	50,230	60,236	74,732	76,793	76,150	75,544	77,625	74,391 ^a	74,501	79,456
32 Demand deposits	8,675	8,759	10,556	9,847	8,647	8,594	10,468	9,045	10,043	10,297
33 Time deposits ¹	28,386	37,439	47,155	49,968	49,919	49,915	48,779	47,833 ^a	46,798	49,246
34 Other ²	13,169	14,038	17,021	16,977	17,584	17,035	18,377	17,514 ^a	17,659	19,913
35 Own foreign offices ³	119,219	145,111	150,640	155,526	159,338	158,857	157,481	160,981 ^a	158,727	174,258
36 Banks' custody liabilities ⁴	16,432	21,540	23,525	21,727	21,625	22,244	22,627	21,951	21,825	22,700
37 U.S. Treasury bills and certificates	5,809	10,178	11,448	9,745	9,934	9,966	9,952	9,897 ^a	9,405	9,554
38 Other negotiable and readily transferable instruments ⁶	7,857	7,485	7,236	6,231	6,390	6,569	6,462	5,906	5,853	6,153
39 Other	2,766	3,877	4,841	5,751	5,301	5,710	6,213	6,148	6,567	6,993
40 Other foreigners	44,606	56,887	68,087	71,602	71,460	72,039	73,219	72,984 ^a	74,939	74,337
41 Banks' own liabilities	39,092	49,680	60,444	63,020	62,957	63,674	64,740	64,409 ^a	66,031	64,978
42 Demand deposits	5,209	6,577	6,938	7,520	7,335	7,351	8,064	7,555 ^a	8,646	8,689
43 Time deposits	33,219	42,290	52,655	54,290	54,524	55,456	55,227	55,029 ^a	55,942	54,641
44 Other ²	664	813	851	1,211	1,098	867	1,449	1,825	1,444	1,647
45 Banks' custody liabilities ⁴	5,514	7,207	7,642	8,581	8,503	8,365	8,479	8,575	8,907	9,359
46 U.S. Treasury bills and certificates	1,540	3,686	4,029	4,085	3,968	4,169	4,193	4,232	4,360	4,243
47 Other negotiable and readily transferable instruments ⁶	3,065	3,038	3,021	3,793	4,040	3,708	3,774	3,795	4,084	4,636
48 Other	908	483	593	704	495	489	513	548	463	480
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	14,307	10,346	10,476	8,679	8,567	8,903	9,228	9,088	9,152	9,845

1. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."

2. Includes borrowing under repurchase agreements.

3. U.S. banks: includes amounts due to own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. Agencies, branches, and majority-owned subsidiaries of foreign banks: principally amounts due to head office or parent foreign bank, and foreign branches, agencies or wholly owned subsidiaries of head office or parent foreign bank.

4. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.

5. Includes nonmarketable certificates of indebtedness 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."

3.17 Continued

Area and country	1982	1983	1984	1985						
				June	July	Aug.	Sept.	Oct.	Nov.	Dec. ^P
1 Total	307,056	369,607	407,133	412,861	416,420	420,182	420,801	418,485 ^r	421,452	435,941
2 Foreign countries	302,134	363,649	403,049	407,152	411,401	412,829	413,334	411,719 ^r	413,649	430,394
3 Europe	117,756	138,072	153,212	153,718	156,132	160,127	157,265	158,893 ^r	163,519	163,380
4 Austria	519	585	615	563	567	711	767	613	655	693
5 Belgium-Luxembourg	2,517	2,709	4,114	4,889	5,743	5,416	5,725	5,262	5,556	5,224
6 Denmark	509	466	438	727	684	617	778	558	624	514
7 Finland	748	531	418	325	349	377	350	594	497	491
8 France	8,171	9,441	12,701	13,849	15,237	15,626	15,741	15,986 ^r	16,320	15,520
9 Germany	5,351	3,599	3,358	4,003	4,389	5,359	5,224	4,366	7,264	4,714
10 Greece	537	520	699	605	588	531	593	536	574	663
11 Italy	5,626	8,462	10,762	9,276	9,624	9,537	9,088	9,717 ^r	9,069	9,538
12 Netherlands	3,362	4,290	4,799	4,386	4,689	4,588	4,568	4,295 ^r	4,361	4,027
13 Norway	1,567	1,673	1,548	1,397	1,183	1,156	1,132	1,132	1,008	848
14 Portugal	388	373	597	635	658	672	641	647	619	651
15 Spain	1,405	1,603	2,082	2,015	2,113	2,034	2,140	2,094 ^r	2,122	2,139
16 Sweden	1,390	1,799	1,676	2,277	2,559	2,008	1,668	1,760	1,492	1,344
17 Switzerland	29,066	32,246	31,740	29,547	29,835	29,475	29,290	28,495	29,025	28,870
18 Turkey	296	467	584	631	598	404	516	417	288	429
19 United Kingdom	48,172	60,683	68,671	70,958	70,208	73,562	70,540	73,913 ^r	74,206	76,981
20 Yugoslavia	499	562	602	729	626	622	647	626	675	673
21 Other Western Europe ¹	7,006	7,403	7,192	6,261	6,004	6,884	7,432	7,403 ^r	8,592	9,326
22 U.S.S.R.	50	65	79	31	72	45	37	51	36	106
23 Other Eastern Europe ²	576	596	537	614	406	503	477	429	534	628
24 Canada	12,232	16,026	16,048	15,874	16,284	16,739	17,358	16,288 ^r	16,471	17,470
25 Latin America and Caribbean	114,163	140,088	153,516	158,310	159,011	157,634	157,480	157,227 ^r	155,170	169,060
26 Argentina	3,578	4,038	4,394	5,081	5,322	5,187	5,634	5,872	5,899	6,029
27 Bahamas	44,744	55,818	56,897	57,406	55,858	55,486	53,694	54,518 ^r	53,398	59,011
28 Bermuda	1,572	2,266	2,370	2,503	2,380	2,741	2,124	2,238	2,377	2,805
29 Brazil	2,014	3,168	5,275	5,187	5,602	5,918	5,894	5,861	5,614	5,521
30 British West Indies	26,381	34,545	36,773	38,965	40,965	38,338	38,931	37,163 ^r	35,863	42,274
31 Chile	1,626	1,842	2,001	1,870	1,907	1,966	1,940	1,940	2,867	2,126
32 Colombia	2,594	1,689	2,514	2,526	2,421	2,543	2,599	2,562	2,920	3,102
33 Cuba	9	8	10	6	10	9	13	64	7	11
34 Ecuador	455	1,047	1,092	1,004	1,046	1,043	1,251	1,029	1,255	1,241
35 Guatemala	670	788	896	963	972	995	1,005	957	1,087	1,071
36 Jamaica	126	109	183	123	194	152	144	122	150	122
37 Mexico	8,377	10,392	12,506	13,533	13,123	13,381	13,809	13,610	13,948	14,045
38 Netherlands Antilles	3,597	3,879	4,153	4,200	4,025	4,364	4,973	4,666	4,617	4,852
39 Panama	4,805	5,924	6,951	7,427	7,462	7,447	7,168	8,251	6,506	7,526
40 Peru	1,147	1,166	1,266	1,168	1,113	1,133	1,159	1,093	1,124	1,166
41 Uruguay	759	1,244	1,394	1,415	1,460	1,557	1,576	1,498	1,534	1,549
42 Venezuela	8,417	8,632	10,545	10,471	10,853	10,940	11,121	11,404	11,345	11,919
43 Other Latin America and Caribbean	3,291	3,535	4,297	4,460	4,297	4,435	4,479	4,381 ^r	4,661	4,691
44 Asia	48,716	58,570	71,192	70,477	71,715	70,509	73,292	71,643 ^r	71,059	72,280
45 China	203	249	1,153	886	939	1,135	1,973	1,809	1,380	1,594
46 Mainland	2,761	4,051	4,975	5,545	5,849	6,047	6,244	6,455	7,429	7,800
47 Taiwan	4,465	6,657	6,594	7,989	7,831	8,012	7,924	7,964	8,181	8,072
48 Hong Kong	433	507	569	555	484	644	473	562	710	710
49 India	857	1,033	1,264	1,463	1,337	1,363	1,370	1,381	1,467	1,467
50 Indonesia	606	1,722	1,268	1,053	1,011	885	1,189	2,118	1,595	1,611
51 Israel	16,078	18,079	21,652	21,103	22,913	22,537	23,597	22,059 ^r	21,689	23,031
52 Japan	1,692	1,648	1,724	1,705	1,493	1,580	1,657	1,751	1,685	1,704
53 Korea	770	1,234	1,383	1,443	1,335	1,694	1,607	1,325	1,189	1,132
54 Philippines	629	747	1,257	1,063	984	1,073	1,029	1,014	1,066	1,354
55 Thailand	13,433	12,976	16,804	15,052	15,410	14,811	15,352	15,252 ^r	14,941	14,531
56 Middle-East oil-exporting countries ³	6,789	9,748	12,841	12,805	11,932	10,916	10,713	9,852	9,961	9,274
57 Other Asia	3,124	2,827	3,396	3,920	3,384	3,501	3,635	3,723	3,989	4,863
58 Africa	432	671	647	745	881	737	923	885	780	1,362
59 Egypt	81	84	118	161	98	162	157	140	145	163
60 Morocco	292	449	328	332	181	420	370	404	462	388
61 South Africa	23	87	153	170	87	103	115	136	140	163
62 Zaire	1,280	620	1,189	1,497	1,099	1,092	1,049	1,076	1,407	1,494
63 Oil-exporting countries ⁴	1,016	917	961	1,015	1,037	986	1,021	1,082	1,056	1,293
64 Other Africa	6,143	8,067	5,684	4,854	4,876	4,319	4,303	3,945 ^r	3,440	3,342
65 Australia	5,904	7,857	5,300	4,462	4,364	3,850	3,762	3,451 ^r	2,906	2,769
66 All other	239	210	384	392	511	469	541	494	534	573
67 Nonmonetary international and regional organizations	4,922	5,957	4,083	5,709	5,019	7,353	7,467	6,766	7,803	5,547
68 International	4,049	5,273	3,376	4,698	3,967	6,458	6,542	5,770	6,952	4,532
69 Latin American regional	517	419	587	808	782	739	796	646	580	894
70 Other regional ⁵	357	265	120	203	270	156	129	350	271	121

