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Monetary Policy Report to Congress

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Monetary Policy Report to Congress

Report submitted to the Congress on July 22, 1980, pursuant to the Full Employment and Balanced Growth Act of 1978.¹

THE OUTLOOK FOR THE ECONOMY AND MONETARY POLICY OBJECTIVES

The Outlook for the Economy

The economy moved into recession in the first half of this year. A cyclical downturn had been widely anticipated for some time, but the decline in spending, output, and employment, once under way, has been steeper than most analysts had foreseen. The second-quarter decrease in real gross national product, at an annual rate of about 9 percent according to the Commerce Department's preliminary estimate, was considerably sharper than in the initial quarters of other post-war recessions.

The slump in activity has been most pronounced in the housing and auto industries—the latter sector being adversely affected by structural problems as well as by general cyclical pressures. But the decline has not been limited to these sectors. Retail sales excluding autos have dropped considerably since January, and business outlays for equipment and new construction also have fallen.

The very sharp curtailment of spending on houses and consumer goods and services in the current downturn probably is attributable in large part to the cumulative effect of inflation on consumers' financial well-being. Real disposable personal income was virtually flat in 1979 and has declined appreciably this year. Earlier, consumers had reduced their rate of saving in the face of shortfalls in real income in an effort to maintain consumption standards and in anticipa-

tion of inflation. This was accomplished by further rapid growth in installment and mortgage credit in the late stages of the recent expansion, but with the result that debt service burdens—which already were at high levels historically—continued to climb. Sharply higher interest rates and generally more stringent credit terms in late 1979 and early 1980 acted as additional deterrents to spending, encouraging households in their efforts to reduce debt and to rebuild savings.

The falloff in final sales has caused businessmen to spend more cautiously. This tendency has been reinforced by financial factors as well. The liquidity position of businesses had deteriorated appreciably during the expansion, particularly in the latter stages when there was a surge in short-term borrowing; many firms now are making strong efforts to restructure balance sheets.

The unexpected rapidity of the current downturn thus far has led analysts to reassess their view of the prospects for economic activity in the period ahead. Significant disagreement has arisen with regard to whether recovery will be prompt and strong, with the recent relaxation of credit market conditions encouraging a resumption of normal spending patterns, or whether the cyclical adjustment will be prolonged and the subsequent upturn possibly sluggish. The experience of the past year or so has demonstrated the hazards of forecasting, and the uncertainties at the present time clearly are substantial. Much will depend, for example, on the perceptions of businessmen about the longer-range prospects for demand and the attractiveness of investment, the response of consumers to the 1981-model-year automobiles, and the strength of the rebound in housing that may develop in the wake of the recent easing in mortgage market conditions.

There are signs that the contraction in some sectors may be nearing an end, but these are far from conclusive. Retail sales in June turned up

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

slightly after four months of sharp decline; in the first ten days of July auto sales were at the strongest pace in three months. Housing starts and sales of new homes strengthened in the most recent months for which data are available.

In reflection of the prevailing uncertainties, there is a considerable range of views among the members of the Federal Open Market Committee (FOMC) regarding the movement of major economic variables over the remainder of the year. Most of the members believe that the recession probably will persist into the fourth quarter, with a cumulative net drop in real gross national product less than that in the downslide of 1973-75. Although the decline should slow in the months ahead, employment may be cut back further, and the unemployment rate could rise beyond 8½ percent by year-end. The increasing slack in labor markets and in industrial capacity utilization should at the same time help to moderate inflationary pressures.

The accompanying table presents ranges for key economic variables that generally encompass the judgments of the individual FOMC members about the probable performance of the economy this year and in 1981.

Item	Actual	Projected	
	1979	1980	1981
<i>Change from fourth quarter to fourth quarter, percent</i>			
Nominal GNP	9.9	5 to 7½	8½ to 11½
Real GNP	1.0	-5 to -2½	½ to 3
Implicit GNP deflator	8.9	9 to 10	7¾ to 9½
<i>Average level in fourth quarter, percent</i>			
Unemployment rate	5.9	8½ to 9¼	8 to 9¼

The outlook for 1981 is especially uncertain at the current time. Economic and financial developments over the next six months should lay the groundwork for the recovery anticipated in 1981. But, in addition, any actions taken in the fiscal arena would have an impact on the path of recovery. The projections presented in the table, which do not assume a tax cut in the next year, indicate a turnaround in economic activity—although there is a considerable range of views concerning the potential strength of the recovery.

On balance, the forecast is for a moderate rebound in real GNP, accompanied by some further slackening in the pace of inflation. Unemployment, however, is likely to remain high throughout the year.

Should there be a tax cut in 1981, the impact on economic performance will, of course, depend on its timing and composition. There is the distinct—and very troubling—possibility that a poorly designed tax reduction, or one not coupled with adequate restraint on the expenditure side, might give rise to added inflationary and financial pressures that would in time dissipate the beneficial short-term effects of the fiscal stimulus. Any indication that the Congress and the administration were moving away from a commitment to rigorous fiscal discipline would run the risk of reinvigorating the inflationary expectations that have played such a major role in the economy's difficulties. The Committee thus feels it important that the question of a tax cut be approached cautiously; if a tax cut ultimately is enacted, it should be carefully structured to enhance the productive potential of our economy and to yield the greatest relief from cost and price pressures over the longer run.

Monetary Policy Objectives

The task for monetary policy—and for stabilization policy generally—in the current circumstances obviously is a difficult one. Recession naturally summons forth calls for stimulus to aggregate demand. The prevailing high level of unemployment and the exceptional weakness apparent in particular industries and sectors of our economy certainly must be given careful consideration in the formulation of public policy. But caution must be exercised in the application of any broad countercyclical stimulus, especially in the present environment of persistent inflationary pressures. Indeed, there is no clearer lesson from the experience of the past decade and a half than that excessive stimulus is detrimental to the objective of achieving and sustaining non-inflationary, balanced growth.

A primary and continuing goal of monetary policy must be to curb the accelerating inflationary cycle. It now appears that some progress is

beginning to be made in that direction. Price increases have slowed considerably from the pace of early in the year, in part reflecting some relief in the food and energy sectors, but also as a result of the drop in demand pressures. In addition, recent attitudinal surveys point to a reduction in inflationary expectations. The continuation of this trend in expectations will result in a greatly improved economic and financial environment, one more conducive to long-term growth. We already have witnessed one benefit of an easing of inflationary fears: a substantial decline in long-term interest rates from their highs earlier this year and a revitalization of the bond markets. The Federal Reserve's pursuit of a policy of monetary restraint—evidenced this year by a moderation of money growth—has been an important factor in this turn in expectations; a sustained commitment to the attainment of non-inflationary rates of money and credit growth is essential if this progress is to be extended.

Despite the improvement that has occurred, however, inflationary forces are far from subdued. The past years have left a legacy of adverse cost trends that will not be reversed quickly. Moreover, more extreme inflationary expectations easily could be reignited. In establishing its plans for growth in the monetary aggregates, the Federal Reserve will continue to place high priority on reducing inflation, believing that this is essential to fostering a sound and sustained recovery. Over the long term, a reduction in the underlying rate of inflation is essential for a strong U.S. economy, for encouraging the saving we will need to finance adequate capital investment, and for maintaining the position of the dollar in international markets.

But it is clear also that if inflation is to be restrained without undue disruption of economic activity we cannot rely solely on monetary policies. For example, fiscal discipline is essential to ensure that excessive pressure is not placed on the financial and real resources of the economy. The structure of our tax system should be examined with an eye to the incentives it provides for productivity-expanding research and capital formation. And the full range of governmental policies should be reviewed to ensure that they do not add needlessly to costs and do not stunt innovation and competition.

Money and Credit Growth in 1980 and 1981

In February the Federal Reserve reported to the Congress ranges of growth for the monetary aggregates in 1980 that it believed to be consistent with the continuing objective of reducing inflationary pressures over time while providing for sustainable growth in the nation's production of goods and services. These ranges anticipated a substantial deceleration in monetary growth in 1980 from the pace of the preceding year. Measured from the fourth quarter of 1979 to the fourth quarter of 1980, the following ranges were adopted: for M-1A, $3\frac{1}{2}$ to 6 percent; for M-1B, 4 to $6\frac{1}{2}$ percent; for M-2, 6 to 9 percent; and for M-3, $6\frac{1}{2}$ to $9\frac{1}{2}$ percent. The associated range for bank credit expansion was 6 to 9 percent.

During the first half of 1980, growth of the monetary aggregates slowed considerably from the 1979 pace. The deceleration was particularly marked for the narrower aggregates, M-1A and M-1B, which grew at rates below the lower limits of their longer-run ranges—at annual rates of about $\frac{1}{2}$ and $1\frac{3}{4}$ percent respectively from the fourth quarter of 1979 to the second quarter of 1980. (M-1A is currency and demand deposits held by the public, while M-1B includes checkable interest-bearing deposits as well.) At the same time, the broader aggregates, M-2 and M-3, grew at annual rates of $6\frac{1}{2}$ and $6\frac{3}{4}$ percent respectively, which are somewhat above the lower limits of their ranges. In fact, by June, M-2—which includes money market fund shares and all deposits except large certificates of deposit (CDs) at banks and thrift institutions—was around the midpoint of its longer-run range, and M-3 slightly below, while the narrower aggregates were moving back toward their ranges, following an unusually sharp drop in early spring.

The contraction in the narrower aggregates during the second quarter was much greater than would have been expected on the basis of the historical relationships among money, income, and interest rates. This unusual weakness may have reflected exceptional efforts by the public to pare cash balances, such as have characterized some other periods following a sharp upward adjustment in market interest rates to new record levels. There may also have been an impact from the surge in

debt repayments, especially at banks, after the imposition of the credit control program in mid-March, with some of the funds apparently coming out of cash balances. In light of these special circumstances affecting the public's demand for transactions balances, and given the relative strength of the broader aggregates and the usual lags between changes in credit conditions and growth in the narrower aggregates, the FOMC believed it appropriate to foster a more gradual return of M-1 growth to the ranges established earlier.

In connection with reserve-targeting procedures, System open market operations supplied a large volume of nonborrowed reserves over the course of the second quarter. Given the weak demand for money and bank credit, most of the added nonborrowed reserves were used by banks to repay borrowings from the Federal Reserve discount window. Borrowings fell from a high of \$2.8 billion on average in March to minimal levels recently, and the easing of bank reserve positions was reflected in a sharp decline in the federal funds rate. From their peaks of late March or early April, short-term interest rates have declined 7 to 9 percentage points and long-term rates by roughly 2 to 3 percentage points.

Expansion in the broader aggregates over the first half of the year reflected the very rapid growth for much of the time in money market mutual fund shares, 6-month money market certificates, and 2½-year small saver certificates, instruments that pay market rates of interest. Late in the period, as short-term market interest rates declined sharply, the contraction in savings deposits at banks and other depository institutions halted, and the outstanding amount of those deposits began to rise. For part of the period, growth in M-3 was sustained also by continued issuance of large time deposits by commercial banks and thrift institutions, which are included in M-3 but not in M-2; however, large time deposits began to contract in late spring as credit demands weakened substantially.

Bank credit growth greatly exceeded the FOMC's range in the first quarter of the year. The second quarter, however, saw a sharp contraction in this measure, and credit growth was well below the FOMC-specified range as of mid-year. Demands for bank loans by households and businesses dropped abruptly in the second quar-

ter, while the banks—concerned about the possible erosion of profit margins by high-cost funds obtained earlier and seeking to conform to the guidelines of the March 14 special credit restraint program—pursued relatively tight lending policies. Businesses, meanwhile, have met a substantial portion of their credit needs through issuance of commercial paper (which serves as a close substitute for bank credit for many large firms), by borrowing in bond markets, and by reducing holdings of liquid assets. Over the half year, the total of credit advanced by banks and in the private short-term money markets rose at an annual rate of around 7½ percent.

At its meeting in July, the Federal Open Market Committee reassessed the ranges it had adopted for monetary growth in 1980 and formulated preliminary goals for 1981. The Committee elected to retain the previously established ranges for the aggregates over the remainder of 1980. This decision by the Committee took into consideration the recent behavior of the money stock measures as well as emerging economic conditions. In this regard it was recognized that, if the public continues to economize on cash balances to an unusual degree in the second half of the year, growth in the narrower aggregates would likely fall toward the lower end of the established ranges.

With respect to the broader aggregates, growth in the second half is likely to place them nearer the midpoints of their respective ranges and, in the case of M-2, quite possibly in the upper half of its range. Recent trends suggest that a continued substantial expansion in the interest-bearing-nontransactions component of M-2 is likely. In the current cyclical environment, consumers have begun to reevaluate their financial positions and have reduced their borrowing and adjusted upward their rate of saving. Thus, if the recent lower level of interest rates persists, the outlook is for an augmented flow of funds to depository institutions along with continued, though slower, growth in money market mutual funds.

The Committee also noted that the recent sharp contraction in bank credit makes it quite likely that this measure will fall below the 6 to 9 percent growth range specified in February. A resumption of bank credit expansion during the second half is anticipated, but the strength of that move will depend to a considerable extent on

patterns of corporate finance. The desire for balance sheet restructuring may well continue to mute business loan demands, although weaker corporate cash flows and a narrowing of the spread of the prime rate over commercial paper rates likely will prompt some borrowing at banks. Mortgage loan demands also should begin to recover as the year progresses, and the runoff in consumer loans is expected to abate.

One factor that contributed to the recent weakness in bank lending was the Board's special credit restraint program. As announced earlier, the program is being phased out this month because there is now no evident need for extraordinary measures to hold bank lending within reasonable bounds. In removing the special controls, the Board has emphasized its intention to continue to maintain aggregate growth in money and credit at rates consistent with a reduction in inflationary pressures.

With regard to monetary policy over the longer run, the FOMC reiterates its intent to seek reduced rates of monetary expansion over coming years, consistent with a return to price stability. While there is broad agreement in the Committee that it is appropriate to plan for some further progress in 1981 toward reduction of the targeted ranges, most members believe it would be premature at this time to set forth precise ranges for each monetary aggregate for next year, given the uncertainty of the economic outlook and institutional changes affecting the relationships among the aggregates. The extent and timing of adjustments in the targets will depend upon an appraisal of the outlook at the end of the year. The appropriate money growth in 1981 relative to 1980 of course will depend to some extent on the outcome in this year—that is, on exactly where in the present ranges the various aggregates fall at year-end.

In addition, the various measures of money will be affected in 1981 by shifts in the demand for different types of financial assets. The introduction of negotiable order of withdrawal (NOW) accounts on a nationwide basis in January will accelerate the shift from regular demand deposits into interest-earning transactions balances, thereby depressing M-1A growth next year. On the other hand, M-1B probably will be boosted somewhat next year by shifts from savings deposits and other interest-bearing assets in-

to NOW accounts. The range for M-1B thus may have to accommodate a period of abnormal growth as the public adjusts to the availability of a new instrument. The experience of the past year and a half with automatic transfer service (ATS) accounts has indicated the difficulty of estimating in advance the public's demand for such balances. Although growth in M-2 and M-3 will not be affected by NOW account movements, these broader aggregates include other relatively new financial instruments, the demand for which is still subject to uncertainty. The behavior of these instruments in coming months will aid the FOMC in determining appropriate growth ranges for the broader aggregates in the 1981 period.

The Administration's Short-Term Economic Goals and the Relationship of Federal Reserve Objectives to These Goals

The administration, in association with its mid-year budget review, has updated its forecast of the behavior of major economic variables for 1980 and 1981. The revised figures are shown in the accompanying table.

These estimates, which the administration has indicated should be viewed as forecasts rather than as goals, show a considerably greater decline in real activity in 1980 than had been anticipated in the January *Economic Report of the President*. The outlook for growth in nominal GNP through year-end has been lowered by a small amount, owing to a somewhat higher anticipated rate of inflation for the four quarters of 1980. The administration's projections for this

Item	1980	1981
<i>Change from fourth quarter to fourth quarter, percent</i>		
Nominal GNP	6 ³ / ₄	12 ¹ / ₂
Real GNP	-3	1 ¹ / ₂
Implicit price deflator	10	9 ³ / ₄
<i>Average level in fourth quarter, percent</i>		
Unemployment rate	8 ¹ / ₂	8 ¹ / ₂

year fall within the ranges expected by the members of the FOMC.

The administration has projected a resumption of output growth next year that places real GNP

near the upper end of the range encompassed by the forecasts of the members of the FOMC. At the same time, the administration's estimates place the rate of inflation somewhat above the range of the FOMC members' expectations. (Like the FOMC members' projections, the administration's forecast does not include a tax cut provision for 1981.)

As indicated in the preceding section, the Federal Reserve intends to set monetary growth ranges for 1981 that will help to restrain inflationary pressures in the recovery period. As experience this year illustrates, considerable uncertainty attaches to any analysis of the relationships over relatively short periods among money, interest rates, and nominal GNP. However, a substantial expansion in demands for goods and services, accompanied by a lack of progress on the inflation front—or worse, an actual increase in inflation or inflationary expectations—would raise the possibility of a considerable firming of conditions in financial markets. Large and prolonged federal deficits would increase that risk. This possibility highlights the urgency of concerted effort by the public and private sectors to reduce the rate of advance of costs and prices and the need to focus any discussions of fiscal action on approaches that would serve to alleviate cost pressures and bolster productivity.

A REVIEW OF RECENT ECONOMIC AND FINANCIAL DEVELOPMENTS

Economic Activity During the First Half of 1980

Economic activity turned down early this year following almost five years of expansion. Between January and June, industrial production fell 7½ percent, employment declined about 1¼ million, and the unemployment rate jumped 1½ percentage points. Real gross national product is estimated to have fallen at an annual rate of 9.1 percent in the second quarter, with the decline in activity widespread among major sectors of the economy. Retail sales have decreased substantially since January, housing starts have dropped to near-record postwar lows, and busi-

ness outlays for equipment and new construction have declined. Although businesses were cautious in building inventories during the expansion, the severity of the recent decline in final sales has led to some involuntary stock accumulation; as in past cycles, the resulting efforts to curb inventory growth have played a significant role in the weakening of orders and production.

Recent reductions in aggregate demand, coupled with a slower rise of energy prices, meanwhile have brought some moderation in the overall pace of inflation. The producer and consumer price indexes have risen at much less rapid rates in the past few months than they did earlier in the year. Moreover, there are indications from consumer surveys that inflationary expectations have been lowered. Nevertheless, inflation still possesses a strong momentum, with unit labor costs continuing on a steep upward trend.

Personal Consumption Expenditures. Personal consumption expenditures fell sharply in real terms during the first half. A number of adverse trends had characterized household finances for some time prior to the beginning of 1980. Real disposable income had stagnated after 1978, household liquidity positions had weakened as liabilities increased faster than financial assets after late 1976, and a near-record proportion of disposable income had been committed to the servicing of debt. Moreover, consumer confidence, as measured by opinion surveys, had deteriorated to levels last seen in the 1973–75 recession. In the light of these trends, a downward adjustment of consumer outlays might have been expected last year; the fact that it did not occur appears attributable in part to growing expectations of inflation that fostered a buy-in-advance psychology.

Between January and May, retail sales fell 6½ percent in nominal terms and more than 9½ percent in real terms—the sharpest four-month drop in the postwar period. Preliminary estimates for June, however, indicate that sales moved up somewhat. As in past recessions, large decreases in sales this year have occurred for the relatively discretionary items of consumer expenditure. Automobile sales in June averaged only 7.6 million units at an annual rate, close to the May

pace, which was the slowest since late 1974. Furniture and appliance sales also are down sharply this year, in part because of the fall in housing sales. But weakness in consumer outlays has not been confined to the durable goods sector. Purchases of nondurables in real terms also have been falling since late last year, with sizable declines recorded for clothing and general merchandise.

Since January, real disposable income has decreased substantially as employment and hours worked have fallen and prices have continued upward at a rapid pace; nonetheless, the retrenchment by consumers has lifted the saving rate somewhat above the extraordinarily low level of the fourth quarter of last year. It still remains low by historical standards, however, and uncertainty about job and income prospects may well prompt households to enlarge precautionary savings, thereby contributing further to the weakness in personal consumption expenditures.

Residential Construction. Homebuilding activity has experienced a severe decline. Housing starts, which averaged nearly $1\frac{3}{4}$ million units at an annual rate during the first nine months of 1979, began to fall sharply last autumn. By December, starts were at a $1\frac{1}{2}$ -million-unit pace, and by May they had declined to a rate of almost 900,000. June saw a pickup in starts to a $1\frac{1}{4}$ million annual rate.

In the single-family sector, starts dropped 45 percent between the third quarter of 1979 and the second quarter of this year. Although demographic factors remained quite favorable during this period, the demand for such dwellings was curtailed by the increased cost of homeownership associated with higher house prices and the rapid rise in mortgage interest rates. The monthly cost of interest and principal on an average-priced new home financed with a conventional mortgage rose to \$700 in May—a third higher than six months earlier and 50 percent above the same month of 1979. Households probably were increasingly reluctant to undertake such heavy financial obligations, especially as income and employment conditions weakened this year.

Home sales have dropped almost 40 percent from the pace of last summer. Although production adjustments have reduced the number of un-

sold new single-family dwellings on the market, these unsold units bulk larger relative to the recent slower rate of sales. At the May sales pace, which was up sharply from April, there was almost a nine-month supply of unsold new single-family units on the market. The pickup in sales in May is perhaps a sign of some increased interest on the part of homebuyers, prompted by the recent easing in financial markets; however, the still large overhang of unsold homes is likely to discourage a quick resumption of building in many localities.

Multifamily housing starts began declining sharply late last year and in the second quarter were off about 35 percent from the already-reduced pace of the third quarter of 1979. The decline in this sector has been less severe than in the 1973–75 period, as low vacancy rates in many areas and an acceleration in rent increases beginning in late 1979 have given builders an incentive to sustain a significant level of apartment construction in the face of high construction costs and tight financial conditions. In addition, demands for condominiums—a lower-cost alternative to single-family homeownership—have provided support to multiunit activity.

Business Spending. Business spending on plant and equipment has slowed in recent months as firms have sought to avoid expanding capacity at the onset of a recession. Spending on non-residential structures, which accounted for much of the gain in investment during 1979, peaked in January and declined substantially in the following months. Business purchases of trucks and automobiles also have been falling since early this year, as have outlays for other capital equipment.

Weakness in capital spending in the first half of the year—as well as in forward-looking indicators of investment activity such as surveys, construction contracts, and equipment orders—probably reflected businessmen's anticipations that sales may remain sluggish for a while. In addition, corporate cash flows are diminishing, and with liquidity positions already strained in many instances, there may be a reluctance to undertake additional projects requiring external financing. Although interest rates have fallen dramatically from the high levels reached earlier this

year, growing excess plant capacity suggests the likelihood of further decreases in real outlays, while firms take advantage of lower long-term rates to restructure their balance sheets.

Despite sizable cutbacks in production, some involuntary inventory accumulation appears to have occurred this spring as a consequence of the steep fall in sales. The stock-sales ratio for all manufacturing and trade in real terms rose only moderately during the first quarter, but climbed appreciably in April and May to near the level of late 1974. Since the start of the year, substantial increases in the ratio have been registered in most major industries with especially large rises for primary metals manufacturers, furniture and appliance retailers, and the motor vehicle industry. Auto sales incentive programs and production adjustments in the first quarter of 1980 largely eliminated excessive stocks that had resulted from last summer's gasoline shortages. However, beginning in mid-April, automobile sales plummeted, and despite further curtailments of production, some overhang of stocks at dealers reappeared.