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

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

5. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western Europe."

3.18 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	1982	1983	1984	1985						
				June	July	Aug.	Sept.	Oct.	Nov.	Dec. ^p
1 Total	355,705	391,312	398,845	396,253	390,368	387,997	392,778	380,556 ^r	384,228	402,169
2 Foreign countries	355,636	391,148	398,251	395,543	390,094	387,558	392,395	379,787 ^r	383,616	401,142
3 Europe	85,584	91,927	98,151	100,953	100,377	101,028	105,734	101,668 ^r	106,500	107,714
4 Austria	229	401	433	536	815	703	763	673	614	603
5 Belgium-Luxembourg	5,138	5,639	4,794	5,219	5,740	5,501	6,147	5,882 ^r	6,813	5,697
6 Denmark	554	1,275	648	474	498	492	615	636	558	699
7 Finland	990	1,044	898	896	875	738	905	789 ^r	909	832
8 France	7,251	8,766	9,142	9,969	10,001	10,282	11,029	10,190 ^r	9,794	9,107
9 Germany	1,876	1,284	1,313	1,223	1,115	948	999	1,036	1,354	1,256
10 Greece	452	476	817	1,002	947	959	1,016	966	854	991
11 Italy	7,560	9,018	9,119	7,623	7,436	6,527	7,436	7,597	7,775	8,835
12 Netherlands	1,425	1,267	1,351	1,339	1,137	1,200	1,297	1,110	1,389	1,269
13 Norway	572	690	675	750	710	683	858	788 ^r	755	701
14 Portugal	950	1,114	1,243	1,156	1,151	1,181	1,211	1,141	1,128	1,048
15 Spain	3,744	3,573	2,884	2,700	2,387	2,156	2,438	2,310 ^r	2,199	1,889
16 Sweden	3,038	3,358	2,220	2,067	2,698	2,496	2,474	2,643 ^r	2,546	2,212
17 Switzerland	1,639	1,863	2,123	2,231	2,669	2,629	3,091	2,604	3,162	3,174
18 Turkey	560	812	1,130	1,208	1,313	1,234	1,303	1,355	1,269	1,206
19 United Kingdom	45,781	47,364	55,352	58,377	56,437	59,280	60,105	57,579 ^r	60,733	63,954
20 Yugoslavia	1,430	1,718	1,886	1,958	1,972	1,954	1,899	1,867 ^r	1,879	1,980
21 Other Western Europe ¹	368	477	596	775	679	629	699	1,206	1,554	1,006
22 U.S.S.R	263	192	142	297	250	239	199	165 ^r	128	130
23 Other Eastern Europe ²	1,762	1,598	1,382	1,255	1,358	1,198	1,252	1,131	1,086	1,126
24 Canada	13,678	16,341	16,093	17,889	16,696	17,005	16,940	15,941 ^r	16,211	16,335
25 Latin America and Caribbean	187,969	205,491	207,649	203,974	200,765	197,106	196,388	190,759 ^r	191,796	202,313
26 Argentina	10,974	11,749	11,043	11,416	11,456	11,293	11,855	11,236 ^r	11,486	11,482
27 Bahamas	56,649	59,633	57,949	59,477	55,610	53,707	53,414	51,236	48,977	56,360
28 Bermuda	603	566	592	563	405	502	480	1,017	565	529
29 Brazil	23,271	24,667	26,315	26,549	26,559	26,441	26,017	25,397 ^r	25,413	25,255
30 British West Indies	29,101	35,527	38,120	36,372	37,436	35,853	35,096	34,258 ^r	37,129	39,935
31 Chile	5,513	6,072	6,839	6,663	6,476	6,524	6,145 ^r	6,145 ^r	6,198	6,587
32 Colombia	3,211	3,745	3,499	3,207	3,210	3,205	3,195	3,210 ^r	3,222	3,259
33 Cuba	3	0	0	0	0	0	0	4	0	0
34 Ecuador	2,062	2,307	2,420	2,493	2,450	2,430	2,486	2,411	2,419	2,401
35 Guatemala ³	124	129	158	145	153	149	168	168 ^r	197	194
36 Jamaica ³	181	215	252	227	234	228	228	222	222	301
37 Mexico	29,552	34,802	34,824	32,384	32,129	32,375	32,349	31,720 ^r	32,422	32,115
38 Netherlands Antilles	839	1,154	1,350	1,249	1,110	1,135	1,170	1,387	1,071	1,344
39 Panama	10,210	7,848	7,707	6,856	6,985	6,923	7,108	6,526	6,522	6,629
40 Peru	2,357	2,536	2,384	2,286	2,237	2,221	2,206	2,016 ^r	1,990	1,958
41 Uruguay	686	977	1,088	1,013	1,007	1,018	1,035	947	954	958
42 Venezuela	10,643	11,287	11,017	10,996	10,992	11,028	11,052	10,838 ^r	10,876	10,898
43 Other Latin America and Caribbean	1,991	2,277	2,091	2,060	2,129	2,122	2,005	2,022	2,135	2,109
44 Asia	60,952	67,837	66,296	63,470	63,242	63,710	64,547	62,847 ^r	60,551	65,864
45 China										
46 Mainland	214	292	710	358	635	560	1,148	997	748	639
47 Taiwan	2,288	1,908	1,849	1,718	1,540	1,527	1,525	1,329	1,258	1,532
48 Hong Kong	6,787	8,489	7,283	7,237	7,473	7,999	7,718	6,917	6,454	6,768
49 India	222	330	425	310	385	460	461	388	439	450
50 Indonesia	348	805	724	682	631	623	718	653	608	698
51 Israel	2,029	1,832	2,088	2,598	2,053	1,955	1,875	1,901	1,958	1,966
52 Japan	28,379	30,354	29,066	26,529	26,336	27,785	27,002	28,558	26,757	31,103
53 Korea	9,387	9,943	9,285	9,158	9,707	9,337	9,223	9,096 ^r	8,902	9,107
54 Philippines	2,625	2,107	2,550	2,448	2,454	2,487	2,445	2,239 ^r	2,285	2,221
55 Thailand	643	1,219	1,125	862	746	757	781	756	788	838
56 Middle East oil-exporting countries ⁴	3,087	4,954	5,044	5,120	5,315	4,116	4,845	4,576 ^r	4,247	4,322
57 Other Asia	4,943	5,603	6,147	6,449	5,967	6,104	5,700	5,436	6,106	6,220
58 Africa	5,346	6,654	6,615	6,075	5,957	5,718	5,705	5,463 ^r	5,415	5,423
59 Egypt	322	747	728	626	606	585	634	668	685	715
60 Morocco	353	440	583	592	596	598	592	610	584	575
61 South Africa	2,012	2,634	2,795	2,524	2,402	2,214	2,062	1,968	1,848	1,935
62 Zaire	57	33	18	24	24	25	22	21	21	20
63 Oil-exporting countries ⁵	801	1,073	842	740	743	722	859	674	680	646
64 Other	1,802	1,727	1,649	1,569	1,587	1,574	1,531	1,521 ^r	1,597	1,533
65 Other countries	2,107	2,898	3,447	3,183	3,057	2,991	3,087	3,111 ^r	3,143	3,493
66 Australia	1,713	2,256	2,769	2,498	2,320	2,227	2,304	2,293	2,341	2,454
67 All other	394	642	678	685	737	764	783	818	803	1,039
67 Nonmonetary international and regional organizations ⁶	68	164	594	710	275	438	382	768	612	1,028

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."

3.19 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	1982	1983	1984	1985						
				June	July	Aug.	Sept.	Oct. ^r	Nov.	Dec. ^p
1 Total	396,015	426,215	431,761	425,692	.....	.....	426,246	.....	.....	402,169
2 Banks' own claims on foreigners.....	355,705	391,312	398,845	396,253	390,368	387,997	392,778	380,556	384,228	402,169
3 Foreign public borrowers	45,422	57,569	61,595	61,241	61,239	60,961	62,196	60,132	60,005	60,417
4 Own foreign offices ¹	127,293	146,393	156,174	162,840	158,164	155,734	159,520	156,011	158,768	176,190
5 Unaffiliated foreign banks	121,377	123,837	123,967	118,493	117,446	118,023	118,048	113,117	114,721	115,742
6 Deposits	44,223	47,126	48,379	48,135	48,786	49,528	49,406	46,707	47,098	47,612
7 Other	77,153	76,711	75,588	70,358	68,660	68,495	68,642	66,410	67,623	68,131
8 All other foreigners	61,614	63,514	57,109	53,679	53,520	53,279	53,013	51,296	50,735	49,820
9 Claims of banks' domestic customers ² ..	40,310	34,903	32,916	29,439	.....	.....	33,468	.....	.....	.....
10 Deposits	2,491	2,969	3,380	2,870	.....	.....	3,314	.....	.....	.....
11 Negotiable and readily transferable instruments ³	30,763	26,064	23,805	21,064	.....	.....	24,827	.....	.....	.....
12 Outstanding collections and other claims	7,056	5,870	5,732	5,505	.....	.....	5,327	.....	.....	.....
13 MEMO: Customer liability on acceptances	38,153	37,715	37,103	31,699	.....	.....	30,517	.....	.....	.....
Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States ⁴	42,499	46,337	40,656	36,366	38,037 ^r	38,738 ^r	38,076 ^r	37,599	37,521	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. 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.

3.20 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	1981▲	1982	1983	1984	1985		
				Dec.	Mar.	June	Sept.
1 Total	154,590	228,150	243,715	243,409	239,521	231,713	231,773
<i>By borrower</i>							
2 Maturity of 1 year or less ¹	116,394	173,917	176,158	166,381	165,185	158,641	160,727
3 Foreign public borrowers	15,142	21,256	24,039	22,758	23,615	23,899	25,534
4 All other foreigners	101,252	152,661	152,120	143,623	141,570	134,742	135,193
5 Maturity of over 1 year ¹	38,197	54,233	67,557	77,027	74,335	73,072	71,046
6 Foreign public borrowers	15,589	23,137	32,521	39,247	38,164	37,425	36,775
7 All other foreigners	22,608	31,095	35,036	37,780	36,171	35,647	34,271
<i>By area</i>							
8 Maturity of 1 year or less ¹							
9 Europe	28,130	50,500	56,117	58,398	60,391	55,656	57,867
10 Canada	4,662	7,642	6,211	6,015	7,531	6,135	6,052
11 Latin America and Caribbean	48,717	73,291	73,660	61,653	60,162	63,545	62,023
12 Asia	31,485	37,578	34,403	33,484	30,690	27,537	29,049
13 Africa	2,457	3,680	4,199	4,442	4,109	4,003	3,954
14 All other ²	943	1,226	1,569	2,388	2,301	1,764	1,782
15 Maturity of over 1 year ¹							
16 Europe	8,100	11,636	13,576	9,605	8,545	8,628	8,078
17 Canada	1,808	1,931	1,857	1,890	2,181	2,116	1,940
18 Latin America and Caribbean	25,209	35,247	43,888	57,069	55,372	53,507	52,994
19 Asia	1,907	3,185	4,850	5,323	5,221	5,203	5,212
20 Africa	900	1,494	2,286	2,033	1,963	1,996	1,665
21 All other ²	272	740	1,101	1,107	1,053	1,622	1,157

▲ Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents.