Government. Spending at all levels of government has been restrained in recent months. Total federal expenditures, which grew rapidly in the early months of the year, moderated in the second quarter largely as a result of the March budget cuts. Growth in receipts fell off much more, however, as weakness in personal income and profits offset the impact of additional revenue from the windfall profits tax on oil producers. As a result, the federal deficit on a national income accounts basis probably deepened by about \$30 billion, at an annual rate, between the fourth quarter of 1979 and the second quarter of 1980. However, the high-employment budget, a better indicator of the thrust of discretionary fiscal policy, showed a movement toward restraint during this period.

State and local government spending fell in real terms during the first half of 1980, as governmental units curtailed outlays in response to the slower growth of revenues caused by tax cuts enacted in 1979, the weakening economy, and the March reductions of federal grants-in-aid. The reduced pace of spending was most pronounced for construction activity because feder-

al funding was cut back and municipal bond issuance was constrained in the first quarter by high interest rates. Despite the downward adjustments of outlays, the aggregate operating deficit of the state and local government sector apparently widened considerably in the spring.

International Trade and Payments. Real exports of goods and services continued to grow rapidly in the first quarter of 1980, but the rise appears to have slowed somewhat in the second quarter. The deceleration largely reflected the slowing of economic expansion abroad and the fading of the impact of the 1977-78 real depreciation of the dollar. All of the growth in the first half was concentrated in nonagricultural exports; agricultural shipments were reduced, partly because of the embargo on additional grain sales to the Soviet Union imposed by the President in January.

The volume of imports, meanwhile, began to fall off as U.S. economic activity slackened and as higher prices and greater fuel efficiency acted to restrain oil imports. The volume of non-oil imports rose slightly on balance in the first half of 1980, but all of the increase was in the first quarter. The quantity of oil imports fell, apparently reaching its lowest rate in four years in the second quarter. Despite a declining volume of oil imports in the first quarter, higher prices by the Organization of Petroleum Exporting Countries (OPEC) resulted in a continuation of the rapid growth in the dollar value of oil imports. The oil import bill nearly doubled between the fourth quarter of 1978 and the first quarter of 1980; in the second quarter the value of oil imports changed little as lower volume offset a further rise in import prices.

The U.S. merchandise trade deficit increased about \$6½ billion at an annual rate in the first quarter of this year from the rate in the last quarter of 1979. The current account moved from a deficit of about \$7 billion at an annual rate in the fourth quarter, and near balance for the year 1979, to a deficit of about \$10 billion in the first quarter of 1980. Higher foreign earnings of U.S. oil companies offset part of the rise in the merchandise trade deficit. Partial data indicate that the trade and current-account deficits narrowed in the second quarter.

Labor Markets and Capacity Utilization

Labor demand was relatively well-maintained early in the year, but it fell off steeply in the spring as firms responded to the sharp declines in sales by cutting their work forces and shortening workweeks. Between January and June, the number of workers on the payrolls of nonfarm establishments fell almost 950,000; total employment, as measured by the household survey, fell more than 1 $\frac{1}{4}$ million. With layoffs rising, the nation's jobless rate jumped from 6 $\frac{1}{4}$ percent in January to 7 $\frac{3}{4}$ percent in May and June.

Much of the cutback in employment occurred in the construction sector and in durable goods manufacturing, especially motor vehicle and related industries. By June, the number of auto workers on indefinite layoff was nearly 250,000 (about 30 percent of total hourly workers in the industry), and substantial layoffs had occurred in the steel and tire industries as well. Construction employment began to drop early in the year, and subsequently suppliers of building materials also reduced their payrolls. During the spring, however, weakness in labor demand began to spread throughout the economy; employment at trade establishments dropped 190,000 over the second quarter, and in June payrolls in the service-producing sector registered the first monthly decline since 1975.

In addition to trimming payrolls, employers have curtailed work schedules in light of the weakening of sales. Since January, the average workweek at manufacturing establishments has been shortened almost 1 $\frac{1}{4}$ hours. More generally, the number of workers on part-time schedules for economic reasons rose sharply in the second quarter, with former full-time jobholders accounting for most of the increase.

The rise in joblessness has been widespread among demographic and occupational groups, with especially large increases reported among adult males. Since December, the jobless rate among men has climbed almost 2 $\frac{1}{2}$ percentage points, compared with an increase of $\frac{3}{4}$ percentage point for adult women, and June marked the first time in two decades that the rate for men was higher than that for women. Unemployment among blue-collar workers rose sharply to an 11 $\frac{1}{2}$ percent rate in June, the highest since Sep-

tember 1975. In contrast, unemployment rates among white-collar workers have increased only marginally since the end of 1979.

The adjustments in output by firms, especially in the second quarter, were reflected in a sharp decline in the index of industrial production. Between January and June, industrial production fell nearly 7 $\frac{1}{2}$ percent. Production declines in auto-related industries and in industries supplying construction materials began early in the year, but by late spring cutbacks were occurring in most other industries as well. Among manufacturing firms, capacity utilization in June dropped to 76 percent, almost 11 percentage points below its 1979 peak.

Prices, Wages and Productivity

After exploding upward in the early months of the year, rates of price increase moderated significantly in the second quarter. The improvement resulted primarily from a stabilizing of energy prices and from declines in the prices of nonferrous metals, after a flurry of speculative activity earlier in the year. Increases in the prices of construction materials and components also slowed noticeably in the second quarter with the decline in activity in the housing sector.

In the energy area, retail prices surged in January and February, in large part the result of the hike in OPEC prices that occurred in late 1979, but the pace of increase then slowed noticeably in the spring, as inventories reached near-record levels and demand continued to drop. The increase in energy prices also moderated at the producer level. Nonetheless, indirect effects of earlier increases in the prices of fuels and petroleum feedstocks were still evident through the end of June in items such as plastics and rubber products, industrial chemicals, and household supplies. Moreover, a number of factors—including the latest increases in OPEC prices, the curtailment of gasoline production, and the progressive decontrol of crude oil prices—suggest that further relief in the energy area is not to be expected.

Food prices generally have exerted a moderating influence on aggregate price measures since the beginning of the year. At the producer level,

finished food prices fell at about a $4\frac{1}{2}$ percent annual rate between December and June. Steep drops in wholesale prices through May—particularly for livestock—alleviated cost pressures at the retail level, contributing to relatively stable retail food prices since the end of last year. However, recent developments in the markets for livestock and fresh produce indicate that food prices also are likely to rise more rapidly in the second half of the year.

Inflationary pressures have persisted in sectors outside food and energy since the beginning of the year. In the consumer price index, increases in the homeownership component have been particularly large, as the measures of mortgage rates and home purchase prices both advanced rapidly in the first half of this year; the recent easing of mortgage rates will likely hold down increases in the consumer price index during the next few months. In the producer price index, prices of capital equipment accelerated in the first half of 1980 from the rapid pace of 1979.

Labor cost pressures remained intense in the first half of 1980, as compensation increases were substantial while productivity declined further. Output per hour in the private nonfarm business sector dropped at about a $1\frac{1}{2}$ percent annual rate in the first quarter, after falling 2 percent over the preceding year. At the same time, hourly compensation accelerated to a $10\frac{1}{4}$ percent annual rate, so that the unit labor costs of nonfarm businesses rose at about an $11\frac{3}{4}$ percent rate in the first quarter. Preliminary data for the second quarter suggest that unit labor costs continued to rise rapidly, as productivity contracted further. Although cyclical reductions in overtime and the changing employment mix may restrain the growth in total compensation somewhat in coming months, wage demands are likely to remain strong, especially in light of past increases in consumer prices. Thus, upward pressures on unit labor costs will probably remain substantial over the near term.

Financial Developments During the First Half of 1980

Interest Rates. Market rates of interest moved sharply higher in the early months of 1980, exceeding previous record levels and peaking

around the end of the first quarter. These increases were largely reversed in the second quarter amid a substantial downside in economic activity and contracting demands for money and credit. The upward pressure on yields at the turn of the year resulted from a combination of factors, including a deterioration in inflationary expectations as actual price increases accelerated in January and February, the failure of incoming data to confirm the long-anticipated downturn in activity, and international political developments that raised the likelihood of an increase in federal deficit spending. In February, moreover, growth in money and credit surged, creating demands for bank reserves well in excess of the provision of nonborrowed reserves consistent with the Federal Reserve's target ranges for growth in the monetary aggregates. In the Treasury bill market, in particular, the resulting rise in short-term interest rates was reinforced by large sales of securities by foreign institutions to finance intervention in foreign exchange markets.

On March 14, the Board of Governors took actions of a temporary nature designed to reinforce the effectiveness of the measures announced in October 1979 and thus to provide greater assurance that the monetary goals reported to the Congress in February would be met. These actions, some of which were taken under the authority of the Credit Control Act as part of a broad government effort aimed at reducing inflationary pressures, included the following: (1) a special credit restraint program directed toward limiting the growth in loans to U.S. customers by commercial banks and finance companies to ranges consistent with the monetary and credit objectives of the Federal Reserve; (2) a special deposit requirement for all types of lenders on increases in certain categories of consumer credit; (3) an increase in the marginal reserve requirement on managed liabilities of large member banks and U.S. branches and agencies of large foreign banks; (4) a special deposit requirement on increases in managed liabilities of large non-member banks; (5) a special deposit requirement on increases in total assets of money market mutual funds; and (6) a surcharge of 3 percentage points on frequent borrowing by large member banks from Federal Reserve Banks.

These measures hastened the movement toward reduced credit availability already in train

at many lenders, and apparently increased the resolve of consumers to curtail their use of credit. In subsequent weeks, incoming data revealed a substantial slackening in money and credit growth to well within the Federal Reserve's objectives. In light of these developments, the Board amended the special credit program: on May 6 the 3-percentage-point surcharge on discount borrowing by large banks was eliminated, and on May 22 special deposit requirements were reduced by half and the special credit restraint guidelines were modified. On July 3 the final phaseout of the program was announced.

The rise in most interest rates came to a halt in late March and early April, and yields began to move down as demands for money and credit dropped abruptly in response to developing slack in the economy. Most private short-term rates fell 7 to 9 percentage points, to their lowest levels since the spring of 1978. In long-term securities markets, bond yields retraced most or all of the increases recorded earlier in the year, as market participants appeared to have lowered their expectations of inflation. The restraining posture of monetary and fiscal policy, as well as moderating rates of price increase in the cyclical downturn, has contributed to this improved outlook for price changes.

Foreign Exchange Markets and the Dollar. Movements in U.S. interest rates greatly influenced fluctuations in the foreign exchange value of the dollar over the first half of 1980. The dollar was in strong demand early in the year when U.S. interest rates rose sharply. The growing perception by market participants of accelerating inflation and worsening payments deficits abroad gave added impetus to the dollar's rise over this period, as did the announcement of credit control measures on March 14. Authorities in a number of foreign countries also moved to tighten monetary conditions, but the resulting increase in foreign interest rates lagged well behind that of U.S. rates. The strengthening in the foreign exchange value of the dollar in February and March was moderated somewhat by substantial intervention activities by U.S. and foreign monetary authorities.

The peaking and subsequent steep decline in U.S. interest rates in early April triggered heavy selling pressure on the dollar in international

markets, and the dollar's foreign exchange value fell in the April to June period. Foreign and U.S. monetary authorities intervened to moderate this decline by making net purchases of dollars. Even so, by the end of June earlier gains were entirely erased, and the weighted-average exchange value of the dollar at midyear was little changed from its value at the beginning of the year.

Domestic Credit Flows. Net funds raised in credit markets by domestic nonfinancial sectors of the U.S. economy totaled a sizable \$391 billion at an annual rate in the first quarter of 1980, but contracted sharply to an estimated \$193 billion in the second period. This exceptionally large decline in borrowing reflected in large part the recent sudden weakening in production and sales activity; also, monetary restraint, supplemented by the special policy actions of mid-March, contributed to tauter credit terms and reduced availability of funds at many lenders.

In the private sector, the volume of funds raised in the first quarter was greatly enlarged by a surge in borrowing on the part of nonfinancial business firms. Some of this increased borrowing reflected needs to finance growth in inventories and fixed capital outlays, as the gap between such expenditures and internally generated funds of nonfinancial corporations widened. But fears that unchecked inflation would lead to the imposition of credit controls and a consequent reduction in credit availability apparently led to a burst of anticipatory borrowing by firms as well. As a result, corporations added substantially to their holdings of liquid assets in the first quarter and appear to have drawn down these holdings in subsequent months.

As interest rates moved up rapidly early in the year, businesses concentrated their credit demands in short- and intermediate-term markets, with borrowing at banks and in the commercial paper markets especially heavy. Corporate bond financing remained relatively low as businesses, especially industrial firms, were reluctant to issue long-term debt at historically high yields. This pattern of corporate financing shifted dramatically, however, when interest rates dropped rapidly in the spring. Public offerings of longer-term corporate bonds accelerated to unprecedented levels, with the proceeds from many of these issues being used to pay down bank debt.

After March, commercial banks—concerned both about pressures on their earnings margins as interest rates dropped and about meeting the loan growth guidelines of the voluntary special credit restraint program—tended to discourage business borrowers. In particular, adjustments in the bank prime lending rate lagged substantially behind downward movements in other market rates, greatly increasing the relative cost of this source of financing. As a result of the relatively high cost of bank credit, coupled with a desire of businesses to adjust their balance sheets following the heavy reliance on short-term debt in previous months, business loans at banks contracted markedly in the second quarter. Although commercial paper issuance by firms remained very large, total short- and intermediate-term business credit demands in the second quarter moderated appreciably from the first-quarter pace. Late in the second quarter, the prime rate began to move down, narrowing the gap with market rates somewhat; survey data, furthermore, suggest that banks in May were making a large share of short-term business loans at below-prime interest rates.

In the household sector, consumers greatly reduced their use of installment credit during the first half. The large growth of consumer installment and mortgage debt in 1979—both in absolute terms and in relation to disposable income—had produced a marked deterioration in household liquidity. The combination of resulting heavy debt burdens, high interest rates, and, in some states, restrictive usury ceilings acted to slow growth of installment credit in late 1979 and the first quarter of 1980. The volume of outstanding installment credit contracted in the second quarter as consumers curtailed expenditures and repaid debt against a backdrop of rapidly declining real incomes and rising unemployment. Credit-tightening measures by lenders after the announcement of the credit-control package on March 14 and uncertainty on the part of consumers about the effects of those controls contributed further to the reduction in credit use.

Household borrowing in mortgage markets also slowed considerably in the first half. Reduced deposit flows and pressures on earnings margins from rising costs of funds constrained the lending

activity of thrift institutions and pushed mortgage rates to record levels in March. Many would-be homebuyers were deterred by the high cost of mortgage credit. More recently, lower market interest rates have helped to reduce cost pressures for thrift institutions and have contributed to a pickup in deposit flows. Sharp drops in mortgage rates since early April and reports of some easing in nonrate terms suggest that lending institutions have become more active in seeking mortgage loans since early June. But mortgage rates remain high by historical standards, while demands for housing and housing credit continue to be damped by a weak economy and by the liquidity concerns of households; consequently, mortgage commitment activity apparently has remained relatively sluggish.

The Treasury borrowed heavily in credit markets in the first half to finance the combined deficits of the federal government and off-budget agencies. Normal seasonal patterns in federal cash flows associated with the timing of tax receipts led to a concentration of the Treasury's borrowing in the first three months of the year. Although the first-quarter deficit was further deepened this year by unusually large tax refunds associated with overwithholding in 1979, the Treasury was able to even out its borrowing pattern somewhat by permitting its cash balance to drop over the first quarter and then rebuilding it in the second.

In contrast to the federal sector, net borrowing by state and local governments dropped off in the first quarter but accelerated appreciably in the second. Many municipal governments postponed or canceled scheduled bond issues early in the year because of high interest rates; for some governmental units, these actions were necessitated by the rise of interest rates above statutory limitations. But the volume of tax-exempt financing picked up considerably in the second quarter when interest rates fell and many previously postponed bond issues were brought to market. The financing needs of state and local units generally increased over the first half in response to slower growth of revenues and a consequent widening of their operating deficits. Also, the volume of tax-exempt securities issued continued to be boosted by offerings of mortgage revenue bonds, designed to finance single-family housing.

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. In some instances the Federal Reserve System finances similar studies by members of the academic profession.

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

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

Single copies of the full text of each of the studies or papers summarized in the BULLETIN are available 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

FOREIGN OWNERSHIP AND THE PERFORMANCE OF U.S. BANKS

James V. Houpt—Staff, Board of Governors

Prepared in early 1980 and distributed to congressional committees in connection with legislation regarding foreign ownership of U.S. banks.

Foreign ownership of U.S. banks has increased significantly in recent years, and as a result has become the focus of regulatory and congressional interest. That interest was greatly sharpened by the requests of the Hong Kong and Shanghai Banking Corporation and other foreign banking organizations to buy large U.S. banks. With the consummation of these acquisitions, foreign ownership of U.S. banks has taken on entirely new dimensions. The assets of U.S. banks controlled by foreign parties almost doubled between year-end 1978 and year-end 1979, and account for 4 percent of the assets of this country's domestic banking system (excluding the assets of U.S. branches and agencies of foreign banks). Consequently, it is important to assess the impact of foreign ownership on the performance of these banks.

This study examines the growth and operations both of existing U.S. banks acquired by

foreign parties and of U.S. banks that were established by foreign banks. Because foreign ownership is a more important issue with respect to acquisitions, the thrust of the paper is in that direction. The first part of the study provides a background by identifying the major concerns about foreign ownership and by placing the movement in perspective in the domestic banking industry. The second part presents the results of an empirical study comparing foreign-owned U.S. banks with their U.S.-owned peers, as defined by size and location. The study first compares the balance-sheet structure and profitability of the two groups for the period preceding foreign ownership and again at year-end 1978. It then examines changes in the operations of the two groups during the period of foreign ownership.

Several operational characteristics are examined, including the banks' growth in assets,

loans, and deposits; their lending and funding practices; their investment policies; and their profitability. The differences found between the foreign-owned banks and their peers generally reflected a continuation of pre-existing differences. The only statistically significant difference between the two groups of banks during the period of foreign ownership appeared with respect to the investment policies of the banks.

While the study included virtually all foreign-

owned U.S. banks with a performance record under the new owners, its findings should be regarded as tentative, given the necessarily small number of banks analyzed and their relatively short experience under foreign ownership. At the same time, the findings provide important insights into the experience to date and give no indication that the foreign-owned U.S. banks or their communities have suffered from the change in ownership. □

Industrial Production

Released for publication July 16

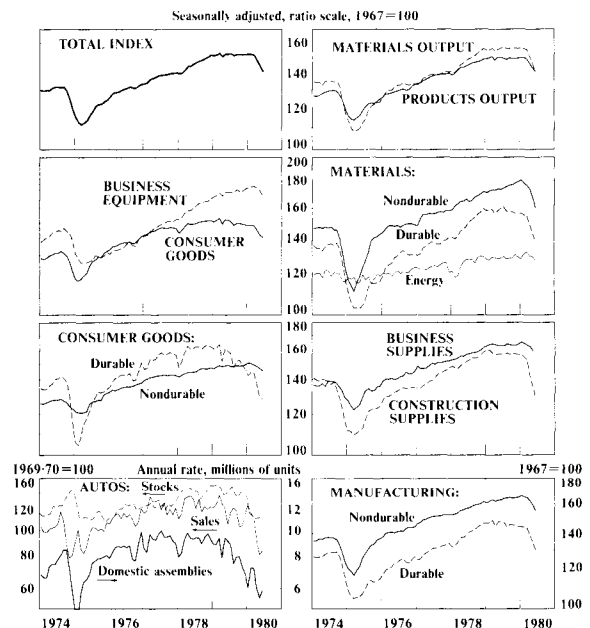
Industrial production dropped an estimated 2.4 percent further in June, reflecting widespread reductions in output of both products and materials. This decline follows revised decreases of 2.4 percent in May and 2.2 percent in April. At 141.2 percent of the 1967 average, the production index in June was 7.7 percent below its peak in March 1979.

Output of durable consumer goods decreased 0.9 percent in June after declines of more than 5 percent in each of the two preceding months. The smaller overall decline was the result mainly of an increase in auto assemblies from their extremely low level in May; there were continued sharp reductions in most other consumer goods industries. Auto assemblies rose about 7 percent to an annual rate of 5.9 million units in June, but output of utility vehicles (mainly lightweight trucks) continued to decline. Production of goods for the home, such as furniture and appliances, declined 3.1 percent further, and output of non-durable consumer goods was reduced 0.9 percent.

Output of business equipment declined 2.3 percent in June, more than twice as much as in May, reflecting cutbacks in almost all equipment industries. Output of construction supplies was reduced 4.5 percent, bringing this component to a level about 18.2 percent below a year earlier.

Production of durable goods materials was again reduced almost 4 percent, largely reflecting

further sharp decreases in the output of steel and parts for equipment and consumer durables. Nondurable goods materials, which showed relative strength last year, were down 4.2 percent in June and have shown increasingly sharp reductions in output since February. Production in the textiles, paper, and chemical group declined more than 4 percent in June. Output of energy materials also was reduced further.



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

Grouping	1967 = 100		Percentage change from preceding month						Percentage change June 1979 to June 1980
	1980		1980						
	May ^p	June ^e	Jan.	Feb.	Mar.	Apr.	May	June	
Total industrial production	144.7	141.2	.3	-.2	-.4	-2.2	-2.4	-2.4	-7.5
Products, total	143.6	141.2	.2	-.1	-.4	-1.9	-1.9	-1.7	-6.0
Final products	142.7	140.8	.0	.3	-.2	-1.4	-1.6	-1.3	-4.6
Consumer goods	141.9	140.6	-.2	.2	-.5	-2.0	-2.1	-.9	-7.4
Durable	129.4	128.2	-2.9	1.5	-.3	-5.1	-5.3	-.9	-19.2
Nondurable	146.8	145.5	.9	-.3	-.5	-.7	-1.0	-.9	-2.4
Business equipment	172.3	168.3	.5	.5	.1	-.9	-1.1	-2.3	-1.9
Intermediate products	146.8	142.3	.6	-.9	-1.0	-3.9	-3.1	-3.1	-10.8
Construction supplies	134.6	128.5	.3	-1.3	-1.2	-7.3	-4.7	-4.5	-17.8
Materials	146.4	141.3	.3	-.5	-.3	-2.7	-3.2	-3.5	-9.7

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

Statements to Congress

Statement by Lyle E. Gramley, Member, Board of Governors of the Federal Reserve System, before the Special Subcommittee on Control of Federal Credit of the Senate Budget Committee, June 19, 1980.

Mr. Chairman and members of this special subcommittee on federal credit, I am pleased to be here today to discuss measures to improve control over federally assisted credit programs.

The need for more adequate budget treatment and control of these activities has long been recognized. Both the 1963 *Report of the President's Committee on Federal Credit Programs* and the 1967 *Report of the President's Commission on Budget Concepts* called for reforms in the budgetary treatment of federal credit. Until recently, however, little progress was evident. In particular, the Congressional Budget Act of 1974 specifically exempted loan guarantees from the budget process and did not develop a comprehensive framework for evaluating these activities. It was therefore especially heartening that the administration recommended a new budgetary framework for controlling federal credit programs in its 1981 budget and that the Congress has incorporated a new federal credit budget into its First Concurrent Resolution.

As you know, federal credit programs have expanded enormously, both in amount and in scope. Direct loans and loan guarantees outstanding, for example, are projected to total more than \$425 billion in the fiscal year ending September 30. This is nearly triple the \$164 billion level reached just 10 years ago. In addition, loans held by government-sponsored agencies now are projected to be \$176 billion at the end of fiscal year 1980, up \$17 billion from the year before and more than four times the level of 10 years earlier. Federal credit activities, moreover, are projected to continue growing rapidly in the years ahead. The administration forecasts that net credit advanced under federal auspices—di-

rect, guaranteed, and sponsored—will increase more than \$70 billion during fiscal year 1981. If total credit flows in the coming year turn out to be roughly the same as in the past year, funds raised under federal credit assistance will account for more than one-sixth of the total net funds raised in financial markets.

The widening in the range of economic activities sponsored by guaranteed loans has been particularly notable. In the late 1950s, the home mortgage guarantee programs of the Federal Housing Administration and the Veterans Administration accounted for 90 percent of the total volume of guaranteed and insured loans outstanding. This proportion has since trended down, reaching 68 percent last year, mainly because of an expansion of loan guarantees into new areas—such as military sales, rural electrification, and student loans.

The provision of federal credit assistance through direct loans and loan guarantees to achieve particular social and economic objectives has been widely recognized as a legitimate and valuable activity. Many credit programs originally were established to correct imperfections in capital markets that denied credit to some groups or made its cost prohibitive. For example, the loan programs insured by the Federal Housing Administration were devised during the Great Depression to reduce the risks perceived by lenders. By pooling risks across a large number of loans issued in a standardized fashion, the government program encouraged private lenders to advance credit at a lower cost to borrowers and on less restrictive terms than would otherwise have been possible. As a result, private individuals were able to finance the purchase of homes on terms involving more reasonable interest charges, more liberal loan-to-value ratios, and longer maturities than before. Over time, these more liberal terms gained general acceptance among all types of private lenders.

Many other federal credit assistance programs

have been introduced over the years to foster social objectives. Increasingly, these programs have involved substantial interest subsidies. According to estimates of the Office of Management and Budget, the present value of the interest subsidy on new direct loan obligations and commitments to guarantee loans in fiscal 1981 will amount to almost \$30 billion. In contrast to the home mortgage area, moreover, the default rate in some of these programs—such as student loans and assistance for low-income housing—has been comparatively high. Thus, the government has had to absorb sizable default losses in addition to providing a very large interest rate subsidy to borrowers. In the past few years, the federal government has also guaranteed sizable loans to single borrowers that carry a large potential for default.

PURPOSES OF CONTROLS OVER FEDERAL CREDIT PROGRAMS

Improvement in the budgetary treatment of federal credit programs should seek to achieve several interrelated purposes.

First, it should encourage recognition by the Congress and the public that resources used in programs financed by federal credit activities may have been shifted away from more productive uses. In setting annual credit targets, the Congress must not lose sight of the long-run consequences resulting from such a shift in resource use.

Second, it should identify when possible the costs entailed in federal credit activities. These costs include not only the interest subsidies, the administrative expenses, and the default losses, but also the loss in public welfare that occurs when federal credit programs are expanded beyond socially desirable and efficient levels.

Third, it should focus attention on the macroeconomic effects of federal credit activities—on employment and output, on prices, and on developments in credit markets. Information that helps to assess these effects is, of course, especially important to the Federal Reserve in its formulation of monetary policy.

It has long been recognized that federal borrowing can “crowd out” private borrowers—and

thereby transfer command over resources from the private to the public sector. The degree of such displacement depends on the extent to which the economy’s real resources are being utilized and on conditions in credit markets. During recessionary periods, when credit supplies are readily available, credit assistance programs may help promote a more intensive use of resources and an expansion in the level of economic activity. In this instance, the principal effect of the increase in expenditures made possible by the federal credit activity is likely to be an increase in aggregate demand rather than a redistribution of resource use. On the other hand, when little excess capacity exists in the economy and credit supplies are tight, there is a much stronger tendency for credit extended under federal auspices to raise interest rates and to divert loanable funds, and therefore real resources, away from private producers. Moreover, when such programs create additional demands on limited resources, they also add to pressures on prices.

It would, however, be potentially misleading in a discussion of the crowding-out problem to focus simply on the cyclical condition of the economy. The long-run potential for the diversion of resources from private to public uses stemming from federal credit programs is a serious problem.

In recent years, the performance of productivity in our economy has been dismal. We do not know all the reasons why, and that will limit our ability to deal effectively with the problem. We do know, however, that a substantial increase in the share of national output will have to be devoted to capital formation if we are to have much hope of increasing the rate of advance in productivity. Since the need for additional capital to deal with our nation’s energy and environmental problems will also be large, it will be critical to adopt tax and expenditure policies that free up resources—real resources as well as financial resources—to make that possible.

The need for a higher rate of business capital formation is critical to the long-run health of our economy. Holding down the share of gross national product devoted to federal expenditures will contribute importantly to that effort. So also will the orientation of future tax cuts toward business investment incentives. But these efforts

may go for naught if we do not control carefully the share of national resources absorbed by federal credit programs.

One of the problems that has impeded the development of better budgetary treatment of federal credit programs is the lack of a good analytic framework in which to assess the economic effects of these programs. Some federal credit programs affect the economy much like direct federal expenditures. Loan guarantees for low-income housing and foreign military assistance are the most obvious examples. Others provide only marginally lower interest rates, or marginally better nonprice credit terms, to borrowers whose credit needs otherwise would probably have been met by the private financial market. These differing effects, moreover, do not bear any necessary relation to whether credit is supplied through direct loans or loan guarantees.

Since research in the area of federal credit programs has barely begun, what appears extremely complex today may appear more simple tomorrow. I suspect, however, that the problems we face in this regard stem from the diverse nature of these credit programs. If so, we will have to be satisfied with statistical measures and budgetary solutions for dealing with federal credit programs that are inherently less than fully satisfactory. For example, the proportion of total borrowing in financial markets that is federally assisted can be used as an indicator of credit resources whose direction is governed by federal lending programs. Similarly, the share of GNP accounted for by the total of federal expenditures plus credit activities is a rough measure of the proportion of real resources whose use is directed by the federal government.

Summary measures such as these have inherent weaknesses because they add up things that are really very different. But they are better than nothing.

Your committee is rightly concerned about the potential problems that federal credit programs may create for monetary policy. It is sometimes argued that expansion in federal credit programs during periods of monetary restraint might frustrate the achievement of the objectives of monetary policy by insulating some borrower groups from the discipline of the marketplace. For most federal credit programs, however, interest

charges vary with market rates of interest; moreover, increases in the quantity of credit available from federal sources seldom are large enough to offset completely the declines in the quantity available from private sources. It is true, nonetheless, that assuring larger numbers of borrowers ready access to credit requires higher interest rates to achieve a given degree of monetary restraint. This is one more reason for putting limits on how fast federal credit programs can expand.

SUGGESTIONS FOR IMPROVEMENT IN THE BUDGETARY TREATMENT OF CREDIT PROGRAMS

Let me turn now to a few suggestions on ways to sharpen the focus on the effects of federal credit programs.

First, procedures should be developed that would permit policymakers to determine the tradeoffs between accomplishing social objectives through direct outlays, on the one hand, and through federal credit programs on the other. Similar criteria need to be developed to provide guidance for choosing between giving credit assistance through direct loans or giving credit assistance through loan guarantees.

Second, further consideration might be given to ways of controlling net as well as gross lending. The present credit limits apply to gross loans; that is, I believe, the appropriate place to begin. Gross lending and guarantee activities reflect the current scope of various programs, thus indicating the overall support being given to a sector by the federal government. On the other hand, the net change in such programs determines the current impact of federal credit activities on economic and financial market conditions. So perhaps we ought to seek to limit the net, as well as the gross, increase in federal credit extensions.

Third, the budgetary treatment of nonrecourse loans—such as those made by the Commodity Credit Corporation to farmers—should be studied in greater detail. Since nonrecourse loans need not be repaid, it is not clear whether these transactions should be treated as outlays or as loans at the time the funds are disbursed.

Fourth, the accounting treatment of loans

made through the Federal Financing Bank, (FFB) could be further improved. FFB activities in the past have reduced the accountability of federal credit programs because lending activities typically have been attributed only to the FFB rather than to the agency originating the transaction. The new budget rectifies a large part of this difficulty by attributing FFB outlays to the originating agencies (within the FFB account) and by establishing limitations on the absolute amount of credit—direct and guaranteed—that can be financed by an agency in a given year. The attribution process, however, is not yet complete because the combined total of outlays and direct and guaranteed loans never appears in a consolidated statement by function and agency. If this final step were taken, the unified budget accounts would provide a more complete picture of the federal government's support for particular programs and activities.

Finally, if the control system established by the Congress is to be successful, it must be accompanied by a detailed scorekeeping system.

To satisfy this requirement the Congress should consider establishing a credit control office within the Congressional Budget Office in order to provide the Congress with detailed technical data on the costs and benefits of federal credit programs and with up-to-date reports on federal credit activities. These reports also would include a credit information system that encompasses total federal lending activity by budget function and by economic sector. Ideally, such a system would provide information that highlights the federal government's total involvement in, and assistance to, sectors in the form of direct outlays, direct loans, and loan guarantees.

To sum up, the Board of Governors welcomes the progress that has been made in establishing a credit budget. It will improve our ability to evaluate and control federal credit activities and enhance the long-run prospects for increased private capital formation. We will be happy to provide whatever assistance we can in refining further the procedures for dealing with federal credit programs in the budget. □

Statement by Henry C. Wallich, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Commerce, Consumer and Monetary Affairs of the Committee on Government Operations, U.S. House of Representatives, June 25, 1980.

Mr. Chairman, I am here today in response to your request for the views of the Board of Governors of the Federal Reserve System about the nonbanking activities of foreign bank holding companies. The questions you raise touch on some fundamental issues and I welcome the opportunity to address them.

In this statement, I shall direct my remarks to (1) the nature and public policy rationale of the nonbanking prohibitions of the Bank Holding Company Act; (2) the public policy reasons for the exemptions from these prohibitions that the act provides for foreign bank holding companies; and (3) the Federal Reserve's interpretations and administration of those exemptions. This or-

ganization accords, I believe, with the thrust of the questions contained in your letter.

NONBANKING PROHIBITIONS OF THE BANK HOLDING COMPANY ACT

The public policy in the United States that seeks to maintain a general separation between banking and commerce is of very long standing. The reasons for this policy are grounded in the economic and social history of the country. A major concern has always been the fear of undue concentration of economic power that might result from bank control of commercial enterprises. A somewhat related concern has been about unfair competition that might result from some firms being allied with banks and having access to credit and other financial services on terms not available to unaffiliated competitors. Still another concern has been about possible conflicts of interest between a bank's fiduciary responsibility

to its depositors and its own economic interests deriving from ownership of nonbanking firms.

The tradition of separating banking and commerce and the concerns underlying that tradition are so deeply ingrained in the public conscience as to make further elaboration unnecessary. Indeed, because of the strength of the tradition, I doubt that there has been much fundamental rethinking of the continuing validity of the concept in today's circumstances.

In any event, because of this public policy, banks in general have been prevented by law from holding ownership interests in commercial enterprises. Only limited exceptions have been allowed. The policy of separating banking and commerce was clearly one of the cornerstones of the bank holding company legislation in 1956 and again in 1970. In the latter instance, the debate was not about whether bank holding companies should be permitted to engage in nonfinancial business; rather, it centered on the kinds of financial business in which bank holding companies might be permitted to engage as ancillary to their banking business.

The Bank Holding Company Act, as amended in 1970, prohibits bank holding companies from holding the shares of any company that is not a bank, with a limited number of exceptions. These exceptions include shares of any company so long as the ownership interest is less than 5 percent; shares in which national banks may by statute invest; shares held in a fiduciary capacity; shares acquired in satisfaction of debts previously contracted; and shares of premises and of other companies that provide operating services for subsidiary banks. The central exception to the general prohibition is contained in section 4(c)(8) of the act; that section conferred on the Board the ability to determine which activities are closely related to banking and thus to allow bank holding companies to invest in companies engaged in those activities. That exception has been the most significant for the development of the bank holding company movement and has been the one most surrounded by controversy. Finally, there were specific exceptions relating to foreign activity, which I shall describe shortly.

The essence of the restrictions on nonbanking activities is that these restrictions are basically

concerned with the structure of banking *in this country*. That concern is directed to the soundness of U.S. banking organizations and to the relationship of those organizations to other sectors of the U.S. economy. The domestic orientation of that concern is clearly implicit in the language of section 4(c)(8). The Board is to follow a two-step process in determining whether a particular activity should be permitted: first, it must find that the activity is "closely related to banking;" and second, it is required to find that the resulting public benefits outweigh possible adverse effects "such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." These effects are primarily domestic in character.

FOREIGN CONSIDERATIONS IN U.S. BANKING REGULATION

I should now like to turn to some of the ways in which integration of the world economy has affected U.S. banking regulation. As part of that general phenomenon, U.S. banks over the past quarter century have spread their facilities and activities around the globe; they can now be found operating in a wide variety of countries and providing banking and financial services under a wide range of economic and social conditions. In more recent years, foreign banks have increasingly come to the United States to carry on part of their international operations. Foreign banks in this country now number about 150; many of them operate branches, agencies, and subsidiary banks in several states.

These mutual incursions into national territories inevitably lead to potential conflicts of laws and of national policies. Banks from different national jurisdictions are subject to different laws, rules, and traditions: some may be subject to different capital standards; some may be primarily government owned; and their powers will certainly vary. Accommodations and adjustments, both here and abroad, are necessary if the benefits of a multinational banking system are to be obtained. Very often these accommodations require careful and sensitive attention.

The need for this kind of accommodation is

clearly recognized in the bank holding company legislation. Whenever the Congress has considered such legislation it has been mindful that provisions directed at domestic banking conditions might have unintended and unnecessary extra-territorial effects and has made special legislative provisions to that end. Two exemptions from the nonbanking prohibitions of the act have been specifically tailored for the special circumstances of foreign banking organizations; they are contained in section 2(h) and section 4(c)(9) of the act. In addition, the Congress provided a specific exemption for the foreign activities of domestic bank holding companies in section 4(c)(13) of the act.

Turning to the exemptions for foreign banking organizations, section 2(h) of the act dates from 1966. As adopted, the section exempted from the nonbanking prohibitions of section 4 of the act "the shares of any company organized under the laws of a foreign country that does not do any business within the United States" if the shares are owned by a bank holding company "principally engaged in the banking business outside the United States." This exemption clearly indicated that the Congress had no intention of restricting nonbanking activities by foreign banks when such activities were conducted exclusively outside the United States.

Section 4(c)(9) was added to the act in 1970. It authorizes the Board to exempt "shares held or activities conducted by any company organized under the laws of a foreign country the greater part of whose business is conducted outside the United States" upon a determination that the exemption "would not be substantially at variance with the purposes of the act and would be in the public interest." When this exemption was proposed, it was supported by the Board. Chairman Burns stated in Senate testimony: "We do not believe Congress intended the act to be applied in such a way as to impose our ideas of banking on other countries. To do so might invite foreign retaliation against our banks operating abroad, to the detriment of the United States."

As written, section 2(h) was essentially self-administering and the Board issued no regulations to implement it. Section 4(c)(9), on the other hand, was much more generally drawn and the Board adopted rules implementing that section in

December 1971. In adopting these rules, the Board followed the required procedures of publishing proposals for public comment and then reviewing those comments before adopting a final rule.

These rules first defined the foreign bank holding companies to which the exemption would apply as those companies "organized under the laws of a foreign country, more than half of whose consolidated assets are located, or consolidated revenues derived, outside the United States." At the time, this seemed a reasonable measure to assure that the companies affected were foreign in fact, as well as in name. The rules then went on to exempt (1) all activities conducted outside the United States, (2) activities conducted inside the United States incidental to international and foreign business, (3) ownership of companies principally engaged in the United States in financing or facilitating international or foreign transactions, and (4) ownership of up to 25 percent of the shares of any foreign company more than half of whose assets are located or revenues derived outside the United States.

The first of these regulatory exemptions simply extended the statutory exemption contained in section 2(h) to all foreign bank holding companies whose activities were mainly outside the United States and not just to those principally engaged in banking outside the United States. The second exemption was rather limited since it permitted only "incidental" activities, by which the Board means those having a direct and clearly demonstrable relationship to international business. The third exemption was framed to permit the ownership of New York investment companies by foreign banks; these companies are in effect incorporated agencies of foreign banks in New York. The fourth exemption took cognizance of the fact that in a number of foreign countries banks are permitted to make portfolio investments in nonbanking firms and that these firms in turn might have operations in the United States. In addition to these general exemptions, provision was made for other activities and investments to be allowed upon application to and approval by the Board.

I noted earlier that the 1970 amendments to the act also contained an exemption for the foreign activities of domestic bank holding companies.

That exemption applies to shares or activities of companies doing no business in the United States except as an incident to international or foreign business if the Board concludes that an exemption would not be "substantially at variance with the purposes of this act and would be in the public interest." This exemption paralleled the provisions of law governing Edge corporations; the provisions allow the corporations to conduct activities in the United States only to the extent that these activities are incidental to international or foreign business. No statutory restrictions are placed on the kinds of activities in foreign countries that Edge corporations may engage in. However, the Board in regulating Edge corporations has, as a matter of policy, not allowed them to acquire controlling interests in foreign nonfinancial businesses. This policy has been followed because of prudential concerns for the corporation and their parent banks.

The International Banking Act of 1978 made two significant alterations in this legislative scheme. First, it subjected foreign banks operating branches and agencies in this country to the nonbanking prohibitions of the Bank Holding Company Act, thereby greatly increasing the number of institutions to which those prohibitions apply. Secondly, it revised the exemption contained in section 2(h) of the act.

When the International Banking Act legislation was under consideration, a number of foreign banks became aware that the nonbanking prohibitions would apply to them for the first time and expressed concern about the extra-territorial reach of those prohibitions. They were not convinced that the Board's authority to make exemptions on a case-by-case basis under section 4(c)(9) of the act would provide sufficient protection to what they thought was their legitimate business abroad. As a consequence, they sought a legislative solution. Section 2(h) was modified to meet these concerns and it now provides that a foreign bank holding company may own shares in any foreign company, principally engaged in business outside the United States, which owns shares in a U.S. company so long as the latter is in the same general line of business. This exemption does not extend to companies engaged in the securities business in the United States nor does it apply to activities of the kind

permitted under section 4(c)(8). The latter may be conducted only in accordance with the Board's rules, including prior approval when necessary. The statutory amendment does not specify what is meant by being in the "same general line of business" but the Senate report on the act suggested that the four-digit code of the standard industrial classification (SIC) be used for this purpose.

By this amendment, the Congress again reaffirmed its unwillingness to interfere with the nonbanking activities that foreign banking organizations engage in abroad; in one sense the amendment enlarged the U.S.-connected activities that may be conducted by foreign companies in which foreign bank holding companies have an ownership interest. The amendment has raised a number of issues in connection with its regulatory implementation and with its relationship to the existing rules under section 4(c)(9) of the act. The Board recently considered these issues and has now published proposed regulations for public comment, a copy of which is being submitted for the record as part of this statement.¹

As the explanatory material accompanying the proposed rules makes clear, the Board had to resolve two general issues in implementing sections 2(h) and 4(c)(9) of the Bank Holding Company Act: (1) a determination of the kinds of organizations that can qualify for these exemptions from the nonbanking prohibitions; and (2) a determination of the standards to be applied in exempting certain nonbanking activities in the United States on the grounds that they are in the same general line of business as the foreign parent.

With respect to the first of these issues, the Board believes that foreign organizations conducting a banking business in the United States should themselves be substantial banking organizations abroad. In this way, the U.S. banking operations will benefit from financial and managerial expertise necessary to conduct a banking business in a safe and sound manner. Reflecting this belief and the specific language of section

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

2(h), the Board's proposals would limit the availability of these exemptions only to foreign organizations that are principally engaged in the banking business abroad. More specifically, in order to qualify, an organization would have to (1) be chartered under foreign law and have its non-U.S. assets or revenues exceed its U.S. assets or revenues, (2) have its banking assets or revenues exceed its nonbanking assets or revenues, and (3) have its banking assets or revenues outside the United States be larger than its banking assets or revenues inside the United States. These tests would be made on a consolidated basis.

With respect to the second of these issues, the Board proposals follow the legislative guidance provided by the Senate Banking Committee in its report on the International Banking Act. In order to be exempt, nonfinancial activities in the United States would have to be of the same kind as those of its foreign nonbank parent as defined by the four-digit code of the SIC. The four-digit classification is a fairly narrow one. For example, a foreign banking organization has a subsidiary that manufactures automobiles abroad; using the SIC as a guide, that foreign automobile manufacturer could invest in a company in the United States that also manufactures or assembles automobiles but not in companies that manufacture, say, tires or motorcycles. The Board believes that this is a reasonable way to implement congressional intent but has specifically asked for comments on the use of this test.

Financial activities in the United States, on the other hand, would not be exempt under the proposal unless they were of the kind permitted under 4(c)(8) of the act. This requirement would assure that foreign organizations would be treated the same as domestic organizations with respect to their U.S. banking activities and other activities closely related to banking.

These are the main features of the Board's proposed rules. Further details and justification may be found in the explanatory material accompanying the proposal.

CONCLUDING COMMENTS

To conclude, Mr. Chairman, the basic policy of exempting foreign nonbanking activities of for-

eign bank holding companies from the nonbanking prohibitions of the act has been determined by the Congress. The rules adopted by the Board have sought to implement that policy in keeping with congressional intent, as expressed in the language of the statute and in the debates underlying the legislation.

The Board generally supports the concept that activities of an essentially foreign character should not be disturbed by U.S. laws and regulations unless they directly and significantly affect U.S. institutions and policies. Relationships between foreign banks and nonbanking activities in foreign countries affect the structure and functioning of foreign economies and financial markets, which are not the responsibility of the U.S. government or its bank supervisory agencies. So long as those foreign relationships do not do violence to the objectives of the Bank Holding Company Act relating to the structure and conduct of banking in this country, it is sensible public policy in today's world to make an accommodation to the realities of the way in which international banking is conducted.

I do not believe that accommodations of this kind are inconsistent with the principle of national treatment. The heart of that principle is that, within national boundaries, activities conducted by comparable institutions will be essentially treated alike. The International Banking Act of 1978 sought to accomplish this with respect to U.S. operations of foreign banking organizations. The fact that those organizations may conduct nonbanking activities abroad of the kinds not permitted U.S. banking organizations, either domestically or abroad, does not violate that principle. The concern and responsibility of the Federal Reserve and other U.S. banking agencies run to the promotion of safe and sound domestic institutions. With regard to foreign banks, our responsibility is related to that part of their banking business conducted in this country and is not directly concerned with the parent institution headquartered overseas.

In your letter, Mr. Chairman, you asked how the position of nonbanking activities of foreign bank holding companies applies to the Hong Kong and Shanghai Banking Corporation. I believe that Chairman Volcker's letter to you of January 14, 1980, addresses that question. I have

appended that letter to my statement and ask that it be included in the record.

In closing, I should like to reiterate my belief that the questions you have raised are important ones. The problem of accommodating our national policies and objectives to the realities of an increasingly integrated world economy is one for

which there can be only temporary and imperfect solutions.

The dynamics of the situation call for continuous reappraisals and adjustments. These will certainly be necessary as international banking evolves and as the role of foreign banks in the U.S. economy continues to change. □

Statement by J. Charles Partee, Member, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, July 1, 1980.

I am glad to appear today before this committee to present the views of the Federal Reserve Board on two banking bills that have been the subject of much attention and previous debate. One bill would limit the insurance activities of bank holding companies. The other would subject acquisitions of banking organizations to stricter standards than in the present antitrust laws and would tighten the rules for expansion into nonbanking activities by bank holding companies.