1. Remaining time to maturity.

2. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks¹

Billions of dollars, end of period

Area or country	1981	1982	1983		1984				1985		
			Sept.	Dec.	Mar.	June ⁷	Sept.	Dec.	Mar.	June	Sept. ⁸
1 Total	415.2	438.7	431.0	437.3	435.1	432.4	411.9	409.2	411.0	402.6	403.9
2 G-10 countries and Switzerland	175.5	179.7	168.8	168.0	166.0	157.9	148.2	148.0	152.8	146.8	153.2
3 Belgium-Luxembourg	13.3	13.1	12.6	12.4	11.0	10.9	9.8	8.8	9.4	9.0	9.5
4 France	15.3	17.1	16.2	16.3	15.9	14.2	14.3	14.1	14.6	13.6	14.9
5 Germany	12.9	12.7	11.6	11.3	11.7	10.9	10.0	9.0	8.9	9.6	9.8
6 Italy	9.6	10.3	9.9	11.4	11.2	11.5	9.7	10.1	10.0	8.5	8.4
7 Netherlands	4.0	3.6	3.6	3.5	3.4	3.0	3.4	3.9	3.7	3.7	3.4
8 Sweden	3.7	5.0	4.9	5.1	5.2	4.3	3.5	3.2	3.1	2.8	3.1
9 Switzerland	5.5	5.0	4.2	4.3	4.3	4.2	3.9	3.9	4.2	4.0	4.1
10 United Kingdom	70.1	72.1	67.8	65.4	65.1	60.6	57.5	60.0	65.1	65.6	68.1
11 Canada	10.9	10.4	8.9	8.3	8.6	8.9	8.1	7.9	9.0	8.0	7.5
12 Japan	30.2	30.2	29.0	29.9	29.7	29.3	27.9	27.2	24.8	21.9	24.3
13 Other developed countries	28.4	33.7	34.3	36.1	35.7	37.2	36.4	33.9	33.0	32.5	32.3
14 Austria	1.9	1.9	1.9	1.9	2.0	1.9	1.8	1.6	1.6	1.6	1.7
15 Denmark	2.3	2.4	3.3	3.4	3.4	3.1	2.9	2.2	2.1	1.9	2.1
16 Finland	1.7	2.2	1.8	2.4	2.1	2.3	1.9	1.9	1.8	1.8	1.8
17 Greece	2.8	3.0	2.9	2.8	3.0	3.3	3.2	2.9	2.9	2.9	2.8
18 Norway	3.1	3.3	3.2	3.3	3.2	3.2	3.2	3.0	2.9	2.9	3.4
19 Portugal	1.1	1.5	1.4	1.5	1.4	1.7	1.6	1.4	1.4	1.3	1.4
20 Spain	6.6	7.5	7.1	7.1	7.1	7.3	6.9	6.5	6.4	5.9	6.2
21 Turkey	1.4	1.4	1.5	1.7	1.9	2.0	2.0	1.9	1.9	2.0	2.1
22 Other Western Europe	2.1	2.3	2.1	1.8	1.8	1.9	1.7	1.7	1.7	1.8	1.7
23 South Africa	2.8	3.7	4.7	4.7	4.8	4.7	5.0	4.5	4.2	3.9	3.3
24 Australia	2.5	4.4	4.4	5.5	5.2	5.8	6.3	6.2	6.2	6.4	5.8
25 OPEC countries ²	24.8	27.4	27.2	28.9	28.6	27.0	25.2	25.8	25.4	23.8	24.1
26 Ecuador	2.2	2.2	2.1	2.2	2.1	2.1	2.1	2.2	2.2	2.3	2.3
27 Venezuela	9.9	10.5	9.8	9.9	9.7	9.5	9.2	9.3	9.3	9.3	9.2
28 Indonesia	2.6	3.2	3.4	3.8	4.0	4.3	4.0	3.9	3.8	3.6	3.6
29 Middle East countries	7.5	8.7	9.1	10.0	9.8	8.4	7.4	8.2	7.8	6.6	6.7
30 African countries	2.5	2.8	2.8	3.0	3.0	2.7	2.5	2.3	2.3	2.2	2.3
31 Non-OPEC developing countries	96.3	107.1	109.8	111.6	112.2	113.5	112.7	112.9	111.8	111.0	111.1
Latin America											
32 Argentina	9.4	8.9	9.5	9.5	9.5	9.2	9.1	8.7	8.6	8.6	9.3
33 Brazil	19.1	22.9	23.1	23.1	25.1	25.4	26.3	26.3	26.4	26.6	26.1
34 Chile	5.8	6.3	6.3	6.4	6.5	6.7	7.1	7.0	7.0	6.9	6.9
35 Colombia	2.6	3.1	3.2	3.2	3.1	3.0	2.9	2.9	2.8	2.7	2.6
36 Mexico	21.6	24.5	25.9	26.1	25.6	26.2	26.2	26.0	25.7	25.6	25.2
37 Peru	2.0	2.6	2.4	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.0
38 Other Latin America	4.1	4.0	4.2	4.2	4.4	4.1	3.9	3.9	3.7	3.6	3.5
Asia											
39 China											
40 Mainland	.2	.2	.2	.3	.3	.6	.5	.7	.7	.3	1.1
41 Taiwan	5.1	5.3	5.2	5.3	4.9	5.4	5.3	5.3	5.4	5.5	5.2
42 India	.3	.6	.8	1.0	1.0	1.0	1.1	1.0	1.0	1.0	1.2
43 Israel	2.1	2.3	1.7	1.9	1.6	1.9	1.7	1.8	1.7	2.3	1.5
44 Korea (South)	9.4	10.9	10.9	11.3	11.1	11.3	10.5	10.9	10.6	10.3	10.6
45 Malaysia	1.7	2.1	2.8	2.9	2.8	2.9	3.1	3.0	2.9	3.0	2.9
46 Philippines	6.0	6.3	6.2	6.2	6.7	6.3	5.9	6.0	6.1	6.0	6.1
47 Thailand	1.5	1.6	1.8	2.2	2.1	1.9	1.8	1.8	1.7	1.6	1.7
48 Other Asia	1.0	1.1	1.0	1.0	.9	1.1	1.0	1.2	1.1	1.0	1.1
Africa											
49 Egypt	1.1	1.2	1.4	1.5	1.4	1.4	1.2	1.2	1.1	1.0	1.0
50 Morocco	.7	.7	.8	.8	.8	.8	.8	.8	.8	.8	.9
51 Zaire	.2	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
52 Other Africa ³	2.3	2.4	2.4	2.3	2.2	1.9	1.9	2.1	2.2	2.0	2.0
53 Eastern Europe	7.8	6.2	5.3	5.3	4.9	4.9	4.5	4.4	4.3	4.3	4.6
54 U.S.S.R.	.6	.3	.2	.2	.2	.2	.2	.1	.2	.3	.2
55 Yugoslavia	2.5	2.2	2.3	2.4	2.3	2.3	2.3	2.3	2.2	2.2	2.5
56 Other	4.7	3.7	2.8	2.8	2.5	2.4	2.1	2.0	1.9	1.8	1.9
57 Offshore banking centers	63.7	66.8	68.7	70.5	71.4	74.6	67.4	67.0	66.6	66.8	61.2
58 Bahamas	19.0	19.0	21.6	21.8	24.6	27.5	23.8	21.5	21.6	21.9	16.8
59 Bermuda	.7	.9	.8	.9	.7	.7	1.0	.9	.7	.9	.8
60 Cayman Islands and other British West Indies	12.4	12.9	10.5	12.2	12.0	12.2	11.1	11.7	12.4	12.4	12.5
61 Netherlands Antilles	3.2	3.3	4.1	4.2	3.3	3.3	3.1	3.4	3.3	3.2	2.3
62 Panama ⁴	7.7	7.6	5.7	6.0	6.3	6.6	5.7	6.8	5.7	5.5	6.2
63 Lebanon	.2	.1	.1	.1	.1	.1	.1	.1	.1	.1	.0
64 Hong Kong	11.8	13.9	15.2	15.0	14.4	13.9	13.1	12.8	12.9	13.1	13.2
65 Singapore	8.7	9.2	10.5	10.3	10.0	10.3	9.5	9.8	10.0	9.7	9.4
66 Others ⁵	.1	.0	.1	.0	.0	.0	.0	.0	.0	.0	.0
66 Miscellaneous and unallocated ⁶	18.8	17.9	16.9	17.0	16.3	17.4	17.4	17.3	17.1	17.4	17.8

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 3.14 (the sum of lines 7 through 10) with the claims of U.S. offices in table 3.18 (excluding those held by agencies and branches of foreign banks and those constituting claims on own foreign branches).

2. Besides 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).

3. Excludes Liberia.

4. Includes Canal Zone beginning December 1979.

5. Foreign branch claims only.

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

7. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from \$50 million to \$150 million equivalent in total assets, the threshold now applicable to all reporting branches.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States¹