The proposed H.R. 2255 would prohibit the sale of credit-related property and casualty insurance by bank holding companies with consolidated assets in excess of \$50 million, with the following exceptions:

1. The sale of credit life, personal accident, and health insurance.
2. The sale by finance company subsidiaries of bank holding companies of property and casualty insurance on property used as collateral for a loan of \$10,000 or less, indexed to future increases in the consumer price index.
3. The sale of general insurance in places of 5,000 population or less, or where the Board determines that insurance agency facilities are inadequate.
4. The sale of insurance pursuant to certain limited "grandfather" rights for organizations engaged in the activity before June 6, 1978, and a limited authority to continue to act as "managing general agents" with respect to insurance on real and personal property and group life insurance for the banking organization or its employees.

The Board consistently has opposed this bill because it seems to be anticompetitive and discriminatory. Many creditors, including finance companies and retailers, are permitted to sell insurance in connection with their credit-granting activities, but the proposed prohibitions would apply only to bank holding companies. In this respect the bill clearly discriminates against customers of bank holding companies because the finance company, retail, and other sectors would remain free to offer property and casualty insurance. The bill also may be misdirected, since the available evidence suggests that any abuses are more likely to occur among nonbank lenders than among bank lenders. The evidence clearly indicates a similar inconsistency in that potential abuses associated with the joint offering of credit and insurance are more likely to occur in the sale of credit life than in the property and casualty field. Yet the proposed legislation allows credit insurance but prohibits the sale of credit-related property and casualty insurance.

The various exemptions also seem inconsistent with the purposes of the proposed bill and would appear to compound the inequities. The Board opposes both the \$50-million-asset-size exemption and the \$10,000-transaction exemption for subsidiary finance companies. Permitting a bank holding company or its subsidiary to engage in an activity solely because of the asset size of the bank holding company or the size of the transaction involved are not relevant criteria to determining whether an activity is "closely related" to banking. By employing such a standard the Congress would be abandoning some well-established criteria that have been developed over the years by the courts and have come to be recognized as appropriate for determining whether a nonbanking activity is "closely related" to bank-

ing within the meaning of section 4(c)(8) of the act.¹ In addition, the effect of the \$50-million-asset-size exemption would be to permit expanded sales of insurance by small bank holding companies. The majority of these companies are located in relatively concentrated markets where the potential for abuse is greatest because market power is generally related to the relative rather than the absolute size of the organizations in such markets. The effect of lifting constraints on the scope of insurance agency activities for small bank holding companies and exempting finance company transactions of less than \$10,000 probably would be to increase the volume of insurance sold by holding companies. In fact, more than 60 percent of all bank holding companies would be able to expand the scope and volume of their activities to include transactions clearly unrelated to banking. Such an occurrence appears directly contradictory to the intent of the bill.

The Board's view continues to be that banking organizations should be allowed to sell credit-related insurance, including property and casualty insurance, to protect loan collateral. There are several reasons to believe that the benefits of such activity outweigh the possible adverse effects. First, permitting banks and bank holding companies to provide these services is likely to be procompetitive. Second, sales of insurance by subsidiary banks provide a useful and convenient service to the public, including sales at locations that may be poorly served by others. Prohibiting the activity for larger banking organizations would surely inconvenience at least some of the public—namely those borrowers who would be forced by the prohibition to look elsewhere for the needed insurance coverage.

Before commenting on specific provisions of S. 39, the Competition in Banking Act of 1979, some general observations may be useful. Governor Coldwell testified before this committee in 1978, and I testified before the House Banking Committee last year on these same proposals. In both cases we indicated that the Board sees no need for additional legal restraints on the already

closely regulated expansion by banking organizations.

First, there has been a noticeable trend toward deconcentration of domestic banking resources at the national level, as well as in many states and local markets. Most of the growth that generated concern about increased concentration in U.S. banking actually took place in the foreign sector. This growth masked the trend toward deconcentration of domestic banking assets while it actually represented an improvement in the competitive position of U.S. banking organizations in foreign markets.

Second, expansion of bank holding companies in the nonbanking area has been strictly controlled. Only those activities that are closely related to banking and are a proper incident thereto have been authorized, and expansion has been mainly *de novo* rather than by acquisition of existing organizations. This form of expansion has been procompetitive and, on balance, has brought benefits to the public. In our judgment, the flexibility of the present regulatory system serves the nation well and will continue to provide an appropriate regulatory framework for expansion of the financial sector.

I might add that passage of the Depository Institutions Deregulation and Monetary Control Act of 1980 has the potential for enhancing the competitive structure of banking markets for many financial services, for both depositors and loan customers. Its passage should further alleviate many of the concerns about concentration reflected in S. 39, and the increased competition in banking markets that will result should act as an additional deterrent to potential abuses of market power.

The appendix to my testimony sets forth the positions of the Board on the specific provisions of S. 39, except for section 601, which I will discuss briefly.² The Board strongly objects to the additional hearing and administrative procedure requirements contained in this section.

Under section 601 the Board could be required to provide an adjudicative or trial-type hearing in nearly every application or rulemaking

1. *National Courier Association v. Board of Governors*, 516 F.2d 1229, 1237 (D.C. Cir. 1975); *Alabama Association of Independent Insurance Agents v. Board of Governors*, 533 F.2d 224, 241 (5th Cir. 1976); and *NCNB Corporation v. Board of Governors*, 599 F.2d 609 (4th Cir. 1979).

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

proceeding under section 4(c)(8) whether or not disputed facts are involved. This requirement represents a step backward to the burdensome and time-consuming procedures of the Bank Holding Company Act before the 1970 amendments. The courts and other administrative law authorities have long recognized the distinction, established by the Administrative Procedure Act, between adjudication and rulemaking. Adjudication and a *formal* hearing may be required to establish disputed facts about particular parties, their activities, businesses, and property. On the other hand, a rulemaking procedure is less formal because the issues do not typically relate to disputed facts. The precedents in administrative law demonstrate that the public interest is safeguarded and best served in rulemaking by avoiding the cumbersome and unreasonably lengthy procedures of formal adversary hearings.

Recognizing the imposition in 1970 by the Congress of a time limit on the processing of applications under section 4(c)(8), the Board has suc-

cessfully accelerated its decisionmaking process by using a variety of procedural tools consistent with the Administrative Procedure Act. These include a formal hearing when there are disputed questions of fact. We believe that these procedures assure that the best possible, informed decision is made in the shortest period of time. Accordingly, we would strongly recommend that the present procedures be continued.

In closing, I would like to sound a note of caution. Our economy and financial system are changing rapidly. Demands for financial services are increasing even faster and new techniques are making it possible to meet such demands in increasingly efficient and innovative ways. In this rapidly changing environment we believe that adding to the rigidities of regulation would be a mistake. The present regulatory framework, while not perfect, has sufficient flexibility to adapt as necessary to changes in technology and services offered—a flexibility that needs to be preserved if the public is to continue to be best served by our evolving financial system. □

Announcements

PHASEOUT OF CREDIT RESTRAINT MEASURES

The Federal Reserve Board on July 3, 1980, announced plans to complete the phaseout of the special measures of credit restraint that had been put in place, or reinforced, on March 14, 1980.

The special measures were designed to supplement, temporarily, more general measures of credit and monetary control, and recent evidence indicates that the need for those extraordinary measures has ended. For the year to date, credit expansion, particularly at banks, is clearly running at a moderate pace. In recent months, consumer borrowing has apparently contracted, anticipatory and speculative demands for credit seem to have subsided, and funds have been in more ample supply.

Whereas the special conditions necessitating the extraordinary credit restraints are no longer present, the Board emphasized that its general goals of achieving restrained growth in money and credit aggregates are unchanged. Those continuing goals are closely related to the Board's concern with further reduction of inflationary pressures in the economy.

The Board on May 22 had halved the special deposit requirements in connection with the credit restraint program and had modified the guidelines for the special program for restraining bank credit growth.

The Board has now scheduled completion of the phaseout by taking the following measures:

1. Elimination of the remaining 5 percent marginal reserve requirement on managed liabilities of large banks and agencies and branches of foreign banks. This action applies to managed liabilities beginning July 10, for reserves required beginning July 24. In addition, the Board eliminated, effective the same date, the 2 percent supplementary reserve requirement applicable to member banks on large time deposits. This requirement had been initiated in November 1978.

2. Elimination of the remaining 7½ percent

special deposit requirement that applies to increases in covered consumer credit, effective for covered credit extended in June and thereafter. Thus, no further special deposits will be required after the present deposit maintenance period ends on July 23. To permit orderly implementation of changes now in process and to assure adequate notice of such changes to credit users, the Board's rule permitting creditors to modify the terms of credit accounts will remain in effect for notices mailed only on or before September 5.¹

3. Elimination of the remaining 7½ percent special deposit requirement that applies to increases in covered assets of money market mutual funds and other similar institutions. This action applies to covered assets beginning July 28, and therefore no special deposits will be required beginning August 11.

4. Phaseout of the special credit restraint program under which banking institutions and finance companies were asked to limit domestic loan growth to a range of 6 to 9 percent in 1980. Available data for the first five months of this year indicate that bank loans to domestic borrowers have increased at around a 3 percent annual rate. Banking institutions with \$300 million or more in deposits were to complete reports (either the quarterly report or the monthly report for the larger institutions) due on July 10 under this program for data as of June 30. After those reports are received, discussions will be held with individual banks to review experience with the special program.

In phasing out the aggregate 6 to 9 percent guideline for individual institutions, the Board feels that normal competitive and market incentives can again be relied on to assure the flow

1. Under the consumer credit restraint program, to make certain changes in terms of accounts, a creditor must send a 30-day advance notice explaining the changes and giving the consumer the option of paying down the existing balance according to the original terms. Subsequent use of the account by the consumer is deemed to be acceptance of the new terms.

of credit consistent with normal banking standards and that qualitative guidelines are therefore no longer appropriate. However, the Board remains concerned over the volume of credit that appears to have flowed to essentially speculative purposes in the past and is considering the need for additional means of monitoring such developments in the future.

CHANGE IN DISCOUNT RATE

The Federal Reserve Board approved a reduction in the discount rate from 12 percent to 11 percent, effective June 13, 1980. The action was taken entirely in reflection of recent further declines in short-term market interest rates to levels well below the existing discount rate.

In making this technical change, the Board acted on requests from the directors of the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco. (Subsequently, the Board approved similar actions by the directors of the Federal Reserve Banks of Boston and Atlanta, effective June 16, 1980.) The discount rate is the interest rate that member banks are charged when they borrow from their district Federal Reserve Bank.

REGULATION T: AMENDMENT

The Federal Reserve Board on June 12, 1980, announced adoption of an amendment to its Regulation T (Credit by Brokers and Dealers) affecting specialists and options market-makers.

The amendment, which reflects comment received on a proposal, is effective August 11.

The principal features of the amendment, are as follows:

1. In general, the amendment permits good-faith financing of positions in securities in which a specialist makes a market, but requires a 25 percent margin for positions in the related security acquired for hedging or covering purposes and the generally applicable margin (50 percent) for other securities.

2. Creditors extending credit to a specialist's joint account will no longer be required to participate in the account.

3. Specialists and options market-makers will be able to use securities issued by the U.S. government or its agencies as collateral in their specialist accounts.

4. Several other changes, including a rule restricting "free riding" on underlying stock positions carried in an options market-maker's account that will apply only to market-makers whose own exchange has not adopted a rule on free riding approved by the Securities and Exchange Commission; a rule affecting the withdrawal of cash or securities from their accounts by specialists and market-makers; and a rule defining positions that may be carried on preferential credit terms in the accounts of specialists and market-makers.

The Board rescinded, effective August 11, suspension of the effective date of a rule, as it applies to options specialists, establishing uniform margin requirements for the writing of options. The suspension, adopted in January 1977, was to remain in effect until the Board could consider a separate, self-contained rule for options specialists. This has now been done and the suspension is no longer necessary.

COUNTRY EXPOSURE LENDING SURVEY

The results of a survey of foreign lending by large U.S. banks as of December 31, 1979, have been made public by the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Federal Reserve Board. The data cover claims on foreign residents held by all domestic and foreign offices of 130 U.S. banking organizations with significant foreign banking operations.

The results indicate that cross-border and non-local currency claims increased moderately in 1979, rising 13 percent from \$217 billion to \$246 billion. The increase in 1978 was 12 percent. Much of the growth represented increased claims on banks, largely related to increased money market activity. Cross-border and cross-currency lending to public and private nonbank borrowers grew \$9 billion during the year, a 9 percent increase. In addition, the survey indicates that local currency lending to local borrowers by foreign offices of U.S. banks increased \$9 billion in 1979 to a total of \$67 billion. Most of the

growth in both types of lending occurred in the second half of the year.

Types of Loans

The survey concentrated on data involving lending from a bank's offices in one country to residents of another country as well as in a currency other than that of the borrowers. These are referred to as cross-border and cross-currency loans.

Cross-border and cross-currency loans are those most closely associated with country risk. Such claims totaled \$246 billion at year-end 1979. Claims on residents of Switzerland and the Group of Ten (G-10) developed countries and "offshore banking centers" (countries in which multinational banks conduct a large international money market business) represent 55 percent of this total. Claims on residents of developing countries that are not members of the Organization of Petroleum Exporting Countries (OPEC) amount to 25 percent of the total, up slightly from 24 percent in 1978.

In addition, the banks reported \$67 billion in local currency claims that were held by their foreign offices on residents of the country in which the office was located. An example would be claims in marks on German residents held by the German branch of the reporting U.S. banks. Most of these local currency claims were funded by local currency liabilities due to local residents, which amounted to \$56 million.

Maturities

More than two-thirds of the reported cross-border and cross-country claims had a maturity of one year or less. Only \$19 billion in claims had a maturity in excess of five years. Short-term claims are especially prominent in the G-10 countries and the offshore banking centers where a large volume of interbank lending takes place. Such placements of deposits are usually for very short periods.

For most other groups of countries, short-term claims accounted for slightly less than half of the total claims, although the proportion varied among countries.

Type of Borrower

Business with other banks accounted for the largest amount, equaling \$136 billion. Most of the claims on banks were on those located in the G-10 countries and the offshore banking centers. Lending in the private nonbank sector totaled \$67 billion, and loans to the public sector amounted to \$43 billion. This last category includes foreign central governments, their political subdivisions and agencies, foreign central banks, and commercial nonbank enterprises owned by government. The distribution by type of borrower varied significantly from country to country.

Guarantees

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

Most of the shifts are accounted for by the transfer of claims on branches (and, when guaranteed, subsidiaries) of banks to their head offices (\$52 billion out of \$64 billion). In general, the reallocations primarily affected the offshore banking centers and some of the developed countries. For example, claims on the offshore banking centers decreased from \$37 billion to \$10 billion and claims on the United Kingdom decreased from \$38 billion to \$21 billion. For most less developed countries, a relatively small portion of claims is externally guaranteed. The total for claims on foreigners by country of guarantor is about \$220 billion or \$26 billion less than the total for claims by country of borrower. This results from U.S. residents guaranteeing about

\$33 billion in claims on foreign residents and foreigners guaranteeing about \$7 billion in claims on U.S. residents.

Commitments to Provide Funds for Foreigners

The survey also provided information on contingent claims on foreigners. The banks were asked to report only those contingent claims when the bank had a legal obligation to provide funds. The amounts reported total \$70 billion, 77 percent of the total being in the private sector, including banks.

STANDARD TERMS AND GUIDELINES

The Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Federal Reserve Board have adopted recommendations made to them by the Federal Financial Institutions Examination Council regarding terms to be used in competitive factor reports and uniform guidelines for internal control of the foreign exchange activities of commercial banks.

The agencies adopted, as standard terminology to be used in their assessment of competitive factors in proposed bank mergers, the following terminology:

Monopoly. Requires disapproval.

Substantially adverse. Precludes approval unless anticompetitive effects of the proposed merger are outweighed by benefits to the public in meeting the convenience and needs of the community to be served.

Adverse. The proposed merger has anticompetitive effects material to the decision that would not preclude approval.

No significant effect. Anticompetitive effects, if any, are not material to the decision.

The agencies adopted the recommended uniform guidelines for commercial banks on internal control of their foreign exchange operations covering policy documentation, internal accounting

controls, and audit documentation. The text of the guidelines will be published in the *Federal Register*.

MEETING OF CONSUMER ADVISORY COUNCIL

The Federal Reserve Board has announced that its Consumer Advisory Council met on July 30 and 31, 1980. The council, with 30 members who represent a broad range of consumer and creditor interests, advises the Board on its responsibilities regarding consumer credit protection legislation and regulation at quarterly meetings.

CHANGE IN BOARD STAFF

The Board of Governors has announced the following appointments.

David L. Robinson as Assistant Director and Chief Federal Reserve Examiner, Division of Federal Reserve Bank Operations, effective June 30, 1980. Mr. Robinson, who came to the Board in May 1975 from the Federal Reserve Bank of Kansas City, holds a B.S. from Emporia State College and attended the Stonier School of Banking.

Robert E. Frazier as Assistant Director for Building Services, Division of Support Services, effective July 1, 1980. Mr. Frazier, formerly with the Military Traffic Management Command, U.S. Army, holds a B.A. from Hampton Institute and an M.A. from Central Michigan University.

The Board has also announced the resignation of Richard H. Puckett, Assistant Secretary to the Board, effective June 30, 1980.

PROPOSED ACTIONS

The Federal Reserve Board has proposed procedures for nonmember depository institutions to follow if they pass required reserves through another depository institution to the Federal Reserve, and procedures for these intermediaries to follow in handling the reserve balances of others.

The Board asked for comment by July 31, 1980.

**BANKING DATA
FROM EDGE CORPORATIONS**

The Federal Reserve Board has announced the availability in magnetic tape form of data reported to the Board quarterly by individual banking Edge Act and Agreement corporations. The data, based on balance sheet information in official reports of condition, begin with data as of December 31, 1979, and will be available about 60 to 75 days after each subsequent report date.

The Board will make available the magnetic tapes, including complete documentation, at a cost of \$70.00 per reporting period, under a new service called the Banking Edge Act and Agreement Corporation Subscription. Orders with remittance should be addressed to the *Office of the Controller*, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Information about the content or format may be obtained by telephoning (202) 452-2816, or by writing the Data Request Coordinator in the Data Services Section, *Division of Data Processing*,

Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

The Board also will make available computer listings of individual banking Edge and Agreement corporation reports of condition at a cost of 50 cents per report. These listings are released 60 to 75 days after the report date. Requests for listings should be addressed to the *Freedom of Information Office*, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

**SYSTEM MEMBERSHIP:
ADMISSION OF STATE BANKS**

The following banks were admitted to membership in the Federal Reserve System during the period June 11, 1980, through July 10, 1980:

New York

Dongan Hills Gateway State Bank

Oregon

Medford Jefferson State Bank

Record of Policy Actions of the Federal Open Market Committee

Meeting Held on May 20, 1980

1. Domestic Policy Directive

The information reviewed at this meeting suggested that real output of goods and services was declining markedly in the current quarter after increasing at an annual rate of 0.6 percent in the first quarter. However, average prices, as measured by the fixed-weight price index for gross domestic business product, were continuing to rise at a rapid pace following increases at an annual rate of about 11 percent in the first quarter and nearly 10 percent during 1979.

The dollar value of total retail sales fell substantially further in April after declining sharply in February and March. Unit sales of new automobiles slowed markedly further in April to the lowest level since the spring of 1975 and apparently remained exceptionally weak in early May.

The index of industrial production fell 1.9 percent in April, following small reductions in February and March. The April decline reflected widespread cutbacks in output. The rate of capacity utilization in manufacturing fell 2 percentage points further in April to 81 percent, 6 percentage points below the recent peak in March 1979.

In April nonfarm payroll employment declined substantially following a moderate reduction in March, and the rate of unemployment rose from 6.2 to 7.0 percent. Decreases in employment were especially pronounced in automobile- and construction-related industries. The

length of the average workweek fell for the third successive month.

Private housing starts declined throughout the first quarter and edged down further in April to an annual rate of about 1 million units. Building permits for new units were down substantially further in April. In March sales of single-family homes fell for the sixth consecutive month.

The rise in producer prices of finished goods moderated appreciably in April, reflecting a large drop in prices of consumer foods and a less rapid advance in prices of energy-related items than in earlier months. In the first quarter both producer prices and consumer prices had risen at accelerated rates following rapid advances in 1979. The index of average hourly earnings of private nonfarm production workers rose at an annual rate of about 8 percent over the first four months of the year, compared with an increase of 8½ percent during 1979.

In foreign exchange markets the dollar had remained under downward pressure over most of the previous four weeks. Such pressure, which had emerged in early April, reflected primarily a sharp decline in interest rates on dollar assets in relation to those on foreign-currency assets. The trade-weighted value of the dollar against major foreign currencies had fallen about 3½ percent since the Committee's meeting on April 22 and about 7½ percent since early April.

The U.S. foreign trade deficit increased substantially from the fourth quarter of 1979 to the first quarter of 1980 despite a considerable reduc-

tion in March from the average in January and February. For the quarter as a whole, imports, including both petroleum and nonpetroleum products, rose at a much faster rate than exports even though non-agricultural exports exhibited considerable strength.

At its meeting on April 22, the Committee had agreed that open market operations in the period until this meeting should continue to be directed toward expansion of reserve aggregates consistent with growth over the first half of 1980 at annual rates of $4\frac{1}{2}$ percent for M-1A and 5 percent for M-1B, or somewhat less, provided that in the intermeeting period the weekly average federal funds rate remained within a range of 13 to 19 percent. In the Committee's view, this short-run policy should be consistent with growth in M-2 at an annual rate of about $7\frac{3}{4}$ percent over the first half of the year. The Committee had also agreed that if the constraint on the federal funds rate appeared to be inconsistent with the objective for the expansion of reserves, the Manager for Domestic Operations was promptly to notify the Chairman, who would then decide whether the situation called for supplementary instructions from the Committee.

Immediately after the meeting, required reserves and thus member bank demands for reserves began to fall substantially in relation to the supply being made available through open market operations, reflecting a sharp weakening of the monetary aggregates during April. Consequently, member bank borrowings for adjustment purposes and the federal funds rate both declined sharply. On May 6, after the funds rate had fallen below the 13 percent lower limit of the Committee's intermeeting range and available data had suggested that the demand for money and for reserves had remained weak, the Committee voted to reduce the lower limit of the intermeeting range for the funds rate to

$10\frac{1}{2}$ percent. In the statement week ending May 14, the funds rate averaged $10\frac{7}{8}$ percent, down from an average of about $18\frac{3}{8}$ percent in the statement week ending April 16.

In April M-1A and M-1B contracted at annual rates of $18\frac{1}{2}$ and $14\frac{1}{2}$ percent respectively following small declines in March, while M-2 fell at an annual rate of about 3 percent after increasing moderately in March. As a result, expansion of the monetary aggregates—especially M-1A and M-1B—over the first four months of the year averaged well below the growth paths set by the Committee for the first half; M-1A declined at an annual rate of $1\frac{1}{2}$ percent over that period; M-1B was unchanged; and M-2 expanded at an annual rate of $4\frac{1}{2}$ percent. In early May, however, there were substantial increases in demand deposits and money market mutual funds.

Total credit outstanding at U.S. commercial banks contracted in April after expanding at a substantially reduced pace during March. The April decline reflected reductions in both investments and loans, which included a drop in business loans. Net issues of commercial paper by nonfinancial corporations moderated in April from an exceptionally strong pace during the first quarter.

Interest rates fell sharply further during the intermeeting period as market participants reacted to accumulating signs of a slowdown in economic activity, to sustained weakness in the money stock, and to the decline in the federal funds rate. The rate declines were especially pronounced in short-term debt markets, but bond yields also moved substantially lower. Commercial banks reduced their loan rate to prime business borrowers from $19\frac{1}{2}$ to $16\frac{1}{2}$ percent over the interval. In primary markets for home mortgages, average rates on new commitments at sampled savings and loan institutions fell more than 2 percentage points to about $14\frac{1}{8}$ percent. On May 6 the

Federal Reserve announced the removal of the surcharge of 3 percentage points on frequent borrowings from the Federal Reserve Banks by member banks with deposits of \$500 million or more. This surcharge had been imposed in mid-March as part of a broad program of credit restraint.

Staff projections prepared for this meeting suggested a larger decline in real GNP in the current quarter than had been anticipated a month earlier. Further declines were expected in subsequent quarters, and unemployment was projected to increase substantially. Prices of goods and services were projected to continue under substantial upward pressure, although the rate of increase was not expected to be so rapid as in the first quarter.

Committee members agreed that a marked contraction in real GNP was under way in the current quarter. The rapidity of the decline, reflecting in part the abrupt weakening in consumption expenditures, suggested a risk that the contraction would prove to be deeper than was widely expected. At the same time, inflation remained a serious problem. The rise in prices appeared likely to remain rapid, even though there were grounds for anticipating some moderation of the rise over the months ahead.

At its meeting on February 4-5, 1980, the Committee had agreed that from the fourth quarter of 1979 to the fourth quarter of 1980 average rates of growth in the monetary aggregates within the following ranges appeared to be consistent with broad economic aims: M-1A, $3\frac{1}{2}$ to 6 percent; M-1B, 4 to $6\frac{1}{2}$ percent; M-2, 6 to 9 percent; and M-3, $6\frac{1}{2}$ to $9\frac{1}{2}$ percent. The associated range for the rate of growth in commercial bank credit was 6 to 9 percent. It had also been agreed that the longer-run ranges, as well as the particular aggregates for which such ranges were specified, would be reconsidered in July or at any other time that condi-

tions might warrant, and also that short-run factors might cause considerable variation in annual rates of growth from one month to the next and from one quarter to the next.

In contemplating policy for the period immediately ahead, the Committee took note of a staff analysis indicating that growth of M-1A and M-1B over the first four months of the year had fallen considerably short of the rates consistent with the objectives for the first half of the year that the Committee had established at its meeting in March and reaffirmed at its meeting in April. Some rebound in growth of these aggregates was likely to occur over the May-June period, assuming interest rates at around current levels and given the staff projection of expansion in nominal GNP during the second quarter and the public's likely need to rebuild depleted cash balances. It still seemed likely, however, that growth of these aggregates over the first half of 1980 would fall considerably short of the rates consistent with the Committee's ranges for the year from the fourth quarter of 1979 to the fourth quarter of 1980. Growth of M-2 and M-3 appeared to be less weak relative to the Committee's longer-run ranges than that of the narrowly defined aggregates.

In the Committee's discussion of policy, the members agreed that operations in the period immediately ahead should be directed toward expansion of monetary aggregates at rates high enough to promote achievement of the Committee's objectives for monetary growth over the year, recognizing that a number of months might well be required in the process. They differed to some extent in their views concerning the speed with which that goal should be sought and about the further near-term decline in the federal funds rate that might be tolerated in its pursuit.

Several members believed that if the demand for money were to remain weak, the Committee should move in a relatively gradual fashion

over the balance of the year to restore the desired longer-run rates of money growth. Concern was expressed that a more aggressive approach would lead to such sharp declines in the federal funds rate and other short-term interest rates in the period immediately ahead that there could be a perverse impact on long-term interest rates by exacerbating inflationary expectations, and there could also be strong adverse effects on the value of the dollar in foreign exchange markets. Moreover, aggressive efforts to promote monetary growth might have to be reversed before long, perhaps leading to significant increases in interest rates in a period of substantial weakness in the economy. The possibility was also suggested that the demand for money had shifted downward once again, so that vigorous efforts in the short run to bring monetary growth into line with the Committee's longer-run objectives could result in excessive creation of money.

Other members of the Committee preferred efforts to bring monetary growth more promptly into line with the Committee's objectives for the year. Such an approach, which they regarded as more consistent with the operating procedures the Committee had been following since early October 1979, could make an important contribution to moderating the severity of the recession.

At the conclusion of the discussion, the Committee agreed that open market operations in the period until the next meeting should be directed toward expansion of reserve aggregates consistent with growth of M-1A, M-1B, and M-2 at rates high enough to promote achievement of the Committee's objectives for monetary growth for the year as a whole, provided that in the period before the next regular meeting the weekly average federal funds rate remained within a range of $8\frac{1}{2}$ to 14 percent. Specifically, the Committee agreed that operations should be directed toward encouraging growth of M-1A,

M-1B, and M-2 over May and June at annual rates of 7 to $7\frac{1}{2}$ percent, $7\frac{1}{2}$ to 8 percent, and about 8 percent respectively. The Committee also agreed that, in light of the recent shortfall, moderately faster monetary growth would be acceptable if that developed in response to a strengthening of the demand for money. It was understood that if the demand for money and for bank reserves proved to be weak and the federal funds rate declined significantly within its specified range, the Committee would review the situation in advance of the next regular meeting scheduled for July 9. In any case, if it appeared that the constraint on the federal funds rate was inconsistent with the objective for the expansion of reserves, the Manager for Domestic Operations was promptly to notify the Chairman, who would then decide whether the situation called for supplementary instructions from the Committee.

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

The information reviewed at this meeting suggests a marked contraction in real GNP in the current quarter. In April the dollar value of total retail sales declined substantially for the third consecutive month. Industrial production and nonfarm payroll employment were curtailed sharply, and the unemployment rate rose from 6.2 to 7.0 percent. Private housing starts, which had declined throughout the first quarter to a relatively low rate, edged down further in April. The overall rise in prices of goods and services has remained rapid in recent months, although in April the rise in producer prices of finished goods was slowed by a large decrease in foods and by a lessening of the rapid rise in energy items. Over the first four months of the year, the rise in the index of average hourly earnings was somewhat less than the rapid pace recorded in 1979.

The downward pressure on the dollar in exchange markets that emerged in early April has continued over most of the past four weeks, in response primarily to the sharp decline in U.S. interest rates relative to foreign interest rates; the trade-weighted value of the dollar against major foreign currencies has declined about $3\frac{1}{2}$ percent. The U.S. for-

eign trade deficit was substantially larger in the first quarter of 1980 than in the preceding quarter, despite a considerable decline in March from the average in the preceding two months.

M-1A and M-1B contracted sharply further in April, and M-2 also declined. Commercial bank credit, both loans and investments, contracted in April after having slowed substantially in March. Over recent weeks, market interest rates have declined sharply further.

Taking account of past and prospective economic developments, the Federal Open Market Committee seeks to foster monetary and financial conditions that will resist inflationary pressures while encouraging moderate economic expansion and contributing to a sustainable pattern of international transactions. At its meeting on February 4-5, 1980, the Committee agreed that these objectives would be furthered by growth of M-1A, M-1B, M-2, and M-3 from the fourth quarter of 1979 to the fourth quarter of 1980 within ranges of $3\frac{1}{2}$ to 6, 4 to $6\frac{1}{2}$, 6 to 9, and $6\frac{1}{2}$ to $9\frac{1}{2}$ percent respectively. The associated range for bank credit was 6 to 9 percent.

In the short run, the Committee seeks expansion of reserve aggregates consistent with growth of M-1A, M-1B, and M-2 at rates high enough to promote achievement of the Committee's objectives for monetary growth over the year, provided that in the period before the next regular meeting the weekly average federal funds rate remains within a range of $8\frac{1}{2}$ to 14 percent.

If it appears during the period before the next meeting that the constraint on the federal funds rate is inconsistent with the objective for the expansion of reserves, the Manager for Domestic Operations is promptly to notify the Chairman who will then decide whether the situation calls for supplementary instructions from the Committee.

Votes for this action: Messrs. Volcker, Guffey, Morris, Rice, Schultz, Solomon, Mrs. Teeters, Messrs. Wallich, and Winn. Votes against this action: Messrs. Partee and Roos.

Mr. Partee dissented from this action because he believed that it involved a risk of extending the shortfall in monetary growth relative to the Committee's growth ranges for the year. In an effort to guard against the continuation of such a shortfall, which could worsen recessionary prospects, he preferred to direct op-

erations toward achieving somewhat higher rates of monetary growth in the May-June period. He also preferred an intermeeting range for the federal funds rate with a lower limit below $8\frac{1}{2}$ percent, because such a range would be less likely to interfere with reserve-supplying operations consistent with the objectives for the aggregates.

Mr. Roos dissented because in his view the annual growth rate objective of $3\frac{1}{2}$ to 6 percent for M-1A established by the Committee in February 1980 was consistent with reduction of inflation without aggravating recessionary pressures. He believed that the $8\frac{1}{2}$ to 14 percent constraint on the federal funds rate was incompatible with that agreed-upon objective and would cause money growth to remain below it. Such slow growth would unnecessarily exacerbate the current economic slowdown. Historically, deep recessions had inevitably brought about countermeasures that intensified inflation.

2. Authorization for Foreign Currency Operations

The Committee approved an increase from \$300 million to \$500 million in the System's swap arrangement with the Bank of Sweden and the corresponding amendment to paragraph 2 of the authorization for foreign currency operations, effective May 23, 1980, for a period of one year. With this change paragraph 2 read as follows:

2. The Federal Open Market Committee directs the Federal Reserve Bank of New York to maintain reciprocal currency arrangements ("swap" arrangements) for the System Open Market Account for periods up to a maximum of 12 months with the following foreign banks, which are among those designated by the Board of Governors of the Federal Reserve System under Section 214.5 of Regulation N, Relations with Foreign Banks and Bankers, and with the approval of the Committee to renew such arrangements on maturity:

Foreign bank	Amount of arrangement (millions of dollars equivalent)
Austrian National Bank	250
National Bank of Belgium	1,000
Bank of Canada	2,000
National Bank of Denmark	250
Bank of England	3,000
Bank of France	2,000
German Federal Bank	6,000
Bank of Italy	3,000
Bank of Japan	5,000
Bank of Mexico	700
Netherlands Bank	500
Bank of Norway	250
Bank of Sweden	500
Swiss National Bank	4,000
Bank for International Settlements:	
Dollars against Swiss francs	600
Dollars against authorized European currencies other than Swiss francs	1,250

Any changes in the terms of existing swap arrangements, and the proposed terms of any new arrangements that may be authorized, shall be referred for review and approval to the Committee.

Votes for this action: Messrs. Volcker, Guffey, Morris, Partee, Rice, Roos, Schultz, Solomon, Mrs. Teeters, Messrs. Wallich, and Winn.
Votes against this action: None.

This action was taken to expand the short-term financing facilities available to the Bank of Sweden.

* * * * *

Records of policy actions taken by the Federal Open Market Committee at each meeting, in the form in which they will appear in the Board's *Annual Report*, are made available a few days after the next regularly scheduled meeting and are later published in the BULLETIN.

Legal Developments

CORRECTION TO REGULATION D AMENDMENT

The Board's reserves regulation, 12 C.F.R. Part 204—RESERVES OF MEMBER BANKS is corrected by revising section 204.5(f)(3)(i), [66 FEDERAL RESERVE BULLETIN 492.] to read as follows:

(3) *Managed liabilities base.* * * *

(i) * * * outstanding during any computation period beginning after May 28, 1980, is lower than the lowest daily average of such loans and balances outstanding during any computations period between March 6, 1980, and May 28, 1980, for which data were reported on form FR 2414d. * * *

AMENDMENTS TO REGULATION T

The Board of Governors has amended its Regulation T, Credit by Brokers and Dealers, to permit stock specialists and option market-makers to finance with a broker/dealer certain offsetting positions in related securities on more advantageous terms than are available to the ordinary customer. This concession is given to those exchange-registered dealers who are obliged to promote fair and orderly markets in their specialty securities. The present rule limits margin concessions to the financing of specialty securities only. This action derives from the advent of exchange-traded options in 1973.

Effective August 11, 1980, section 220.4(g) is amended as follows:

Section 220.4—Special Accounts

* * * *

(g) *Specialist's Account.*

(1) *Applicability.* In a specialist's account, a creditor may clear and finance for a specialist who is a member of a national securities exchange the member's specialist transactions or transactions of any joint account in which all participants, or all participants other than the creditor, are registered and act as specialists. The provisions of this subsection are available to a specialist who is a member of a national securities exchange which submits to the Board of

Governors of the Federal Reserve System reports suitable for supplying current information regarding the use of specialist credit.

(2) *Definitions.* For the purpose of this subsection:

(i) "Joint account" means an account in which the creditor may participate and which by written agreement permits the commingling of the security positions of the participants and provides for a sharing of profits and losses from the account on some predetermined ratio;

(ii) "Underlying security" means the security which will be delivered upon exercise of the option and does not include a security convertible into the underlying security;

(iii) "Overlying option" means (A) a put option purchased or a call option written against an existing long position in a specialist's or market-maker's account, or (B) a call option purchased or a put option written against a short position in a specialist's or market-maker's account.

(iv) "In or at the money," with respect to a call option, indicates that the current market price of the underlying security is not more than one standard exercise interval below the exercise price of the option, and, with respect to a put option, that the current market price of the underlying security is not more than one standard exercise interval above the exercise price of the option.

(v) "In the money," with respect to a call option, indicates that the current market price of the underlying security is not below the exercise price of the option and, with respect to a put option, that the current market price of the underlying security is not above the exercise price of the option.

(3) *Permitted offset positions.* A specialist in options is permitted to establish in this account on a share-for-share basis a long or short position in the securities underlying the options in which the specialist makes a market, and a specialist in securities other than options is permitted to purchase or write options overlying the securities in which the specialist makes a market, only under one or more of the following conditions (such positions are referred to in this paragraph as "permitted offset positions"):

(i) The account holds a short option position which is "in or at the money" and is not offset by

a long or short option position for an equal or greater number of shares of the same underlying security which is "in the money";

(ii) The account holds a long option position which is "in or at the money" and is not offset by a long or short option position for an equal or greater number of shares of the same underlying security which is "in the money";

(iii) The account held a short option position against which an exercise notice was tendered;

(iv) The account held a long option position which was exercised;

(v) The account holds a net long position in a security (other than an option) in which the specialist makes a market; or,

(vi) The account holds a net short position in a security (other than an option) in which the specialist makes a market.

(4) *Maximum loan value.* The maximum loan value of securities which may be used as collateral in the account shall be:

(i) No more than 100 per cent of the current market value of any long position in a security in which the specialist makes a market or a wholly-owned margin security;

(ii) 75 per cent of the current market value of any underlying security or overlying option purchased and held in the account as a permitted offset position;

(iii) The maximum loan value prescribed by the Board in section 220.8 (the Supplement to Regulation T) when a security purchased and held in the account does not qualify as a specialist or permitted offset position.

(5) *Adjusted debit balance.* The amount to be included in the adjusted debit balance of the account shall be:

(i) Not less than 100 per cent of the current market value of either a security sold short or an option written where such position qualifies as a specialist transaction;

(ii) 125 per cent of the current market value of any security sold short or option written and held in the account as a permitted offset position;

(iii) The amount prescribed by the Board in section 220.8 (the Supplement to Regulation T) when a security sold short in the account does not qualify as a specialist or permitted offset position plus, for a short position in a security other than an option, the current market value of the security sold short.

(6) *Additional margin; "free-riding."* Except as required by paragraph (g)(8), on any day when addi-

tional margin is required as a result of transactions in the account, the creditor shall issue a call for a deposit of cash or securities having loan value and may allow the specialist a maximum of five full business days to make a deposit sufficient to meet the call. To prevent "free-riding" in the account, a creditor who has not obtained this deposit (and is therefore required to liquidate sufficient securities to meet the call) is prohibited for a 15 day period from extending any further credit in the account to finance transactions in securities in which the specialist is not registered to make a market. The acquisition or liquidation of a permitted offset position shall not be subject to this "free-riding" penalty. The restriction on "free-riding" shall not apply to any national securities exchange adopting a "free-riding" rule applicable to specialists which has been approved by the Securities and Exchange Commission.

(7) *Withdrawals.* On any day when a specialist requests a withdrawal of cash or securities from the account, the creditor shall compute the status of the account for non-specialist securities positions in accordance with the provisions of section 220.8 (the Supplement to Regulation T), permitted offset positions in accordance with the provisions of paragraphs (g)(4)(ii) and (g)(5)(ii), and specialist positions on a "good faith" basis. Withdrawals shall be permitted to the extent that the adjusted debit balance in the account does not exceed the maximum loan value of all of the collateral held in the account after the withdrawal has been made.

(8) *Deficit accounts.* On any day when the account would liquidate to a deficit, the creditor shall not extend any further credit in the account, and shall issue a call for additional cash or collateral, which shall be met by noon of the following business day. In the event sufficient cash or collateral is not deposited the creditor shall liquidate existing positions in the account.

CORRECTION TO CREDIT RESTRAINT AMENDMENT

The Board's Credit Restraint regulation, 12 C.F.R. Part 229—CREDIT RESTRAINT, Subpart C is corrected by revising section 229.24(b)(1) [66 FEDERAL RESERVE BULLETIN 494.] to read as follows:

(b) *Managed liabilities base.* * * *

(1) * * * outstanding during any computation period beginning after May 28, 1980, is lower than the

lowest daily average amount of such loans and balances outstanding during the base period or any computation period between March 20, 1980 and May 28, 1980. * * *

INTERPRETATION OF REGULATION G

The Board of Governors has issued a final interpretation of its Regulation G, Securities Credit by Persons other than Banks, Brokers or Dealers. This interpretation allows plan lenders, as defined under section 207.4 of Regulation G, who currently extend purpose credit to employees under stock option plans, to also extend credit to employees covered by the plans to pay income taxes due as a result of the exercise of such options.

Effective July 1, 1980, 12 CFR Part 207 is amended by adding a new § 207.111 to read as follows:

Section 207.111—Combined Credit for Exercising Employee Stock Options and Paying Income Taxes Incurred as a Result of Such Exercise

(a) The Board of Governors has been asked whether section 207.1(h) of Regulation G prevents a lender under an employee stock option plan that meets the requirements of section 207.4(a) from extending credit to an employee to pay the income taxes incurred as a result of the exercise of the stock option, in addition to the credit to cover the purchase price of the stock.

(b) Section 207.1(h) prohibits a lender governed by Regulation G from extending purpose credit if it is secured by collateral including margin securities, which also secures any other credit to the same person in excess of \$5,000. Unless credit to pay income taxes is also treated as purpose credit, it could not be extended in an amount in excess of \$5,000 when the borrower also has a purpose loan outstanding with the lender, secured by margin securities, since such collateral would be deemed to be also securing the income tax loan. "Purpose credit" is defined in section 207.2(c) of the regulation as "credit which is for the purpose, whether immediate, incidental, or ultimate, of purchasing or carrying a margin security."

(c) Section 207.4(a), which provides special treatment for credit extended under employee stock option plans, was designed to encourage their use in recognition of their value in giving an employee a proprietary interest in the business. Taking a position that might discourage the exercise of options because of tax complications would conflict with the purpose of section 207.4(a).

(d) Accordingly, the Board has concluded that the combined loans for the exercise of the option and the payment of the taxes in connection therewith under

plans complying with section 207.4(a) may be regarded as credit which is for the purpose of purchasing or carrying a margin security within the meaning of section 207.2(c). Since the combined loans are treated as purpose credit, section 207.1(h) does not prohibit the transaction, irrespective of amount.

REVISED INTERPRETATION OF REGULATION Y

The Board of Governors has revised an interpretation of its Regulation Y, Bank Holding Companies and Change in Bank Control, that defines terms used to describe the competitive effects of proposed mergers. The revision standardizes descriptive terms used by the Board in competitive factor reports with those used by the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency.

Effective June 11, 1980, § 250.182 is revised to read as follows:

Section 250.182—Terms Defining Competitive Effects of Proposed Mergers

Under the Bank Merger Act (12 U.S.C. 1828(c)), a Federal Banking agency receiving a merger application must request the views of the other two banking agencies and the Department of Justice on the competitive factors involved. Standard descriptive terms are used by the Board, the Federal Deposit Insurance Corporation, and the Comptroller of the Currency. The terms and their definitions are as follows:

(a) The term "monopoly" means that the proposed transaction must be disapproved in accordance with 12 U.S.C. 1828(c)(5)(A).

(b) The term "substantially adverse" means that the proposed transaction would have anti-competitive effects which preclude approval unless the anticompetitive effects are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served as specified in 12 U.S.C. 1828(c)(5)(B).

(c) The term "adverse" means that proposed transaction would have anticompetitive effects which would be material to the decision but which would not preclude approval.

(d) The term "no significant effect" means that the anticompetitive effects of the proposed transaction, if any, would not be material to the decision.

DEPOSITORY INSTITUTIONS DEREGULATION COMMITTEE

Part 1204—Interest on Deposits

The Depository Institutions Deregulation Committee has adopted a rule providing that a penalty need not be applied to a withdrawal from an IRA or Keogh account time deposit prior to the maturity of the account, if the owner is disabled or age 59½ or over. The rule applies to all commercial banks, mutual savings banks, and savings and loan institutions subject to the authorities conferred by section 19(j) of the Federal Reserve Act, section 18(g) of the Federal Deposit Insurance Act and section 5B(a) of the Federal Home Loan Bank Act.

Effective June 2, 1980, the Committee amends Part 1204 (Interest on Deposits) by adding section 107 as follows:

*Part 1204—Interest on Deposits***Section 1204.107—Early Withdrawal of IRA and Keogh Accounts**

A depository institution subject to the authorities conferred by section 19(j) of the Federal Reserve Act (12 U.S.C. 371b), section 18(g) of the Federal Deposit Insurance Act (12 U.S.C. 1828(g)), or section 5B(a) of the Federal Home Loan Bank Act (12 U.S.C. 1425(a)) may pay a time deposit or certificate account before maturity without a reduction or forfeiture of earnings if the time deposit or certificate account represents an Individual Retirement Account or a Keogh (H.R. 10) plan established under 26 U.S.C. §§ 408 or 401, and the individual for whose benefit the account is maintained has attained age 59½ or is disabled (as defined in 26 U.S.C. § 72(m)(7)).

DEPOSITORY INSTITUTIONS DEREGULATION COMMITTEE*Part 1204—Interest on Deposits*

The Depository Institutions Deregulation Committee has adopted a technical amendment to Part 1204, Interest on Deposits. This technical amendment clarifies the application of the early withdrawal penalty rule adopted by the Depository Institutions Deregulation Committee ("Committee") on May 28, 1980, to withdrawals from time deposits with original maturities of less than three months. The rule provides that where a time deposit with an original maturity of less than three months, or any portion thereof, is paid before maturity, a depositor shall forfeit an amount at least equal to the amount of interest that could have been earned on the amount withdrawn at the nominal contract rate if the funds had remained on deposit until maturity.