Millions of dollars, end of period

Type, and area or country	1981	1982	1983	1984		1985		
				Sept.	Dec.	Mar.	June	Sept. ²
1 Total	28,618	27,512	25,346	31,438	29,447	26,223	24,571	25,083
2 Payable in dollars	24,909	24,280	22,233	28,538	26,479	23,456	21,935	22,425
3 Payable in foreign currencies	3,709	3,232	3,113	2,900	2,968	2,767	2,636	2,658
<i>By type</i>								
4 Financial liabilities	12,157	11,066	10,572	16,488	14,599	11,702	11,468	11,814
5 Payable in dollars	9,499	8,858	8,700	14,602	12,643	9,863	9,523	9,863
6 Payable in foreign currencies	2,658	2,208	1,872	1,886	1,955	1,839	1,946	1,951
7 Commercial liabilities	16,461	16,446	14,774	14,950	14,849	14,521	13,103	13,269
8 Trade payables	10,818	9,438	7,765	7,015	7,005	7,052	5,854	5,576
9 Advance receipts and other liabilities	5,643	7,008	7,009	7,936	7,843	7,469	7,249	7,693
10 Payable in dollars	15,409	15,423	13,533	13,936	13,836	13,593	12,413	12,562
11 Payable in foreign currencies	1,052	1,023	1,241	1,014	1,013	928	690	707
<i>By area or country</i>								
<i>Financial liabilities</i>								
12 Europe	6,825	6,501	5,742	6,697	6,818	6,118	5,913	6,572
13 Belgium-Luxembourg	471	505	302	428	471	298	351	367
14 France	709	783	843	910	995	896	865	849
15 Germany	491	467	502	521	489	506	474	493
16 Netherlands	748	711	621	605	590	613	597	617
17 Switzerland	715	792	486	514	569	541	566	593
18 United Kingdom	3,565	3,102	2,839	3,470	3,397	3,035	2,821	3,373
19 Canada	963	746	764	825	863	840	850	854
20 Latin America and Caribbean	3,356	2,751	2,596	7,253	5,086	3,147	3,106	2,624
21 Bahamas	1,279	904	751	3,052	1,926	1,341	1,107	1,135
22 Bermuda	7	14	13	11	13	25	10	4
23 Brazil	22	28	32	33	35	29	27	23
24 British West Indies	1,241	1,027	1,041	3,271	2,103	1,521	1,734	1,249
25 Mexico	102	121	213	260	367	25	32	28
26 Venezuela	98	114	124	130	137	3	3	3
27 Asia	976	1,039	1,424	1,662	1,777	1,555	1,555	1,728
28 Japan	792	715	991	1,174	1,209	1,033	965	1,098
29 Middle East oil-exporting countries ²	75	169	170	151	155	124	147	82
30 Africa	14	17	19	16	14	12	14	14
31 Oil-exporting countries ³	0	0	0	1	0	0	0	0
32 All other ⁴	24	12	27	35	41	31	30	22
<i>Commercial liabilities</i>								
33 Europe	3,770	3,831	3,245	4,052	4,001	3,519	3,485	3,894
34 Belgium-Luxembourg	71	52	62	34	48	37	53	56
35 France	573	598	437	430	438	401	425	432
36 Germany	545	468	427	561	622	590	431	601
37 Netherlands	220	346	268	238	245	272	284	386
38 Switzerland	424	367	241	405	257	233	353	293
39 United Kingdom	880	1,027	732	1,224	1,095	752	740	869
40 Canada	897	1,495	1,841	1,906	1,975	1,727	1,494	1,384
41 Latin America and Caribbean	1,044	1,570	1,473	1,780	1,871	1,717	1,244	1,237
42 Bahamas	2	16	1	1	7	11	12	2
43 Bermuda	67	117	67	110	114	112	77	105
44 Brazil	67	60	44	68	124	101	90	120
45 British West Indies	2	32	6	8	32	21	1	15
46 Mexico	340	436	585	641	586	654	492	415
47 Venezuela	276	642	432	628	636	395	309	283
48 Asia	9,384	8,144	6,741	5,547	5,285	5,721	5,259	5,197
49 Japan	1,094	1,226	1,247	1,429	1,256	1,241	1,232	1,429
50 Middle East oil-exporting countries ^{2,5}	7,008	5,503	4,178	2,364	2,372	2,786	2,396	2,099
51 Africa	703	753	553	597	588	765	633	570
52 Oil-exporting countries ³	344	277	167	251	233	294	265	235
53 All other ⁴	664	651	921	1,068	1,128	1,070	988	988

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.

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

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

4. Includes nonmonetary international and regional organizations.

5. Revisions include a reclassification of transactions, which also affects the totals for Asia and the grand totals.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States¹

Millions of dollars, end of period

Type, and area or country	1981	1982	1983	1984		1985		
				Sept.	Dec.	Mar.	June	Sept. ^P
1 Total	36,185	28,725	34,911	30,939	29,768	28,633	26,873	28,748
2 Payable in dollars	32,582	26,085	31,815	28,148	27,171	26,062	24,244	25,882
3 Payable in foreign currencies	3,603	2,640	3,096	2,792	2,597	2,571	2,629	2,866
<i>By type</i>								
4 Financial claims	21,142	17,684	23,780	20,435	19,122	18,336	16,417	18,805
5 Deposits	15,081	13,058	18,496	15,626	14,489	14,344	12,576	15,074
6 Payable in dollars	14,456	12,628	17,993	15,187	14,069	13,847	12,020	14,370
7 Payable in foreign currencies	625	430	503	439	420	497	556	704
8 Other financial claims	6,061	4,626	5,284	4,808	4,633	3,992	3,841	3,731
9 Payable in dollars	3,599	2,979	3,328	3,116	3,190	2,427	2,361	2,194
10 Payable in foreign currencies	2,462	1,647	1,956	1,693	1,442	1,565	1,480	1,538
11 Commercial claims	15,043	11,041	11,131	10,505	10,646	10,297	10,456	9,943
12 Trade receivables	14,007	9,994	9,721	9,012	9,177	8,784	9,089	8,406
13 Advance payments and other claims	1,036	1,047	1,410	1,493	1,470	1,513	1,367	1,537
14 Payable in dollars	14,527	10,478	10,494	9,845	9,912	9,787	9,863	9,319
15 Payable in foreign currencies	516	563	637	659	735	510	592	624
<i>By area or country</i>								
<i>Financial claims</i>								
16 Europe	4,596	4,873	6,488	5,783	5,693	5,725	5,427	6,350
17 Belgium-Luxembourg	43	15	37	15	15	29	15	12
18 France	285	134	150	151	126	92	49	130
19 Germany	224	178	163	192	224	196	174	156
20 Netherlands	50	97	71	62	66	72	37	118
21 Switzerland	117	107	38	64	66	46	16	32
22 United Kingdom	3,546	4,064	5,817	5,068	4,795	5,001	4,862	5,657
23 Canada	6,755	4,377	5,989	4,492	4,006	3,957	3,747	3,979
24 Latin America and Caribbean	8,812	7,546	10,234	8,987	8,137	7,600	6,397	7,382
25 Bahamas	3,650	3,279	4,771	3,435	3,282	3,015	2,153	2,241
26 Bermuda	18	32	102	5	6	4	5	4
27 Brazil	30	62	53	84	100	98	96	92
28 British West Indies	3,971	3,255	4,206	4,580	3,985	3,894	3,580	4,487
29 Mexico	313	274	293	232	215	201	206	201
30 Venezuela	148	139	134	128	125	101	100	72
31 Asia	758	698	764	900	961	856	639	965
32 Japan	366	153	297	371	353	509	281	725
33 Middle East oil-exporting countries ²	37	15	4	7	13	6	6	5
34 Africa	173	158	147	160	210	101	111	103
35 Oil-exporting countries ³	46	48	55	37	85	32	25	31
36 All other ⁴	48	31	159	113	114	97	95	26
<i>Commercial claims</i>								
37 Europe	5,405	3,826	3,670	3,618	3,801	3,360	3,689	3,294
38 Belgium-Luxembourg	234	151	135	128	165	149	212	158
39 France	776	474	459	411	440	375	408	385
40 Germany	561	357	349	368	374	358	375	340
41 Netherlands	299	350	334	298	335	340	301	286
42 Switzerland	431	360	317	289	271	253	376	208
43 United Kingdom	985	811	809	949	1,063	885	950	785
44 Canada	967	633	829	1,026	1,021	1,248	1,065	1,101
45 Latin America and Caribbean	3,479	2,526	2,695	2,027	2,052	1,973	2,124	2,063
46 Bahamas	12	21	8	14	8	9	11	18
47 Bermuda	223	261	190	88	115	164	65	63
48 Brazil	668	258	493	219	214	201	193	212
49 British West Indies	12	12	7	10	7	6	29	7
50 Mexico	1,022	775	884	595	583	493	616	566
51 Venezuela	424	351	272	245	206	192	224	246
52 Asia	3,959	3,050	3,063	2,901	3,073	2,985	2,721	2,726
53 Japan	1,245	1,047	1,114	1,089	1,191	1,154	968	884
54 Middle East oil-exporting countries ²	905	751	737	703	668	666	593	544
55 Africa	772	588	588	595	470	510	522	494
56 Oil-exporting countries ³	152	140	139	135	134	141	139	131
57 All other ⁴	461	417	286	338	229	221	336	265

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.