Effective June 2, 1980, the Committee amends section 1204.103 of 12 C.F.R. Part 1204 as follows:

*Part 1204—Interest on Deposits***Section 1204.103—Penalty for Early Withdrawals**

Where a time deposit with an original maturity of three months or more to one year, or any portion thereof, is paid before maturity, a depositor shall forfeit an amount at least equal to three months of interest earned, or that could have been earned, on the amount withdrawn at the nominal (simple interest) rate being paid on the deposit, regardless of the length of time the funds withdrawn have remained on deposit. Where a time deposit with an original maturity of less than three months, or any portion thereof, is paid before maturity, a depositor shall forfeit an amount at least equal to the amount of interest that could have been earned on the amount withdrawn at the nominal (simple interest) rate being paid on the deposit had the funds remained on deposit until maturity. Where a time deposit with an original maturity of more than one year, or any portion thereof, is paid before maturity, a depositor shall forfeit an amount at least equal to six months of interest earned, or that could have been earned, on the amount withdrawn at the nominal (simple interest) rate being paid on the deposit, regardless of the length of time the funds withdrawn have remained on deposit.

BANK HOLDING COMPANY AND BANK MERGER ORDERS ISSUED BY THE BOARD OF GOVERNORS*Orders Approved Under Section 3 of Bank Holding Company Act*

Dominion Bankshares Corporation,
Roanoke, Virginia

Order Approving Merger of Bank Holding Companies

Dominion Bankshares Corporation, Roanoke, Virginia ("Dominion"), a bank holding company within the meaning of the Bank Holding Company Act ("Act"), has applied for the Board's approval under section 3(a)(5) of the Act (12 U.S.C. § 1842(a)(5)) to merge with Valley of Virginia Bankshares, Inc., Harrisonburg, Virginia ("Valley"), also a bank holding company, under the charter and title of Dominion.

Notice of the application, affording opportunity for interested persons to submit comments and views, has been given in accordance with section 3(b) of the Act.

The time for filing comments and views has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the Act.¹

Dominion, the third largest banking organization in Virginia, controls ten banks with aggregate deposits of approximately \$1.6 billion, representing 8.8 percent of the total deposits in commercial banks in the state.² Valley, the tenth largest banking organization in the state, controls five banks with aggregate deposits of approximately \$250.0 million, representing 1.3 percent of the total deposits in commercial banks in the state. Upon consummation of the proposed merger Dominion would remain the third largest banking organization in the state with 10.1 percent of the total commercial bank deposits in Virginia. On the basis of all the facts of record, including the overall structure of banking in Virginia, the Board does not view the proposed merger as having any significantly adverse effects on the concentration of banking resources in Virginia.

The banking subsidiaries of Dominion and Valley, with the exception of the banking subsidiaries in the Roanoke banking market,³ do not directly compete with each other in any banking market. The distances separating the closest of Dominion's and Valley's subsidiary banks, other than in the Roanoke banking market, are approximately 40 miles. Dominion is the largest of 14 banking organizations located in the Roanoke market, controlling 39.3 percent of market deposits, Valley's banking subsidiary, The First National Bank of Troutville ("Troutville Bank"), is the market's seventh largest with 1.5 percent of market deposits. The significantly adverse competitive effects that would occur within the Roanoke banking market upon consummation of the proposal will be eliminated by the divestiture of Troutville Bank prior to consummation of the subject merger.⁴ Accordingly, in light of the above and other facts of record, the Board finds that consummation of the proposal will not result in the elimination of significant existing competition.

While Dominion's offices are primarily concentrated in and around the Roanoke area and in the areas west and south of Roanoke, Valley operates, with the exception of Troutville Bank in the Roanoke market, in four banking markets located in the Shenandoah Valley area (Rockingham, Frederick, Augusta, and Shenandoah).⁵ In reviewing the competitive effects of the proposal, the Board is of the opinion the most severe adverse competitive effects will be within the Rockingham and Frederick banking markets where Valley's banking subsidiaries are, respectively, the largest of eight banking organizations (with 28.2 percent of market deposits) and the second largest of five banking organizations (with 28.1 percent of market deposits). In the two other banking markets in the Shenandoah area, Valley's subsidiary banks rank sixth out of eight banking organizations in the Augusta banking market (with 6.1 percent of market deposits) and fourth out of six banking organizations in the Shenandoah banking market (with 11.9 percent of market deposits). The banking structure of each of these markets has been carefully examined to determine whether any significantly adverse effects on potential or probable future competition would result from consummation of the proposal.

Dominion appears to have the capability to enter de novo the markets currently served by the banking subsidiaries of Valley. However, with respect to the competitive effects within the Augusta and Shenandoah banking markets, based upon all the facts of record, those markets do not appear attractive to de novo entry; furthermore, in neither market is there any independent bank smaller than Valley's subsidiary banks that might serve as a foothold entry for Dominion. With respect to the Rockingham and Frederick banking markets, it is noted that each market is primarily rural in nature with only one commercial center in each market, Harrisonburg in the Rockingham market, and Winchester in the Frederick market. Entry into these two markets from outside the commercial centers of Harrisonburg or Winchester is not very realistic, while entry de novo into these commercial centers is also not very attractive in light of the number of banking offices already operating in those areas and other demographic data of record. Foothold entry is likewise not very likely as there is no independent bank remaining in Frederick County, and the two possible entry points in Rockingham County are not very meaningful alternatives, particularly in view of their distances from Harrisonburg.

1. During its consideration of this application the Board received a protest from certain directors and shareholders of Valley after the expiration of the comment period specified in the *Federal Register* notice on this application. Under the Board's Rules of Procedure, 12 C.F.R. § 262.3(d), the Board is not required to and generally will not consider untimely protests. However, even if the protest had been timely filed the Board finds that the record indicates that protestants' financial and competitive objections do not warrant denial of this application.

2. Banking data are as of December 31, 1979, and reflect bank holding company formations and acquisitions approved as of March 31, 1980.

3. The Roanoke banking market is approximated by the Roanoke SMSA.

4. Virginia National Bankshares, Inc., Norfolk, Virginia, a registered bank holding company, has filed an application under section 3(a)(3) of the Act for Board approval to acquire Troutville Bank.

5. The four relevant banking markets are approximated by the following geographical areas: Rockingham, by Rockingham County, including the city of Harrisonburg; Frederick, by Frederick County, including the city of Winchester; Augusta, by Augusta County, including the cities of Staunton and Waynesboro; and Shenandoah, by Shenandoah County. Market data are as of June 30, 1978.

Valley, on its own, does not appear to be capable of expanding beyond its market area, and thus may not be considered to be a likely entrant into any of the markets currently served by banking subsidiaries of Dominion. Based upon its review of all the facts of record, the Board is of the opinion that consummation of the proposal would have only slightly adverse effects on competition. The Board believes, however, that these effects when viewed in light of other considerations reflected in the record, are not serious enough to warrant denial of the proposal.

The Board considers the financial and managerial resources and future prospects of Dominion and its subsidiaries as generally satisfactory. Moreover, affiliation with Dominion should materially improve the financial and managerial resources and future prospects of Valley's subsidiary banks, and enhance their abilities to serve the needs of their communities. In addition, Dominion proposes to expand and improve the services offered to the public by Valley's subsidiary banks. In light of the above, considerations relating to the convenience and needs of the community to be served lend weight toward approval of the application and outweigh the adverse competitive effects associated with this proposal. Accordingly, it is the Board's judgment that the subject proposal is in the public interest and that the application should be approved.

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

By order of the Board of Governors, effective June 17, 1980.

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

(Signed) CATHY L. PETRYSHYN
[SEAL] *Assistant Secretary of the Board.*

**Fidelity Union Bancorporation,
Newark, New Jersey**

Order Approving Acquisition of Bank

Fidelity Union Bancorporation, Newark, New Jersey, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under section 3(a)(3) of the Act (12

U.S.C. § 1842(a)(3)) to acquire all of the outstanding shares (less directors' qualifying shares) of Garden State National Bank, Paramus, New Jersey.

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

On the basis of the record, the application is approved for the reasons set forth in the Board's Statement, which will be released at a later date.

By order of the Board of Governors, effective June 5, 1980.

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

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

Statement by Board of Governors of the Federal Reserve System Regarding Application of Fidelity Union Bancorporation to Acquire Garden State National Bank

By Order dated June 5, 1980, the Board approved the application of Fidelity Union Bancorporation, Newark, New Jersey, for the Board's approval under section 3(a)(3) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(3)) to acquire all the outstanding shares (less directors' qualifying shares) of Garden State National Bank, Paramus, New Jersey. In this Statement, the Board sets forth its reasons for approving the application.

Applicant, with five subsidiary banks, is the fourth largest banking organization in New Jersey.¹ It holds aggregate deposits of \$1.7 billion, representing 6.2 percent of total commercial bank deposits in the state. Through its subsidiary banks, Applicant conducts its banking business at a total of eighty-six banking offices located in ten local banking markets in northeastern New Jersey.² Bank, the twelfth largest banking organization in New Jersey, holds deposits of \$709.6 million, representing 2.5 percent of statewide deposits. Bank conducts its banking business through thirty-seven banking offices located in five local markets in northern New Jersey.

1. All banking data are as of December 31, 1978.

2. In addition, Applicant's subsidiary, Suburban Finance Company, operates 15 consumer finance offices in New Jersey.

By Order dated November 16, 1979, the Board denied an earlier proposal by Applicant to acquire Bank. In that decision the Board found that the previous proposal would have a serious adverse impact on the banking structure and the concentration of banking resources in New Jersey, and on potential competition in several local banking markets in New Jersey, and that these effects were not outweighed by the increased benefit to the convenience and needs of the communities to be served that would have been derived from the proposal.

In submitting the present application, Applicant has presented additional evidence concerning the competitive and public benefits aspects of the proposal, including actions it will take to address the concerns expressed by the Board in its previous denial. In particular, Applicant proposes to divest, as going concerns, seven branches of Bank, as well as one branch of a subsidiary bank of Applicant holding aggregate deposits of \$97 million, representing 0.4 of deposits in commercial banks in the state.³ The proposed divestiture of branches would effectively reduce the overall size of the institution to be acquired from the twelfth to the sixteenth largest in New Jersey, holding deposits of \$613 million. In addition, Applicant has proposed certain additions in banking services in further support of approval of the application.

In evaluating the effects of the proposal on statewide banking structure and concentration of resources in New Jersey, Applicant urges the Board to take into account the unique geographic position of that state and the resulting out-of-state influences that this geographic position has on New Jersey banking. Applicant has submitted evidence to demonstrate the significant impact that New York banking institutions have on competition in northern New Jersey. From the record it appears that New York institutions do have banking relationships with individuals and small businesses in northern and central New Jersey. There is also evidence in the record that large Philadelphia banks may exert a similar competitive influence in southern and central New Jersey. While the weight to be accorded this influence is not certain, it does appear that New Jersey's unique position between two large out-of-state financial centers does impact on the competitive environment of New Jersey banks, and the Board believes that any adverse effects on statewide banking structure and concentration of resources that

might otherwise result from the proposal are diminished by these circumstances.

Similarly, Applicant has submitted evidence concerning the role of state mutual savings banks, as well as state and federally-chartered savings and loan associations, in New Jersey (generally referred to as "thrifts"). Applicant points out that thrifts in New Jersey, which hold total deposits approximately equal to those in commercial banks, are empowered to offer NOW accounts and also to make limited consumer, as well as commercial, loans.⁴ While the Board continues to view commercial banking as most relevant in determining the competitive effects of a proposal, it may be appropriate in particular cases to take into consideration direct competition from thrifts in specific areas in evaluating the various competitive influences.⁵ The present case seems to be an appropriate one for such analysis, particularly in view of the absolute size and significant deposit-taking role of thrifts in New Jersey generally as well as their increasing powers. The Board believes that their influence is such as to further diminish the importance of the effects of the proposed acquisition on banking structure and concentration of resources in New Jersey.

The Board has also considered the effects that consummation of the proposed transaction would have on existing and potential competition within each of the local banking markets where Applicant or Bank compete. Both Applicant and Bank serve the Paterson, New Jersey, banking market, where as of July 26, 1979, they held, respectively, 0.7 and 3.1 percent of commercial bank deposits. In addition, Applicant and Bank also compete in the metropolitan New York banking market, which includes portions of two New Jersey counties. On July 26, 1979, Bank, the 20th largest of 126 banking organizations, held only 0.4 percent of the deposits in the market, while Applicant ranked last in that market. Inasmuch as neither organization has a significant presence in either market in which they both compete, the Board concludes that the proposal would eliminate only a minimal amount of existing competition between the two organizations.⁶

With regard to potential competition, the Board notes that Applicant serves eight New Jersey markets

3. Applicant has also committed to make an effort to divest the branches to organizations that are not strong competitors or are not represented in the respective markets where the branches are located. Thus, the divestiture of branches could have a procompetitive effect in specific markets. In this regard, Applicant submitted evidence indicating that, when branches are transferred to another banking organization, as a general rule customers tend to continue their established banking relationships with the branch despite the transfer of its ownership.

4. The Board notes that under the recently enacted Monetary Control Act of 1980, the commercial lending and investment powers of federally-chartered thrift institutions were broadened. However, in view of the uncertainty with respect to the extent to which the thrifts will exercise their new powers, the Board believes that it would be premature to give full credence to thrift institutions as full competitors of banks until the effects can be ascertained.

5. *United Bank Corporation of New York* (Schenectady Trust Company), 66 FEDERAL RESERVE BULLETIN 61, 63 (January 1979).

6. The United States Department of Justice has indicated its view that the proposal would have much more serious effects on existing competition. The Board notes, however, that this conclusion is based on a much more expansive definition of the Newark banking market than the Board believes is warranted in this case.

where Bank does not presently have offices, while Bank serves three markets where Applicant is not now represented. Generally, elimination of potential competition is regarded as most serious in the framework of a concentrated market, where the party being acquired is a dominant or one of the largest organizations and the party making the acquisition is sizeable and perceived to be one of a limited number of likely entrants into the market. In this regard, three of the markets in which Applicant is a sizeable organization (Freehold, Asbury Park and Newark) may be viewed as somewhat concentrated with four banking organizations holding from 56 to 88 percent of commercial bank deposits in the market. However, in view of the preceding discussion regarding the consideration of thrift organizations in evaluating market influences, the Board notes that, based on data furnished by Applicant, in two of the three markets thrifts hold 36 percent of the total market deposits, while in the Newark market, they hold 60 percent of total deposits in the market. In the Board's judgment, the significant presence of New Jersey thrift organizations in each of these three markets may serve to diminish Applicant's competitive position in each market, and lessen the relevance of the concentration figures among commercial banks. Moreover, with respect to the number of likely entrants in those markets, New Jersey law permits statewide operations by both banks and bank holding companies, and the evidence before the Board suggests that there are in fact numerous likely entrants into each of these three markets, as well as into the other markets in which either Applicant or Bank compete, depending upon the relative attractiveness of the market. Accordingly, based on the foregoing and other facts of record, the Board concludes that while the proposal would eliminate some potential competition, the Board does not believe that the overall effects would be significant.

The financial and managerial resources of Applicant and its subsidiaries are regarded as satisfactory, and their future prospects appear favorable. The financial and managerial resources and future prospects of Bank are considered to be generally satisfactory. While Applicant will incur a substantial amount of indebtedness in connection with the proposed transaction, it appears that Applicant possesses sufficient financial flexibility to service the debt and remain a source of strength to its subsidiary banks. Accordingly, banking factors are consistent with approval of the application.

With respect to the convenience and needs of the communities to be served, Applicant has indicated that it will improve Bank's services to its customers and the community in several important respects. In particular, Applicant intends to raise the interest rates paid to Bank's customers on certain time deposit ac-

counts, as well as to lower the interest rates on consumer loans. In addition, Applicant intends to undertake a program to install trilingual electronic banking facilities at a number of Bank's branches. Applicant has also committed to establish a \$5 million community loan pool for Hudson County to finance housing rehabilitation in low income areas where residents experience difficulty in obtaining credit. This pool would be of particular benefit to residents of low income areas of Hudson County where three of Bank's branches are located. Finally, Applicant notes that it will assist Bank in increasing its commercial lending services through expertise provided by Applicant, and that the availability of a greater lending capacity through the holding company system may enable Bank to become a more effective competitor in the Metropolitan New York banking market. In the Board's view, the benefits to the public that may be expected from consummation of the proposed acquisition lend significant weight toward approval of the application, and are sufficient to outweigh any adverse effects that may result. Accordingly, it is the Board's judgment that the proposed transaction would be in the public interest and that the application should be approved.

Based on the foregoing and other facts of record, the application is hereby approved, subject to the condition that within one year of consummation Applicant divest the seven offices of Bank and one office of Applicant's lead subsidiary bank as proposed in the application. The Board expects that such offices will be divested as going concerns having substantially the same business and assets as those offices held on November 16, 1979. The transaction shall not be consummated before the thirtieth calendar day following the effective date of the Board's Order or later than three months after the effective date of the Order, unless such period is extended for good cause by the Board of Governors or by the Federal Reserve Bank of New York pursuant to delegated authority, but in any event no later than December 31, 1980.

Board of Governors of the Federal Reserve System,
June 26, 1980.

(Signed) GRIFFITH L. GARWOOD,
Deputy Secretary of the Board.

[SEAL]

Dissenting Statement of Governors Teeters and Gramley

In considering the application of Fidelity Union Bank-corporation to acquire Garden State National Bank, we believe that the Board should use as its point of reference the previous denial of this proposed acquisition on November 16, 1979. In that order the Board found that consummation of the proposal would result

in serious adverse impacts on banking structure, on concentration of resources, and on potential competition in New Jersey, and that these adverse effects were not outweighed by increased benefits to the convenience and needs of the communities to be served. We have examined the record in the present application, and we have not found evidence that circumstances have changed significantly or that sufficient new facts have been added to the record since the Board's previous action to warrant approval of this application. Accordingly, in light of the Board's previous denial, we believe that the application should be denied.

June 26, 1980

**National Detroit Corporation,
Detroit, Michigan**

*Order Approving Acquisition of Bank Holding
Company*

National Detroit Corporation, Detroit, Michigan, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire 80 percent or more of the voting shares of West Michigan Financial Corporation, Cadillac, Michigan ("WMFC"), thereby indirectly acquiring voting shares of The Cadillac State Bank, Cadillac, Michigan ("Cadillac Bank"), and The First National Bank of Evart, Evart, Michigan ("Evart Bank").

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

Applicant, the largest banking organization in Michigan, controls ten banks with aggregate deposits of \$6.1 billion, representing 15.5 percent of the total deposits in commercial banks in the state.¹ Acquisition of WMFC, the 29th largest banking organization in Michigan, with two subsidiary banks having combined aggregate deposits of \$173.4 million, would increase Applicant's share of commercial bank deposits in Michigan by 0.4 percent.

WMFC's larger banking subsidiary, Cadillac Bank, competes in both the Cadillac and Traverse City banking markets; its other banking subsidiary, Evart Bank, competes in the Big Rapids banking market.² None of Applicant's banking subsidiaries is located in any of

these banking markets. Furthermore, the distance separating the closest of Applicant's and WMFC's subsidiary banks is approximately 65 miles. Accordingly, the Board concludes that no existing competition would be eliminated upon consummation of the proposal.

With respect to the competitive effects within the Traverse City and Big Rapids banking markets that would result from consummation of the proposal, WMFC's banking subsidiaries hold commercial banking deposits, respectively, of \$31.5 million and \$15.1 million, representing 5.9 and 11.6 percent of market deposits. In view of all the facts of record, including the relative absolute size of WMFC's banking subsidiaries in these markets, their market shares, and the structure of each of these banking markets, the Board concludes that consummation of the proposal would have no significant adverse effects upon potential competition in these markets.

Cadillac Bank is the largest of four commercial banking organizations in the Cadillac banking market, and has \$126.7 million in deposits, representing 66.5 percent of market deposits. The Board's concerns with the possible adverse effects that consummation of this proposal would have upon potential competition in the Cadillac market are mitigated by the fact that the significant position of Cadillac Bank in the Cadillac banking market may be attributed to the fact that Cadillac Bank was the only bank in Cadillac for the 67 years prior to 1962 and that there existed a lack of overall economic growth and bank chartering activity in the Cadillac area. In addition, the record indicates that the Cadillac market is not attractive to de novo entry, particularly as evidenced by its population and deposits-per-banking-office averages, which are significantly lower than statewide averages (as of October 1979). Moreover, while there are three other commercial banking organizations in the Cadillac market, none of them is a likely vehicle for foothold entry by Applicant and Michigan law precludes entry by Applicant into the Cadillac market by other means. In light of the above and other facts of record, the Board is unable to conclude that consummation of the proposal would have such adverse competitive effects as to warrant denial of the application.

After considering the overall impact of consummation of this proposal, the Board has concluded that approval of this application would generally be in the public interest. The Board recognizes that consummation of the proposal would have some adverse competitive effects in the Cadillac banking market, as well

1. All banking data are as of June 30, 1979.

2. The Traverse City banking market is approximated by all of Antrim, Benzie, Grand Traverse, Kalhaska and Leedeanau Counties,

Michigan. The Big Rapids banking market is approximated by all of Mecosta and the southern half of Osceola County, Michigan. The Cadillac market is approximated by all of Messaukee and Wexford Counties and the northern half of Osceola County, Michigan.

as a slight impact upon the concentration of banking resources in Michigan. However, the Board does not believe that the adverse effects on competition within the Cadillac market and upon the concentration of banking resources within Michigan are so adverse as to require denial of the proposal.

The financial and managerial resources of Applicant, its subsidiaries, and WMFC are regarded as satisfactory and the future prospects of Applicant and its subsidiaries appear favorable. Following consummation of this proposal Applicant proposes to expand the services of WMFC's banking subsidiaries by offering overdraft checking services and personal lines of credit. Additionally, Applicant intends Cadillac and Ewart Banks to offer VA and FHA mortgage loans and to resell WMFC's existing mortgages in order to make additional mortgage funds available to local customers. Thus, the Board concludes that considerations relating to the convenience and needs of the community to be served lend sufficient weight toward approval to outweigh any adverse competitive effects associated with this proposal.

Based upon the foregoing and other considerations reflected in the record, it is the Board's judgment that the proposed acquisition is in the public interest and that the application should be approved.

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

By order of the Board of Governors, effective June 17, 1980.

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

(Signed) CATHY L. PETRYSHYN
Assistant Secretary of the Board.

[SEAL]

Republic of Texas Corporation,
Dallas, Texas

Order Denying Merger of Bank Holding Companies

Republic of Texas Corporation, Dallas, Texas, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under section 3(a)(5) of the Act (12 U.S.C. § 1842(a)(5)) to merge with Fort Sam Houston Bank-Shares, Incorporated, San Antonio, Texas ("FSHB"),

under the name and charter of Republic of Texas Corporation ("Applicant").

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 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)), to acquire all of the outstanding shares of Fort Sam Life Insurance Company, San Antonio, Texas ("Fort Sam Life"), a subsidiary of FSHB, and to engage in the sale of insurance directly related to extensions of credit by FSHB's banking subsidiaries. Fort Sam Life engages in underwriting credit life, and credit accident and health insurance in connection with extensions of credit by FSHB's banking subsidiaries. These activities have been determined by the Board to be closely related to banking (12 C.F.R. §§ 225.4(a)(9)(ii) and (10)).

Notice of the applications, affording opportunity for interested persons to submit comments and views has been given in accordance with sections 3 and 4 of the Act (45 *Federal Register* 3668). The time for filing comments and views has expired, and the applications and all comments received have been considered in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)) and the considerations specified in section 4(c)(8) of the Act.

Applicant, the fourth largest banking organization in Texas, controls 22 banks with aggregate deposits of approximately \$5.0 billion,¹ representing 7.4 percent of total deposits in commercial banks in the state.² FSHB, the twentieth largest banking organization in Texas, has two subsidiary banks and has received approval to open a de novo bank, and controls total deposits of approximately \$183.0 million, representing 0.3 percent of total statewide commercial bank deposits. Upon consummation, the resulting banking organization would rank as the fourth largest in the state, controlling about 7.7 percent of total deposits in commercial banks in Texas. While concentration of banking resources in Texas has been a source of concern to the Board, the Board concludes that consummation of the transaction would not have serious adverse effects on the concentration of banking resources in the state.