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

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

4. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transactions, and area or country	1983	1984	1985	1985						
			Jan.-Dec.	June	July	Aug.	Sept.	Oct.	Nov.	Dec. ^p
	U.S. corporate securities									
STOCKS										
1 Foreign purchases.....	69,770	60,704	81,580	6,471	7,181	6,366	4,802	7,232	8,409	10,914
2 Foreign sales.....	64,360	63,628	76,735	6,069	6,522	5,721	4,690	6,560	7,137	8,776
3 Net purchases, or sales (-).....	5,410	-2,924	4,844	402	659	645	112	673	1,273	2,137
4 Foreign countries.....	5,312	-3,039	4,757	404	559	644	163	644	1,362	1,972
5 Europe.....	3,979	-2,975	1,981	72	336	364	170	554	948	1,339
6 France.....	-97	-405	-441	26	-3	-41	-120	-82	-85	-105
7 Germany.....	1,045	-50	730	5	126	76	29	235	270	283
8 Netherlands.....	-109	-315	-112	-86	42	18	25	33	47	125
9 Switzerland.....	1,325	-1,490	-67	49	38	-28	-87	125	107	280
10 United Kingdom.....	1,799	-647	1,577	49	104	295	293	210	579	700
11 Canada.....	1,151	1,672	355	-62	66	68	34	-31	-70	93
12 Latin America and Caribbean.....	529	493	1,677	132	119	109	-35	78	243	281
13 Middle East ¹	-808	-2,006	238	106	53	35	54	8	-174	227
14 Other Asia.....	395	-372	313	174	-23	58	-26	-16	384	-25
15 Africa.....	42	-23	24	13	25	9	0	-4	-1	12
16 Other countries.....	24	171	168	-31	-16	1	-34	55	32	44
17 Nonmonetary international and regional organizations.....	98	115	87	-1	100	1	-51	28	-89	165
BONDS ²										
18 Foreign purchases.....	24,000	39,853	87,534	5,319	8,502	5,547	7,482	7,401	12,455	9,738
19 Foreign sales.....	23,097	26,612	43,515	3,943	4,254	3,741	3,632	2,786 ^r	4,284	4,555
20 Net purchases, or sales (-).....	903	13,241	44,019	1,376	4,249	1,806	3,850	4,614 ^r	8,171	5,183
21 Foreign countries.....	888	12,944	44,114	1,243	3,597	2,118	4,176	4,768 ^r	7,813	5,541
22 Europe.....	909	11,793	39,953	1,199	3,210	1,834	3,949	3,662 ^r	6,825	5,176
23 France.....	-89	207	215	-35	-2	169	42	8	-15	0
24 Germany.....	344	1,731	2,013	13	182	103	159	308	897	408
25 Netherlands.....	51	93	223	-9	-2	25	-4	0	158	13
26 Switzerland.....	583	644	3,992	93	492	243	154	249	804	1,013
27 United Kingdom.....	434	8,520	32,642	1,039	2,391	1,368	3,519	3,036 ^r	4,892	3,696
28 Canada.....	123	-76	203	4	-4	-24	-31	42	110	19
29 Latin America and Caribbean.....	100	390	481	27	39	-81	-64	81	124	55
30 Middle East ¹	-1,161	-1,026	-2,643	-507	-265	-80	-187	11	-215	-435
31 Other Asia.....	865	1,862	6,070	518	610	465	508	966	975	703
32 Africa.....	0	1	11	0	3	1	0	1	0	4
33 Other countries.....	52	0	39	1	3	3	1	6	-5	19
34 Nonmonetary international and regional organizations.....	15	297	-95	133	651	-312	-326	-154	358	-358
	Foreign securities									
35 Stocks, net purchases, or sales (-).....	-3,765	-1,219	-3,920	-174	-550	-213	-221	-72	-309	-404
36 Foreign purchases.....	13,281	14,597	20,991	1,632	1,580	1,689	1,564	2,172	2,171	2,726
37 Foreign sales.....	17,046	15,816	24,911	1,806	2,130	1,902	1,785	2,244	2,480	3,130
38 Bonds, net purchases, or sales (-).....	-3,239	-4,131	-3,899	-261	-589	305	-420	-689 ^r	162	-120
39 Foreign purchases.....	36,333	57,312	82,977	6,691	7,147	6,959	6,840	8,538	8,902	8,355
40 Foreign sales.....	39,572	61,443	86,876	6,952	7,736	6,654	7,260	9,227 ^r	8,740	8,475
41 Net purchases, or sales (-), of stocks and bonds.....	-7,004	-5,350	-7,819	-434	-1,139	92	-641	-761 ^r	-147	-524
42 Foreign countries.....	-6,559	-4,961	-8,883	-386	-1,368	302	-876	-748 ^r	-370	-859
43 Europe.....	-5,492	-8,740	-9,797	-680	-1,185	-258	-764	-577 ^r	-1,062	-406
44 Canada.....	-1,328	404	-1,802	-157	-783	36	2	-27	14	-394
45 Latin America and Caribbean.....	1,120	2,472	1,855	73	150	178	191	48	32	92
46 Asia.....	-855	1,252	743	353	418	387	-322	-193	812	-350
47 Africa.....	141	-107	75	13	18	9	-2	-5	37	42
48 Other countries.....	-144	-242	42	14	13	-51	19	6	-204	156
49 Nonmonetary international and regional organizations.....	-445	-389	1,063	-49	229	-210	235	-13	223	335

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 securi-

ties sold abroad by U.S. corporations organized to finance direct investments abroad.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions

Millions of dollars

Country or area	1983	1984	1985	1985						
			Jan.-Dec.	June	July	Aug.	Sept.	Oct.	Nov.	Dec. ^p
			Transactions, net purchases or sales (-) during period ¹							
1 Estimated total ²	3,693	21,447	29,776	5,757	4,786	-3,345	6,533	-653	2,500	6,462
2 Foreign countries ²	3,162	16,444	29,261	5,757	5,364	1,027	3,988	-122	2,276	3,068
3 Europe ²	6,226	11,081	4,015	1,025	975	953	958	-701	-941	180
4 Belgium-Luxembourg	-431	289	477	17	21	92	49	10	29	-44
5 Germany ²	2,450	2,958	1,921	415	725	937	294	17	-101	302
6 Netherlands	375	454	276	10	148	386	127	-126	155	-82
7 Sweden	170	46	976	775	119	-89	-33	-41	-42	-41
8 Switzerland ²	-421	635	763	143	-21	72	25	116	-151	-116
9 United Kingdom	1,966	5,234	-2,124	-96	-761	-82	283	-735	-530	50
10 Other Western Europe	2,118	1,466	1,726	-239	743	-363	214	58	-301	111
11 Eastern Europe	0	0	0	0	0	0	0	0	0	0
12 Canada	699	1,526	-216	6	7	-144	106	138	-394	-71
13 Latin America and Caribbean	-212	1,413	4,258	205	156	524	562	125	735	90
14 Venezuela	-124	14	234	80	0	33	2	91	72	-41
15 Other Latin America and Caribbean	60	528	2,296	123	-7	95	556	110	367	265
16 Netherlands Antilles	-149	871	1,729	2	163	397	4	-76	296	-133
17 Asia	-3,535	2,377	20,781	4,516	4,307	-416	2,225	244	2,925	2,835
18 Japan	2,315	6,062	18,861	2,666	3,752	875	1,884	1,630	3,039	902
19 Africa	3	-67	112	10	10	-1	0	9	1	9
20 All other	-17	114	311	-6	-91	111	137	63	-51	25
21 Nonmonetary international and regional organizations	535	5,001	513	-1	-577	-4,372	2,545	-530	223	3,393
22 International	218	4,610	-384	-105	-219	-4,400	1,883	-430	-15	3,001
23 Latin American regional	0	0	18	0	0	0	-1	0	8	7
MEMO										
24 Foreign countries ²	3,162	16,444	29,261	5,757	5,364	1,027	3,988	-122	2,276	3,068
25 Official institutions	779	515	8,411	2,713	1,788	104	1,064	-1,209	-286	2,714
26 Other foreign ²	2,382	15,930	20,850	3,045	3,575	923	2,924	1,087	2,562	355
Oil-exporting countries										
27 Middle East ³	-5,419	6,277	-1,634	1,422	-1	-1,132	-838	-818	-467	740
28 Africa ⁴	-1	-101	7	0	0	0	0	4	0	2