Applicant ranks as the fifth largest of 42 banking organizations located in the San Antonio banking market (the relevant market)³ through its control of two subsidiary banks with combined deposits of \$175.6 million, representing 4.8 percent of total commercial bank deposits in the market. FSHB, the fourth largest bank-

1. All banking data are as of December 31, 1978, and reflect bank holding company formations and acquisitions approved as of January 31, 1980.

2. By Order dated March 18, 1980, the Board approved the acquisition by Applicant of Bank of Austin, Austin, Texas. Consummation of that acquisition would result in Applicant's controlling 23 banks and 7.5 percent of total deposits in the state.

3. The San Antonio banking market is approximated by the San Antonio SMSA.

ing organization in the market, through its two subsidiary banks controls aggregate deposits of \$183.0 million, representing 5.0 percent of market deposits. Consummation of the transaction would increase significantly Applicant's share of market deposits, to 9.8 percent, causing Applicant to become the third largest organization in the market, and would result in the elimination of substantial existing competition between Applicant and FSHB. As the Board has indicated previously, a proposed combination of similarly-sized banking organizations within the same banking market that are of a size to achieve economies of scale and attract capable management and are able to operate independently as aggressive competitors, would ordinarily have serious anticompetitive effects and should not be approved except in compelling circumstances.

This proposal represents a large horizontal acquisition in a market where Applicant already has a significant presence through its two banks. The larger of these banks, Bexar County National Bank of San Antonio, is a sizable organization in its own right and is fully capable of marketing its services throughout the entire geographic market. The size of FSHB would indicate that it also is able to compete effectively in the market even absent affiliation with Applicant. Moreover, consummation of the proposal would remove FSHB as a viable independent organization and as a possible entry vehicle for other holding companies not currently represented in the market, and would significantly increase the concentration of banking resources in the San Antonio banking market. Based upon these and other facts of record, the Board is of the opinion that consummation of this proposal would have substantially adverse effects on competition in the relevant banking market.⁴

Consummation of the proposal would also foreclose the possibility of increased competition in the future. Applicant's absolute size and total resources could support its expansion in this market *de novo* or by foothold acquisition. Expansion by such means would foster rather than eliminate competition. The San Antonio banking market is growing, and can support continued expansion by existing firms while remaining attractive for outside entry by *de novo* or foothold means. In this regard, FSHB is also a large, well-managed organization fully capable of continued growth and expansion within the market, which is demonstrated by its recent *de novo* expansion in the market.

In reaching its conclusion on the competitive effects of this proposal, the Board noted that FSHB's lead subsidiary bank, National Bank of Fort Sam Houston

("Fort Sam Bank"), is what is commonly termed a "military bank" in that it is located at a military installation and derives a significant amount of its deposit and loan business from military personnel located outside the local banking market. Applicant asserts that Fort Sam Bank's market share should be reduced by half to more fairly assess the competitive effects in the local market. This reduction would result in Applicant controlling, upon consummation of this proposal, about 7.3 percent of total market deposits; however, even shading Fort Sam Bank's share of market deposits, the Board is of the opinion that consummation of the transaction would have serious adverse effects on competition. Although Fort Sam Bank may derive a large portion of its business from military personnel, to a certain degree all banks in the San Antonio market compete for business from military personnel and, therefore, the shading of FSHB's market share to the extent suggested by Applicant may overstate the significance of Fort Sam Bank's orientation.

The Board has also considered the impact of thrift institutions on competition within the San Antonio market. Although there are a number of large thrift institutions located in the San Antonio banking market, the Board in this instance is unable to conclude from the evidence in the record that these institutions compete actively with commercial banks over a sufficient range of financial services to mitigate significantly the anticompetitive effects of the proposal. Thus, having considered all of the facts of record in this application, the Board concludes that consummation of the proposed transaction would have substantially adverse effects on competition in the San Antonio market.

The financial and managerial resources and future prospects of Applicant, FSHB, and their subsidiaries are considered satisfactory. Accordingly, banking factors are consistent with approval of the application. Applicant proposes to develop the local customer and commercial business of FSHB's banks with particular emphasis on development of Fort Sam Bank's local business. However, FSHB appears to have the resources to develop these services independently of affiliation with Applicant. Applicant also intends to initiate trust and international services. While these considerations may lend some weight toward approval of the application, they are insufficient to outweigh the anticompetitive effects of the merger especially in light of the loss to the community of a viable and aggressive competitor that could continue to serve as an alternative source of banking services. Therefore, considerations relating to the convenience and needs of the community to be served do not clearly outweigh the substantial anticompetitive effects that would result from consummation of the proposed transaction.

With respect to the application to acquire Fort Sam Life, the Board has determined that the balance of

4. While Chairman Volcker agrees with the Board's denial of this application, he does not agree with the Board's characterization of the anticompetitive effects as being substantially adverse.

public interest factors prescribed by section 4(c)(8) of the Act warrant approval. There is no evidence that Applicant's acquisition of Fort Sam Life alone 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. In the context of this proposal, however, Applicant could not consummate this acquisition without acquiring control of FSHB. Accordingly, the Board concludes that this application must also be denied.

It is the Board's judgment that consummation of the proposal would not be in the public interest and that the applications should be denied. Based on the foregoing and other facts of record, the applications are hereby denied.

By order of the Board of Governors, effective June 11, 1980.

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

(Signed) CATHY L. PETRYSHYN,
Assistant Secretary of the Board.

[SEAL]

Concurring Statement of Governor Wallich

As I have indicated on previous occasions,¹ because of the diverse group of financial products and services that thrift institutions now offer in direct competition with commercial banks, thrift institutions should be included in the analysis of competition to a much greater extent than has been the Board's practice. I continue to adhere to that view. However, in light of all the facts of record in this instance, including the absence of sufficient evidence of active competition between thrift institutions and commercial banks in this market, I agree with the majority's action in denying this proposal.

June 11, 1980

Dissenting Statement of Governor Schultz

I would approve the application of Republic of Texas Corporation to merge with Fort Sam Houston Bank-

Shares, Inc. because I do not believe that this merger would have serious adverse effects on competition. On the contrary, it is my opinion that the affiliation of these two organizations would enable FSHB to compete more aggressively in the local banking market, thus enhancing competition in the market and better serving the needs of the local community.

June 11, 1980

The Royal Bank of Canada, Montreal, Canada

Order Approving Acquisition of Bank

The Royal Bank of Canada, Montreal, Canada ("Royal"), a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire all of the voting shares of the successor by merger to Banco de San Juan, Hato Rey, Puerto Rico ("Banco"). The bank into which Banco is to be merged has no significance except as a means to facilitate the acquisition of the voting shares of Banco. Accordingly, the proposed acquisition of shares of the successor organization is treated herein as the proposed acquisition of the shares of Banco.

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

Royal is the largest banking organization in Canada and the thirtieth largest in the world (as of year-end 1978), with total assets in U.S. dollars of approximately \$46.8 billion and total deposits of \$41.0 billion.¹ Royal provides a complete array of retail, commercial and international banking services through its 1,604 banking offices worldwide, including 1,522 branches in Canada. Royal has a wholly-owned subsidiary bank in the United States, The Royal Bank and Trust Company, New York, New York (\$181.8 million in deposits).² Royal also operates a branch in Portland, agencies in New York City and San Francisco, and

1. *United Bank Corporation of New York* (Schenectady Trust Company), 64 FEDERAL RESERVE BULLETIN 894, 896 (1978); *Independent Bank Corporation* (The Old State Bank of Fremont), 65 FEDERAL RESERVE BULLETIN 867, 870 (1979); *United Bank Corporation of New York* (Schenectady Trust Company), 66 FEDERAL RESERVE BULLETIN 61, 64 (1980).

1. Banking data are as of October 31, 1979, unless otherwise indicated.

2. The Board has determined that Puerto Rico is not a "state" for the purpose of the multi-state banking prohibitions of section 3(d) of the Bank Holding Company Act (12 U.S.C. § 1842(d)), and therefore the Board is not precluded from approving Royal's acquisition of a bank in Puerto Rico.

maintains representative offices in Chicago, Dallas, Denver, Houston, Los Angeles, and Pittsburgh.³

Royal, the fifth largest of 22 banking organizations in Puerto Rico (deposits of \$405.4 million)⁴, has six branches controlling 5.6 percent of total deposits in commercial banks in Puerto Rico. Banco, the ninth largest banking organization in Puerto Rico (deposits of \$256.8 million), has 14 branches controlling 3.1 percent of total deposits in commercial banks in Puerto Rico. Upon consummation of the proposed acquisition, Royal would be the fifth largest of 21 banking organizations in Puerto Rico with 8.7 percent of total commercial bank deposits in Puerto Rico. The four largest banking organizations in Puerto Rico together control approximately 73.5 percent of total deposits in commercial banks in Puerto Rico, with the three largest controlling approximately 61.6 percent of total deposits. Given the structure of banking in Puerto Rico, the Board finds that approval of this application would not have a significantly adverse effect upon the concentration of banking resources in Puerto Rico.

Four of Royal's branches and 12 of Banco's offices operate in the San Juan banking market.⁵ Royal's four branches, with total deposits of \$370.2 million or 6.8 percent of the market total, and Banco's 12 branches, with total deposits of \$198.8 million or 3.7 percent of the market total, are, respectively, the fourth and seventh largest of 17 banking organizations located in the San Juan market. Upon consummation of the proposal, Royal's share of total market deposits would increase to 10.5 percent and Royal would remain the fourth largest banking organization in the market.

The Board has recently denied acquisitions in which the increase in market concentration would have been less than that resulting from this proposal.⁶ However, the Board finds that there are several significant factors that distinguish the competitive effects of this proposal from those that the Board previously found warranted denial. Included among such factors are the structure of the San Juan banking market as well as restrictions on the branching ability of non-Puerto Ri-

can banks and the inability of foreign banks to obtain FDIC insurance for their branches.

The San Juan banking market is dominated by two non-Puerto Rico-based banking organizations, Chase Manhattan Corporation and Citicorp, both of New York, and Banco Popular de Puerto Rico. Together these three banking organizations control approximately 68.8 percent of total deposits in the market, with Chase Manhattan Corporation and Citicorp each controlling almost 25 percent of such deposits and Banco Popular de Puerto Rico controlling slightly over 20 percent. Accordingly, even after consummation of this proposal, the amount of deposits controlled by Royal would be only one half the amount controlled by the next largest banking organization in the market.

The adverse competitive consequences that would normally be expected to result from consummation of this proposal are mitigated not only by the dominance of the San Juan banking market by the three larger banking organizations in the market, but also by other evidence of record reflecting the inability of Royal to be a fully competitive banking alternative for consumers in Puerto Rico. The extent to which Royal and Banco compete is constrained by Royal's inability to obtain FDIC deposit insurance⁷ and its inability to expand by de novo branching.⁸

Accordingly, while the Board might be expected to find that consummation of this proposal would have a seriously adverse effect on existing competition in the San Juan market, in light of all the facts of record in this matter the Board is of the opinion that the competitive effect of this proposal is not so serious as to preclude approval of this application, especially in light of the outweighing convenience and needs considerations set forth below.

In addition to their presence in the San Juan market, Royal and Banco each have two additional branches, all of which are located in separate banking markets. Thus, there would be no decrease in existing competition in any of these four markets. In addition, because of the restrictions on Royal's abilities to branch and Banco's inability to branch further because of its limited financial and managerial resources, the Board finds that consummation of this proposal would not have an adverse effect on probable future competition.

The financial and managerial resources and future prospects of Royal are considered satisfactory. Royal would be able to serve as a source of financial and managerial strength for Banco, especially in view of Royal's commitment to add \$10 million to Banco's equity capital and its commitment to ensure that Ban-

3. Royal also engages in nonbanking activities in the United States through two wholly-owned subsidiaries, U.S.A. Realty Holdings, Inc., and Ferncroft Holdings, Inc., held pursuant to section 4(c)(1)(D) of the Act (12 U.S.C. § 1843(c)(1)(D)), and one wholly-owned indirect subsidiary, Globe Building Corporation, held pursuant to section 4(c)(1)(C) of the Act (12 U.S.C. § 1843(c)(1)(C)). In addition, Royal has a less than 25 percent interest in five Canadian corporations, each of which has majority or wholly-owned subsidiaries engaged in nonbanking activities in the United States. These investments are held by Royal pursuant to sections 2(h) and 4(c)(9) of the Act (12 U.S.C. §§ 1841(h) and 1843(c)(9)) and section 225.4(g)(2)(v) of the Board's Regulation Y (12 C.F.R. § 225.4(g)(2)(v)).

4. All market data are as of June 30, 1979.

5. The San Juan banking market is approximated by the San Juan SMSA.

6. *Republic of Texas Corporation*, 66 FEDERAL RESERVE BULLETIN 580 (June 1980); *County National Bancorporation*, 65 FEDERAL RESERVE BULLETIN 763 (1979).

7. The FDIC does not insure deposits held at the Puerto Rican branches of foreign banks. 44 *Federal Register* 40,059 (1979).

8. The Board notes that Royal last established a de novo office in 1966, and between 1968 and 1974 has repeatedly been denied permission to establish an additional office.

co remains strongly capitalized. In addition, affiliation with Royal would provide Banco with needed managerial expertise. Accordingly, considerations relating to banking factors favor approval of the application.

As a result of the proposed acquisition, Banco would receive financial and managerial resources that would allow it to expand into new product and geographic markets. Royal proposes that Banco will seek to establish additional offices in Puerto Rico and thereby increase its competitive presence in the Commonwealth. Banco also, for the first time, will provide personal and corporate fiduciary services to its customers. Accordingly, the Board finds that considerations relating to the convenience and needs of the communities to be served outweigh the anti-competitive effects that would result from consummation of this proposal. Accordingly, it is the Board's judgment that the proposed acquisition is in the public interest and that the application should be approved.

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

By order of the Board of Governors, effective June 30, 1980.

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

(Signed) GRIFFITH L. GARWOOD,
Deputy Secretary of the Board.

[SEAL]

Texas Commerce Bancshares, Inc.,
Houston, Texas

Order Denying Acquisition of Bank

Texas Commerce Bancshares, Inc., Houston, Texas, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under section 3(a)(3) of the Act, 12 U.S.C. § 1842(a)(3), to acquire 100 percent of the voting shares (less directors' qualifying shares) of the successor by merger to The First National Bank of Port Neches, Port Neches, Texas ("Bank"). The bank into which Bank would be merged has no significance except as a means to facilitate the acquisition of Bank's voting shares.

Notice of the application, affording opportunity for interested persons to submit comments and views, has been given in accordance with section 3(b) of the Act.

The time for filing comments and views has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the Act, 12 U.S.C. § 1842(c).

Applicant, the third largest banking organization in Texas, controls 39 banks with aggregate deposits of \$5.4 billion, representing 7.8 percent of the total commercial bank deposits in the state.¹ Bank, the 267th largest banking organization in the state, has total deposits of \$34.5 million, or 0.05 percent of the state total. Upon consummation of the proposal, Applicant would continue to rank third among banking organizations in Texas and would control 7.84 percent of statewide deposits, and the acquisition would not materially alter statewide deposit concentration or the structure of the banking system in Texas.

Bank is the ninth largest of 21 banking organizations in the Beaumont banking market; it controls \$34.5 million in deposits, representing 2.7 percent of the market.² Applicant is currently represented in the market with one subsidiary bank, American National Bank of Beaumont ("American National"), which has total deposits of \$212.6 million, or 16.5 percent of the market, making Applicant the second largest banking organization in the market. Acquisition of Bank would increase Applicant's already substantial market share to 19.2 percent and would increase the proportion of market deposits held by the four largest banking organizations from 64.1 percent to 66.8 percent.

This acquisition would also eliminate competition that exists between Bank and American National in the Beaumont market. Applicant points out that Bank and American National are located in distinct urban centers, separated by several miles. However, commuter travel between the two centers is relatively easy, and it appears that residents of the Port Neches area, where Bank is located, rely to some extent on Beaumont, where American National is located, for entertainment, cultural activities, and shopping needs, and there is other evidence of commercial interaction between Beaumont and Port Neches. With respect to the present banking operations of Bank and American National, it appears that Bank already draws considerable business from American National's primary service area, and American National serves a significant percentage of Bank's potential customers. This acquisition would eliminate, in the Board's view, a significant amount of existing competition and the possibility of further developing competition between Bank and American National.

1. Unless otherwise indicated, all banking data are of June 30, 1979, and reflect bank holding company formations and acquisitions approved as of March 31, 1980.

2. The Beaumont banking market is approximated by Jefferson and Hardin Counties and the cities of Vidor and Bridge City in Orange County.

Furthermore, Applicant's acquisition of Bank would remove an attractive alternative means of entry for bank holding companies not now represented in the market. Currently, five of the state's ten largest holding companies have subsidiaries in the Beaumont market. As one of the largest remaining independent banks in a relatively attractive market, Bank is a convenient entry vehicle for any holding company that has not yet established a market presence. Under the circumstances, the Board cannot endorse acquisition of Bank by a holding company that already has such a significant market presence.

In view of the facts of record, the Board finds that consummation of this proposal is likely to result in substantially adverse competitive effects in the Beaumont market.³ In the Board's view these effects require denial of this application unless they are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served.

Applicant proposes to introduce at Bank services similar to those it can provide in the market through American National or through expansion within the market that does not entail the elimination of a competitive alternative source of banking services. The Board finds that considerations relating to the convenience and needs of the community to be served do not outweigh the substantially adverse competitive effects of this proposal. Banking factors are consistent with, but do not lend significant weight toward, approval. The financial and managerial resources of Applicant, its subsidiaries, and Bank are regarded as generally satisfactory and future prospects appear favorable.

Based on the foregoing and other considerations reflected in the record, it is the Board's judgment that the proposed acquisition is not in the public interest and that the application should be, and hereby is, denied.

By order of the Board of Governors, effective June 12, 1980.

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

(Signed) CATHY L. PETRYSHYN,
[SEAL] *Assistant Secretary of the Board.*

3. The Board has also considered the impact of thrift institutions on competition within the market and in this instance is unable to conclude from the evidence in the record that these institutions compete actively with commercial banks over a sufficient range of financial services to mitigate significantly the anticompetitive effects of the proposal.

Orders Under Section 4 of Bank Holding Company Act

Citicorp,
New York, New York

Order for Hearing

Citicorp, New York, New York, a bank holding company within the meaning of the Bank Holding Company Act (the "Act"), has applied for the Board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)) to engage in certain data processing activities through a subsidiary to be known as Citishare Corporation.

Under section 4(c)(8) of the Act, a bank holding company or its subsidiaries may engage, with the Board's prior approval, in any activity that the Board has determined "to be so closely related to banking or managing or controlling banks as to be a proper incident thereto." The Board must also consider whether the performance of a particular activity by a bank holding company can reasonably be expected to produce public benefits that outweigh possible adverse effects. This section authorizes the Board to make the determination of whether an activity is closely related to banking by regulation. The Board used this authority in 1971 when it issued section 225.4(a)(8) of Regulation Y (12 C.F.R. § 225.4(a)(8)), permitting a bank holding company to engage in the following activities:

- (i) providing bookkeeping or data processing services for the internal operations of the holding company and its subsidiaries, and
- (ii) storing and processing other banking, financial, or related economic data, such as performing payroll, accounts receivable or payable, or billing services.

In 1975, the Board issued an interpretation (12 C.F.R. § 225.123(e)), stating that the purpose of section 225.4(a)(8) of Regulation Y is to permit a bank holding company to process data for others of the kinds banks have traditionally processed, both in conducting their internal operations and in accommodating their customers, and to perform incidental activities necessary to carry on permissible data processing activities. The interpretation provides that such incidental activities include, among others:

- (1) Making excess computer time available to anyone so long as the only involvement by the holding company system is furnishing the facility and necessary operating personnel; and
- (2) Selling a byproduct of the development of a program for a permissible processing activity.

The Board interpretation excludes from the scope of permissible activities the development of programs either upon a holding company's own initiative or upon request, unless the data involved are financially oriented.

The activities proposed to be engaged in by Citishare consist of the following:

1. Providing data processing for the internal operations of Citicorp and its subsidiaries;
2. Developing, assembling, storing, processing, and distributing financial, economic, and banking data, such as selected income statement and balance sheet items, economic time-series, securities prices, and foreign exchange rates;
3. Selling computer "time-sharing" services to any person, which consists of providing access to data of the types listed in (2) above and packaged financial systems via computer terminals in the purchasers' offices;
4. Providing packaged financial systems for installation at sites to be chosen by purchasers of the systems; and
5. Selling to any person excess computer processing capacity as may from time to time be available, on the condition that the only involvement by Citishare Corporation would be furnishing the facility and necessary operating personnel, and performing other incidental activities necessary for the sale of such excess computer time.

Providing data processing for the internal operations of a bank holding company is explicitly authorized by section 225.4(a)(8)(i) of Regulation Y. Citicorp contends that the other proposed activities constitute "storing and processing . . . banking, financial, or related economic data" within the meaning of section 225.4(a)(8)(ii) of Regulation Y.

Following publication of notice of the application, the Association of Data Processing Service Organizations, Inc., Arlington, Virginia, and other interested organizations (collectively "Protestants") jointly filed written submissions in opposition to the application, and requested that the Board either deny the application or order a formal hearing on the application.¹ Protestants contend that the proposed activities are not within the scope of those data processing activities that the Board has previously determined to be permissible and are not otherwise "so closely related to banking or managing or controlling banks as to be a proper incident thereto" within the meaning of section 4(c)(8) of the Act. Protestants also allege that the proposal would result in adverse effects, such as undue

concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices, that would not be outweighed by any benefit to the public.

With regard to the permissibility of Citicorp's proposal under Regulation Y, Protestants challenge, for example, the proposed sale of excess computer time and time-sharing services as means for evading restrictions on processing non-financially related data. Protestants contend that data processing technology has progressed over the past few years so as to enable a data processor to tailor its computer capacity to eliminate the need for any significant amount of excess capacity. Furthermore, Protestants contend that since a purchaser of the proposed time-sharing service would have a computer terminal on its own site, it would not be possible to monitor the purchaser's use of the computer services to prevent the impermissible processing of non-financially oriented data. Although Citicorp disputes Protestants' claims, neither Citicorp nor Protestants have presented sufficient evidence to prove or disprove these contentions. In the Board's judgment, these are questions of fact that are material to the Board's decision on the application, and remain in dispute and unresolved by the parties' written submissions. Accordingly, the Board believes it appropriate to order a formal hearing on the application.

In addition, Protestants claim that many of the proposed data processing services are not the kinds of activities traditionally performed by banks. Protestants assert that technological developments in the industry have advanced the scope of data processing activities, including those proposed by Citicorp, beyond that contemplated by the Board in 1971 when it determined such activities to be permissible for bank holding companies. The Board believes that it would be appropriate to address this issue at a hearing.

Finally, Protestants allege that consummation of the proposal would result in adverse effects, especially unfair competition and conflicts of interests, that would not be outweighed by any benefit to the public. While these allegations would not, standing alone, warrant a hearing, the Board believes that all outstanding issues in this matter should be resolved in one proceeding.