1. Estimated official and private transactions in marketable U.S. Treasury securities with an original maturity of more than 1 year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

2. 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.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Percent per annum

Country	Rate on Jan. 31, 1986		Country	Rate on Jan. 31, 1986		Country	Rate on Jan. 31, 1986	
	Per-cent	Month effective		Per-cent	Month effective		Per-cent	Month effective
Austria	4.0	Aug. 1985	France ¹	8.75	Nov. 1985	Norway	8.0	June 1983
Belgium	9.75	Dec. 1985	Germany, Fed. Rep. of	4.0	Aug. 1984	Switzerland	4.0	Mar. 1983
Brazil	49.0	Mar. 1981	Italy	15.0	Nov. 1985	United Kingdom ²	8.0	Oct. 1985
Canada	10.80	Jan. 1986	Japan	5.0	Oct. 1983	Venezuela		
Denmark	7.0	Oct. 1983	Netherlands	5.0	Aug. 1985			

1. As of the end of February 1981, the rate is that at which the Bank of France discounts Treasury bills for 7 to 10 days.

2. Minimum lending rate suspended as of Aug. 20, 1981.

NOTE. Rates shown are mainly those at which the central bank either discounts

or makes advances against eligible commercial paper and/or government 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	1983	1984	1985	1985						1986
				July	Aug.	Sept.	Oct.	Nov.	Dec.	
1 Eurodollars	9.57	10.75	8.27	7.89	8.02	8.14	8.08	8.02	7.99	8.02
2 United Kingdom	10.06	9.91	12.16	12.01	11.42	11.49	11.49	11.50	11.66	12.78
3 Canada	9.48	11.29	9.64	9.33	9.16	9.10	8.73	8.85	9.25	10.23
4 Germany	5.73	5.96	5.40	5.31	4.75	4.64	4.77	4.82	4.80	4.65
5 Switzerland	4.11	4.35	4.92	5.07	4.64	4.59	4.53	4.07	4.13	4.08
6 Netherlands	5.58	6.08	6.29	6.29	5.80	5.72	5.89	5.90	5.79	5.71
7 France	12.44	11.66	9.91	9.97	9.79	9.57	9.29	8.95	8.92	8.95
8 Italy	18.95	17.08	14.86	14.37	14.36	13.95	14.16	14.29	14.71	14.88
9 Belgium	10.51	11.41	9.60	8.95	9.50	9.33	8.97	8.66	9.14	9.75
10 Japan	6.49	6.32	6.47	6.29	6.30	6.31	6.47	7.29	7.36	6.54

NOTE. Rates are for 3-month interbank loans except for Canada, finance company paper; Belgium, 3-month Treasury bills; and Japan, Gensaki rate.

3.28 FOREIGN EXCHANGE RATES

Currency units per dollar

Country/currency	1983	1984	1985	1985					1986
				Aug.	Sept.	Oct.	Nov.	Dec.	
1 Australia/dollar ¹	90.14	87.937	70.026	70.70	68.96	70.25	67.74	68.11	70.00
2 Austria/schilling	17.968	20.005	20.676	19.632	19.949	18.569	18.236	17.658	17.151
3 Belgium/franc	51.121	57.749	59.336	56.543	57.395	53.618	52.474	51.251	49.843
4 Brazil/cruzeiro	573.27	1841.50	6205.10	6714.00	7453.33	8203.57	8913.95	9915.71	11345.26
5 Canada/dollar	1.2325	1.2953	1.3658	1.3575	1.3703	1.3667	1.3765	1.3954	1.4070
6 China, P.R./yuan	1.9809	2.3308	2.9434	2.9093	2.9722	3.0782	3.2086	3.2095	3.2095
7 Denmark/krone	9.1483	10.354	10.598	10.1459	10.2906	9.5880	9.3918	9.1221	8.9468
8 Finland/markka	5.5636	6.0007	6.1971	5.9464	6.0140	5.6836	5.5709	5.4824	5.4131
9 France/franc	7.6203	8.7355	8.9799	8.5323	8.6599	8.0641	7.9095	7.6849	7.4821
10 Germany/deutsche mark	2.5539	2.8454	2.9419	2.7937	2.8381	2.6446	2.5954	2.5122	2.4384
11 Greece/drachma	87.895	112.73	138.40	131.75	136.74	145.74	153.037	150.186	148.69
12 Hong Kong/dollar	7.2569	7.8188	7.7911	7.7906	7.8043	7.7908	7.8042	7.8064	7.8081
13 India/rupee	10.1040	11.348	12.332	11.898	12.126	12.033	12.1010	12.1524	12.243
14 Ireland/pound ¹	124.81	108.64	106.62	111.43	109.55	117.00	119.19	122.48	124.75
15 Italy/lira	1519.30	1756.10	1908.90	1873.51	1903.42	1785.43	1753.72	1713.50	1663.14
16 Japan/yen	237.55	237.45	238.47	237.46	236.53	214.68	204.07	202.79	199.89
17 Malaysia/ringgit	2.3204	2.3448	2.4806	2.4644	2.4841	2.4529	2.4341	2.4291	2.4489
18 Netherlands/guilder	2.8543	3.2083	3.3184	3.1429	3.1921	2.9819	2.9230	2.8293	2.7489
19 New Zealand/dollar ¹	66.790	57.837	49.752	53.564	53.285	56.931	57.230	52.633	51.657
20 Norway/krone	7.3012	8.1596	8.5933	8.2487	8.3337	7.9099	7.8076	7.6524	7.5541
21 Portugal/escudo	111.610	147.70	172.07	167.34	172.5	164.59	162.963	160.798	157.99
22 Singapore/dollar	2.1136	2.1325	2.2008	2.2191	2.2268	2.1387	2.1084	2.1213	2.1289
23 South Africa/rand ¹	89.85	69.534	45.57	43.07	39.49	38.38	37.57	37.05	42.40
24 South Korea/won	776.04	807.91	861.89	885.09	847.46	894.49	893.35	893.13	892.75
25 Spain/peseta	143.500	160.78	169.98	164.49	168.91	161.712	159.658	156.052	152.91
26 Sri Lanka/rupee	23.510	25.428	27.187	27.377	27.430	27.421	27.449	27.420	26.342
27 Sweden/krona	7.6717	8.2706	8.6031	8.3106	8.3907	7.9557	7.8127	7.6817	7.5938
28 Switzerland/franc	2.1006	2.3500	2.4551	2.2962	2.3749	2.1692	2.1306	2.1042	2.0660
29 Taiwan/dollar	n.a.	39.633	39.889	40.501	40.465	40.195	39.981	39.906	39.405
30 Thailand/baht	22.991	23.582	27.193	26.889	27.050	26.569	26.315	26.715	26.676
31 United Kingdom/pound ¹	151.59	133.66	129.74	138.40	136.42	142.15	143.96	144.47	142.44
MEMO									
32 United States/dollar ²	125.34	138.19	143.01	137.55	139.14	130.71	128.08	125.80	123.65

1. Value in U.S. cents.

2. 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 p. 700 of the August 1978 BULLETIN.

NOTE. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) release. For address, see inside front cover.

Guide to Tabular Presentation, Statistical Releases, and Special Tables

GUIDE TO TABULAR PRESENTATION

Symbols and Abbreviations

c	Corrected	0	Calculated to be zero
e	Estimated	n.a.	Not available
p	Preliminary	n.e.c.	Not elsewhere classified
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)	IPCs	Individuals, partnerships, and corporations
*	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)	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

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In some of the tables details do not add to totals because of rounding.

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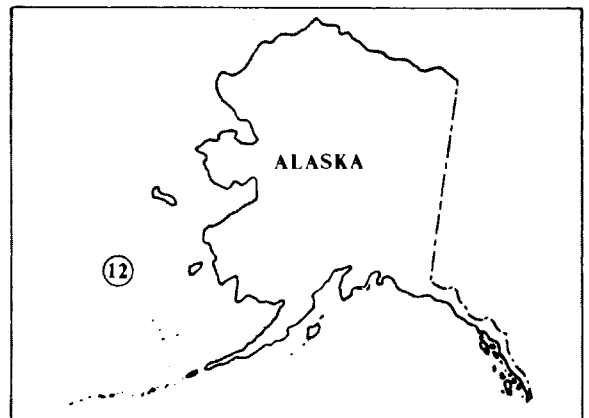
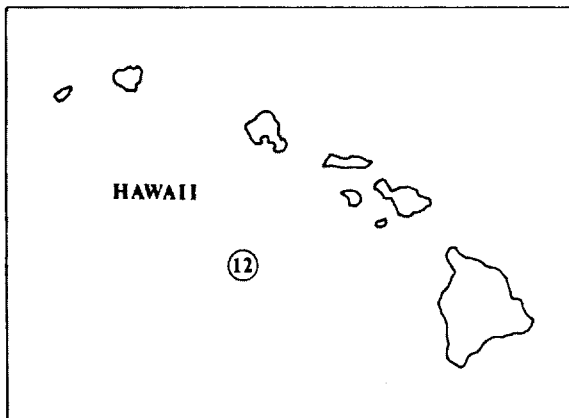
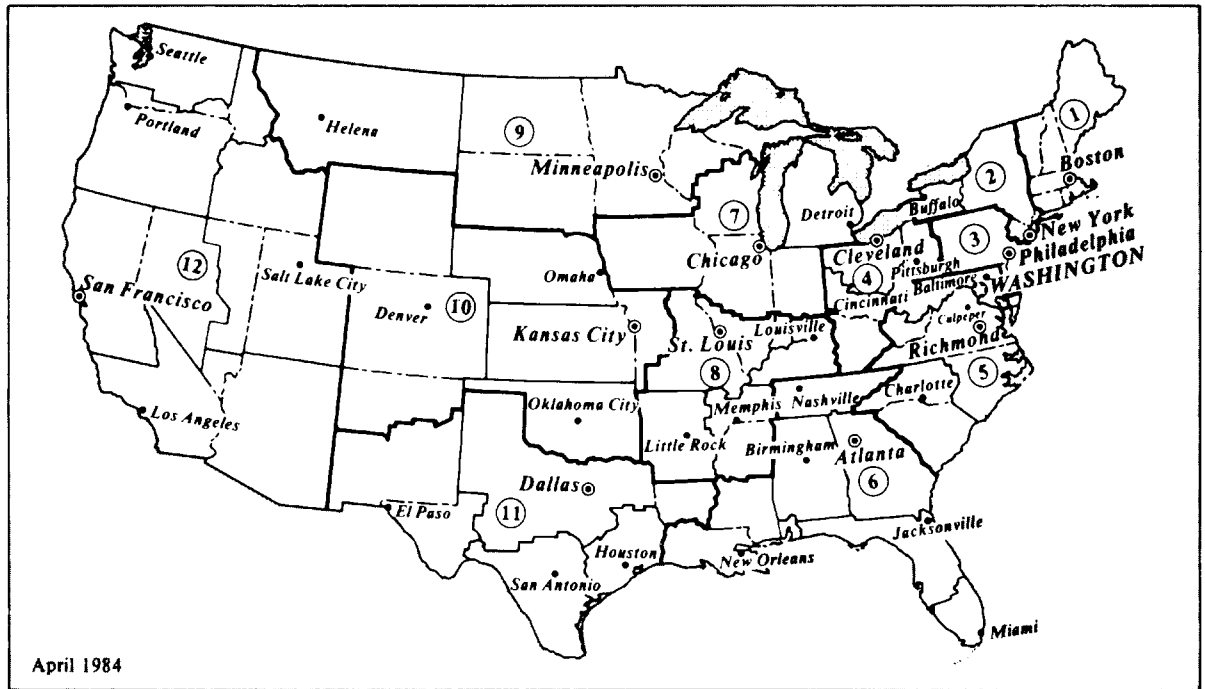
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Nashville37203	Patsy R. Williams		Patrick K. Barron
New Orleans70161	Sharon A. Perlis		Jeffrey J. Wells
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Seattle98124	John W. Ellis		E. Ronald Liggett
			Gerald R. Kelly

*Additional offices of these Banks are located at Lewiston, Maine 04240; Windsor Locks, Connecticut 06096; Cranford, New Jersey 07016; Jericho, New York 11753; Utica at Oriskany, New York 13424; Columbus, Ohio 43216; Columbia, South Carolina 29210; Charleston, West Virginia 25311; Des Moines, Iowa 50306; Indianapolis, Indiana 46204; and Milwaukee, Wisconsin 53202.

The Federal Reserve System

Boundaries of Federal Reserve Districts and Their Branch Territories



LEGEND

— Boundaries of Federal Reserve Districts

— Boundaries of Federal Reserve Branch Territories

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⊙ Federal Reserve Bank Cities

• Federal Reserve Branch Cities

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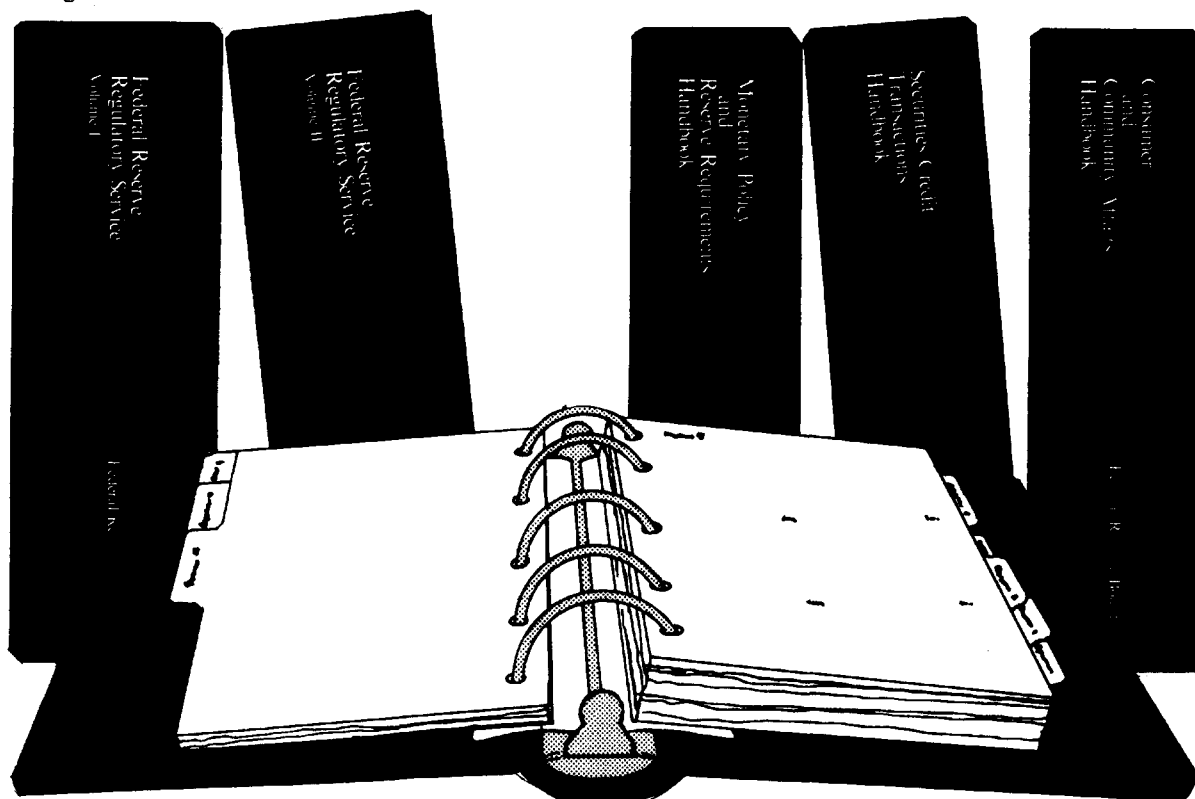
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