Accordingly, *it is hereby ordered*, That a hearing with respect to this application be held before an Administrative Law Judge to be designated by the Office of Personnel Management. Such hearing shall be conducted in compliance with the Board's Rules of Practice for Hearings (12 C.F.R. Part 263); however, the Administrative Law Judge shall establish a schedule whereby Citicorp and Protestants shall submit their direct and rebuttal testimony in written form. Public, oral cross-examination shall then commence on a date designated by the Administrative Law Judge at the offices of the Board of Governors, Washington, D.C., or

1. Other Protestants are ADP Network Services, Inc.; Comshare, Inc.; National CSS, Inc.; On-Line Systems, Inc.; Quantum Computer Services, Inc.; and, Tymshare, Inc.

at any other place that the Administrative Law Judge may designate in the interest of fairness. The Administrative Law Judge may, in his discretion, convene a prehearing conference or conferences at any convenient time or place.

It is further ordered, That the issues to be considered at such hearing are: (1) whether the data processing activities proposed by Citicorp are "so closely related to banking or managing or controlling banks as to be a proper incident thereto," within the meaning of section 225.4(a) of Regulation Y (12 C.F.R. § 225.4(a)) and section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. § 1843(c)(8)); and (2) whether the proposed activities "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."

It is further ordered, That any person desiring to give testimony, present evidence, or otherwise participate in these proceedings should file with the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, on or before July 10, 1980, a written request containing a statement of the nature of the petitioner's interest in the proceedings, the extent of the participation desired, a summary of the matters upon which the petitioner desires to give testimony or submit evidence, and the name and identity of each witness who proposes to appear. Such requests will be submitted to the designated Administrative Law Judge for his disposition.

By order of the Board of Governors, effective June 10, 1980.

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

(Signed) CATHY L. PETRYSHYN,
Assistant Secretary of the Board.

[SEAL]

Citicorp,
New York, New York

Order Approving Retention of Citicorp Homeowners, Inc.

Citicorp, New York, New York, a bank holding company within the meaning of the Bank Holding Company Act of 1956, has applied for the Board's approval, under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)), to retain all the voting shares of Citicorp Homeowners, Inc. ("CHI"),

Des Peres, Missouri. CHI was organized to engage in certain activities and hold certain assets formerly conducted and held by Advance Mortgage Corporation ("Advance"), Southfield, Michigan. As successor to part of Advance's business, CHI would continue to make, acquire, and service extensions of credit secured by mobile homes, mobile home inventories, and second liens on residential real estate, and it would begin originating and servicing 1-4 family residential mortgage loans. The Board has determined that these activities are closely related to banking (12 C.F.R. § 225.4(a)(1) and (3)).¹

Notice of the application, affording opportunity for interested persons to submit comments and views on the public interest factors, has been duly published (45 *Federal Register* 20,557 (1980)). The time for filing comments and views has expired, and the Board has considered all comments received in light of the public interest factors set forth in section 4(c)(8) of the Act.

Applicant, with total assets of \$106.4 billion, is the second largest banking organization in the nation.² In terms of domestic office deposits, it is the third largest banking organization in New York State, with 12.6 percent of the state's total deposits as of September 30, 1979. In addition to its two subsidiary banks, Applicant controls a number of domestic nonbank subsidiaries engaging in such activities as consumer, sales, and commercial finance, factoring, leasing, mortgage lending, issuance and sale of travelers' checks, and sale and underwriting of credit-related insurance.

CHI is the successor to Advance in those mobile home finance and second mortgage activities which Advance began de novo after it became a subsidiary of Applicant in 1970. In 1979, after separating these activities into CHI, Applicant sold its shares of Advance to a partnership organized by Oppenheimer and Co., Inc. ("Oppenheimer").³ Through this transaction the partnership basically acquired the traditional mortgage banking activities that Advance had engaged in before Applicant bought it. Included in the sale were a mortgage servicing portfolio of \$3.2 billion, assets of \$99.8 million, and 27 offices operating through about 700 em-

1. CHI also operates through nine subsidiaries and has an interest, acquired with the Board's consent under section 4(c)(13) of the Act, in First National Nippon Shinpan Co., Ltd., Tokyo, Japan. The Federal Reserve Bank of New York, pursuant to delegated authority, has permitted Applicant to engage in certain credit-related insurance activities through two of these indirect subsidiaries. The remaining subsidiaries are inactive or provide services related to CHI's direct lending activities.

2. Banking data are as of December 31, 1979, unless otherwise noted.

3. Under the Bank Holding Company Act, Applicant could not retain Advance after December 31, 1980, without the Board's approval, which it was unable to secure. *Citicorp* 64 *FEDERAL RESERVE BULLETIN* 321 (1978); *First National City Corporation*, 60 *FEDERAL RESERVE BULLETIN* 50 (1974).

ployees in 14 states. The partnership also purchased Advance's subsidiary, Lakeland Assurance, Inc., which reinsures mortgage redemption life insurance and group accident, health, and accidental death insurance. All of Advance's mobile home and second mortgage loans and most of its conventional residential mortgage loans, as well as the offices and employees connected with the mobile home and second mortgage operations, were retained by Applicant in CHI. As of November 30, 1979, CHI had total assets of approximately \$1.5 billion.

As it did in denying applications to retain Advance, the Board must determine whether the retention of this company "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." In its more recent denial, the Board recognized that the affiliation of Applicant and Advance had produced, and the continuation of that affiliation could reasonably be expected to produce, some public benefits of significance. However, it was the Board's judgment that these public benefits did not outweigh the possible adverse effects of the affiliation on existing and future competition and concentration of resources.

Applicant's new proposal, in the Board's judgment, substantially changes that balance. Applicant has restored Advance to the market as a viable independent competitor, and Applicant itself has been restored as a potential entrant in the mortgage banking business.⁴ Applicant proposes to retain only those lines of business which it caused Advance to enter de novo after 1970.⁵

4. Applicant's sale of Advance established Oppenheimer, through Advance, as the third largest firm in the mortgage banking industry. Advance was the fourth largest before Applicant acquired it. As part of the sale, Applicant has also agreed to purchase, as a secondary institutional investor, \$680 million of Advance's conventional mortgage loans over a two-year period.

5. Bank holding companies should not be encouraged to believe that the Board will look favorably upon the dismemberment of subsidiaries they must divest because of the anticompetitive effects their acquisitions entailed. Bank holding companies have no inherent claim to retain any new activities a temporarily grandfathered subsidiary commences during the period of its affiliation. The subsidiary might have commenced those activities if it had remained an independent organization, or they may have been commenced at the expense of the subsidiary's traditional activities. In either case a divestiture coupled with a retention of the new business would not achieve a return to the competitive status quo, or an approximation of it, that would be desirable. The dismembered company would be a weaker competitor than it would have been but for the anticompetitive acquisition. This case, however, is unusual. In the first place, a sale of a company of Advance's size clearly involves practical difficulties. Because of Advance's size, few organizations that do not compete with Advance could purchase it intact. In the second place, there is ample evidence that Applicant has divested a company that is probably a stronger competitor than it would have been absent the affiliation, and the business Applicant proposes to retain does not cause the Board concern about an undue concentration of resources.

When it was acquired in 1970, Advance engaged in traditional mortgage banking lines of business, primarily originating FHA-VA insured 1-4 family residential mortgage loans and servicing those loans after sale to institutional investors and, to a lesser extent, originating and servicing loans on income-producing properties and making construction loans.⁶ CHI's current second mortgage and mobile home financing activities were commenced by Advance in 1973 and 1974. It is likely that Applicant would have engaged in each of these activities through other subsidiaries if it had not owned Advance.⁷ It is unlikely, on the other hand, that Advance would have commenced either activity if it had not been affiliated with Applicant. Advance had no specific expertise in either line of business, and there is no reason to believe that it would have undertaken independently the cost of acquiring or training personnel and establishing the administrative and operational systems necessary to expand into these areas. Further, there is no secondary market for mobile home or second mortgage loans, and it is unlikely that an independent Advance would have had the financial resources to offer such loans.⁸ Accordingly, Applicant's acquisition of Advance appears to have had no effect on potential or probable future competition in the mobile home and second mortgage finance areas. Neither is it likely that Applicant gained any significant competitive advantage in these areas through its ownership of Advance.⁹ In contrast to Applicant's retention of Advance, its retention of CHI's existing business does not entail significant adverse competitive considerations.

Applicant also intends that CHI commence traditional mortgage banking activities, and the Board regards this de novo proposal as procompetitive. Additional sources of home financing will be provided in diverse geographic markets. Similarly, the Board views CHI's proposal to establish two new offices to

6. In 1976, Advance discontinued making mortgage loans on income-producing property and construction loans. CHI proposes to retain a portfolio of conventional residential mortgage loans, which the Board views as essentially a passive investment without significant competitive consequences.

7. In fact, Applicant engages in each to a more limited extent through its subsidiary, Nationwide Financial Services Corporation. Applicant's decision to engage in mobile home and second mortgage activities through Advance (and now CHI) appears to have been based on a business judgment regarding operational efficiency to be achieved through common administration of these and Advance's more traditional activities.

8. Of the ten largest mortgage bankers at mid-year 1978, none has entered the second mortgage market; two have attempted to enter the mobile home financing market, but since 1975 they have ceased originating such loans.

9. In second mortgage lending it does not appear that Applicant has achieved a dominant position in any geographic market. Applicant does finance a substantial share of mobile home units financed in some areas, based on the best data available, but the Board does not regard this with concern in view of the relative newness of mobile home financing and the absence of significant barriers to entry.

engage in second mortgage lending as at least slightly procompetitive.

There are other public benefits associated with this proposal. Supplementing those outlined in the Board's 1979 denial order, Applicant has pointed to a number of specific instances where the public has benefited, and where the public is likely to continue to benefit if Applicant retains CHI. Applicant has made significant efforts in making CHI innovative and responsive to consumer needs, and it intends to continue those efforts. CHI will actively participate in the financing of land-mobile home packages and will participate in the development of an active secondary market in conventional mortgage-backed pass-through securities with institutional investors. In addition, CHI will provide end-user loan commitments to developers of condominium and co-operative housing projects and conversions. Further, CHI has indicated that through the use of Applicant's managerial, financial, and computer resources CHI has been able to respond to customer loan applications in shorter average periods of time than competitors. Finally, CHI is working to develop a system by which mortgage loans may be pre-authorized. There is no evidence in the record indicating that retention of CHI would result in unfair competition, conflicts of interests, unsound banking practices, or other adverse effects.

In evaluating the public interest factors, the Board has reviewed Mr. Anthony R. Martin-Trigona's request that it deny this application summarily or hold a formal hearing. Apart from noting that CHI may involve a diversion of Applicant's resources from its other business, a possibility the Board has taken into account, Mr. Martin-Trigona chiefly complains of actions taken by Citibank, Applicant's lead subsidiary bank, in response to recent Board actions intended to restrain the growth of credit and, in particular, a reduction or elimination by Citibank of certain lines of consumer credit.¹⁰ The protestant believes that Applicant should not be permitted to expand its nonbank operations while reducing the availability of credit to customers of its subsidiary bank.

These contentions involve no dispute of material facts that a hearing might illuminate. In the Board's view, they involve instead a dispute regarding policy, and the Board does not believe its role in this proceeding is to evaluate the desirability of the particular methods Citibank has chosen to restrain credit.¹¹ It is

clear that some actions by banks of the type of which Mr. Martin-Trigona complains have been, in general, appropriate to temporary economic circumstances and the achievement of the prevailing objectives of this nation's economic policies. Mr. Martin-Trigona's implicit suggestion is that, as a price for permitting Applicant to retain or expand its permissible nonbanking activities, the Board should extract a commitment that Citibank will moderate credit differently, if at all, and conceivably that it will price its banking services below market. This would be a policy of directing an allocation of a holding company's resources to or away from the provision of particular services that in other contexts the Board has specifically refused to embrace,¹² and one that the Board considers unsuitable in connection with this application. The Board concludes that the protest raises no disputed material issue of fact requiring resolution through a formal hearing and, therefore, denies Mr. Martin-Trigona's request for a formal hearing. The Board also believes that Mr. Martin-Trigona's comments present no facts that materially alter its evaluation of the relative public benefits and adverse effects likely or possible to result from Applicant's retention of CHI.

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

10. Mr. Martin-Trigona also complains of various other actions by Citibank, which in the Board's judgment do not present adverse considerations material to this application.

11. In a recent submission the protestant has advised the Board that he has instituted a class action against Applicant, and he has raised several new objections to Citibank's treatment of him and its handling of his business, as well as to its reductions in lines of consumer credit.

Not only are these new objections untimely, but the protestant has not offered substantiation of any of his claims or suggested that legal remedies available to him are inadequate. Under the circumstances the Board does not believe that its consideration of this application should be delayed pending the resolution of the protestant's dispute with Citibank on matters essentially unrelated to the retention of CHI by Applicant.

12. See, *Michigan National Corporation*, 65 FEDERAL RESERVE BULLETIN 247, 249 n. 10 (1980). Consideration of a particular bank holding company's financial or managerial resources at a particular time may dictate that it curtail significant expansion into new services or new markets, but the Board does not believe this application presents such a case.

By order of the Board of Governors, effective June 3, 1980.

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

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

**Heritage Banks, Inc.,
Rochester, New Hampshire**

*Order Approving Retention of de novo Branch of
Rochester Savings Bank and Trust Company*

Heritage Banks Inc., Rochester, New Hampshire, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) to continue to engage in guaranty savings bank activities at a de novo branch of its subsidiary, Rochester Savings Bank and Trust Company, Rochester, New Hampshire.

Notice of the application, affording opportunity for interested persons to submit comments and views, has been duly published (45 *Federal Register* 6649 (1980)). The time for filing comments and views has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 4(c)(8) of the Act.

On the basis of the record, the application is approved for the reasons set forth in the Board's Statement, which will be released at a later date. This determination is subject to the conditions set forth in section 225.4(c) of Regulation Y and the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries 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 June 20, 1980.

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

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

Statement by Board of Governors of the Federal Reserve System Regarding Application by Heritage Banks Inc. to Retain a Branch of Rochester Savings Bank and Trust Company

Heritage Banks Inc., Rochester, New Hampshire, a bank holding company within the meaning of the Bank Holding Company Act has applied for the Board's approval, under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)), to continue to engage in guaranty savings bank activities at a branch of its subsidiary, Rochester Savings Bank and Trust Company ("Savings Bank"), Rochester, New Hampshire. These activities include the acceptance of time and savings deposits; the extension of consumer, real estate mortgage, VISA credit card and commercial loans; and trust and notarial services. Although the Board has not added the operation of a New Hampshire guaranty savings bank to the list of activities specified in section 225.4(a) of Regulation Y as generally permissible for bank holding companies, the Board has determined that operation of such an institution is closely related to New Hampshire banking and specifically approved Applicant's acquisition of Savings Bank. *Profile Bankshares, Inc.*, 61 *FEDERAL RESERVE BULLETIN* 901 (1975).

Notice of the application, affording the opportunity for interested persons to submit comments and views, has been duly published. The time for filing comments and views has expired and the Board has considered the application and all comments received, including those of the New Hampshire Association of Savings Banks, in light of the factors set forth in section 4(c)(8) of the Act.

Applicant, which has assets of \$123.8 million on December 31, 1979, has two subsidiaries: Savings Bank (deposits of \$97.9 million) and First National Bank of Rochester ("National Bank"), Rochester, New Hampshire (deposits of \$16.2 million).¹ Each office of Savings Bank, including the branch that is the subject of this application, is operated at the same location as an office of National Bank, and all these offices are located in Rochester, New Hampshire.

As noted, the Board in 1975 approved Applicant's acquisition of Savings Bank. At that time Savings Bank had one main office and one branch office. This application requests Board approval of Applicant's retention of a second branch office of Savings Bank, opened de novo on April 19, 1979, without the Board's prior approval, in violation of Regulation Y. In accordance with its policy regarding violations of the Act and upon its examination of all the facts of record, including Applicant's conduct, the nature of the violation,

1. Deposit data are as of September 30, 1979.

and Applicant's undertakings to guard against future violations, the Board is persuaded that the opening of this branch does not reflect so adversely on Applicant's management as to require denial of this application.

Under the Act, the Board is required to assess the public interest factors in each section 4(c)(8) application,² including an application for a de novo branch of an approved subsidiary. In making such an assessment with respect to an application to retain activities where necessary prior Board approval was not obtained, the Board applies the same standards that it applies for the commencement of such activities.³ Therefore, the Board must determine whether the retention of this office "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." The original acquisition of Savings Bank by Applicant was essentially a reorganization whereby ownership of Savings Bank and National Bank was shifted to a corporation owned by their common shareholders, and the Board found that the increased efficiency of operations, access to greater financial resources, and long range increase in community services resulting from approval of the application would produce public benefits. The Board found no evidence of adverse effects on the public interest and, therefore, approved the application.

Except for the fact that the branch applied for operates in tandem with a branch of Applicant's commercial bank, the public interest factors would clearly favor approval of this application. The public convenience is enhanced by this new location for the provision of savings bank services, and there is no evidence that if the branch were not operated in tandem any of the adverse effects specified in section 4(c)(8) or other material adverse effects might result from the establishment of the branch. The Board, however, has expressed its clear view that serious adverse effects may result from tandem operation of these two types of institutions,⁴ and this application accordingly requires closer analysis.

At the outset, the Board notes that this case involves unusual mitigating factors. In 1975 the Board, cognizant of Applicant's 42-year history of tandem operations commenced and conducted before the establishment of the current interest rate differential between the two institutions and therefore not as a device for its evasion, approved the affiliation of Savings Bank and National Bank. It has been argued that the two institutions might not have sought bank holding company status had they known that their future expansion in tandem might be restricted. It is possible, in fact, that the Board in 1975 might have taken a distinctly favorable view of this branch operation.

The complexion of New Hampshire banking has changed in several material respects since then, however. In 1975 there were only six guaranty savings banks in New Hampshire, a number that had remained stable for a long time, and there was no prospect of a proliferation of these institutions. In addition, each savings bank was confined by state branching laws to serving a relatively small local area. In that context approval under the Act of Applicant's subsidiaries' longstanding relationship, or others like it, that probably would not have been broken up by denial, was unlikely to alter the structural and competitive environment in New Hampshire in an unfavorable way. A modest trend away from common lobby operations, in fact, was in progress. Today savings banks can branch more widely, and applications are pending that, if approved, would triple the number of guaranty savings banks in New Hampshire. Moreover, with the exception of First Financial Group of New Hampshire, Inc.'s proposed acquisition of an existing savings bank, which is not predicated upon the establishment of a tandem relationship with a commercial bank, this initiative appears to be spurred by the clear desire of capable bank holding companies in the state to establish new tandem offices.

The Board, however, has taken particular note of the fact that Applicant's branch was approved by both the Federal Deposit Insurance Corporation and the appropriate New Hampshire authorities, and that the New Hampshire Association of Savings Banks, which has vigorously protested other attempts to expand tandem operations in the state, considers this branch only an extension of the proposal the Board approved in 1975, and does not object to it. The location of the branch is within Savings Bank's branching authority as it existed in 1975, and because of its proximity to Savings Bank's other offices the branch is likely to draw many customers for whom service before was conveniently available from the tandem offices which the Board specifically approved. This fact mitigates the significance of the branch, and the fact that there is no other nearby savings bank in Rochester for residents to turn to magnifies somewhat the inconvenience

2. The Board has confirmed its earlier determination that operating a guaranty savings bank is closely related to New Hampshire banking. *First Financial Group of New Hampshire, Inc.*, 66 FEDERAL RESERVE BULLETIN 594 (1980).

3. In these cases the Board assesses the public interest factors both at the time the activity was commenced and at the time of the application to retain the activity. However, because this application was submitted shortly after the branch office was opened and no significant changes have occurred since the branch was opened, a single analysis of the relevant factors was made.

4. *First Financial Group of New Hampshire, Inc.*

that the branch's customers would experience if the Board ordered that the branch be closed.

Based upon the foregoing and other considerations reflected in the record, the Board has determined that the balance of public interest factors the Board is required to consider under section 4(c)(8) marginally favors approval of Applicant's retention of this particular branch office, although it is unlikely that proposals for further expansion of Applicant's tandem operations will satisfy that statutory test. This determination is subject to the conditions set forth in the Board's Order of June 20, 1980.

Board of Governors of the Federal Reserve System, June 25, 1980.

(Signed) GRIFFITH L. GARWOOD,
Deputy Secretary of the Board.

[SEAL]

Dissenting Statement of Governor Schultz

I would deny this application, or approve it only if Applicant agreed to terminate the tandem operation of its commercial bank and savings bank subsidiaries. The Board has just expressed its view that only very compelling public benefits can justify tandem operations of these types of institutions under section 4(c)(8),¹ and I consider it inconsistent to approve this application and thereby condone such a tandem operation without offsetting public benefits that are particularly conspicuous or weighty.

In effect, the Board's Order in this case turns Applicant's violation of Regulation Y into a positive factor favoring approval of its application. If Applicant had applied in advance for the Board's approval of this branch, as it should have done, I believe that application would probably have been denied, and I do not think that result should be changed simply because Applicant failed, however innocently, to comply with the regulation.

In this connection I am unable to sympathize either with the view that the Federal Reserve System somehow lulled Applicant into believing this branch would be approved and that it therefore should not now order divestiture, or with the view that divestiture would be an unwarranted hardship on Applicant. These considerations are not appropriate in this case for several reasons. In the first place, the Federal Reserve System certainly did not lull Applicant into violating Regulation Y. If Applicant had properly applied for the branch in advance, any misunderstanding it had about the Board's views would have been cleared up before

it put itself to the expense of opening the branch.² Having failed to do so, Applicant assumed the risk that divestiture would be ordered. In the second place, for any nonbank activity commenced illegally, I think under the public interest factors of section 4(c)(8) the Board's evaluation should focus on the hardship divestiture may cause to the public, rather than hardship caused to the bank holding company, and I view the record on that former point as inconclusive in this case.

For the foregoing reasons I would deny this application unless Applicant agreed to terminate its tandem operations promptly.

June 25, 1980

Application to Continue to Engage in Real Estate Advisory Services and Real Estate Appraisal Services and of Possible Rulemaking with Respect Thereto

Summary: In connection with an application by First Chicago Corporation, Chicago, Illinois, to retain the shares of a subsidiary, the Board has been requested to add to the list of activities permissible for bank holding companies certain real estate advisory and appraisal services. The Board requests comments as to whether the proposed activity of "performing appraisals of any type of real estate, other than single-family residences" is closely related to banking or managing or controlling banks.

Applicant states that certain real estate-related advisory services, provided to state and local governments, have been previously specified by the Board as being permissible for bank holding companies as "providing financial advice to state and local governments, such as with respect to the issuance of their securities." The Board also requests comments as to whether these proposed activities are closely related to banking.

With respect to these activities and others that have been previously determined to be closely related to banking, the Board requests interested persons to comment on whether retention of the nonbanking company would result in public benefits that outweigh possible adverse effects.

Date: Comments must be received by August 1, 1980.

1. *First Financial Group of New Hampshire, Inc.*, 66 FEDERAL RESERVE BULLETIN 594 (1980).

2. In any event, I see nothing in the Board's 1975 Order approving Applicant's acquisition of Savings Bank suggesting that the Board would look favorably upon any future branching or any other significant alteration in Savings Bank's activities.

Supplementary Information: The Board of Governors has received an application filed pursuant to section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. § 1843 (c)(8)) and section 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)) by First Chicago Corporation, Chicago, Illinois, for prior approval to retain shares of its subsidiary, Real Estate Research Corporation ("RERC"), Chicago, Illinois, a company engaged in a wide variety of real estate-related advisory and appraisal activities. Some of the activities that are the subject of the application have not previously been determined by the Board to be closely related to banking.

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

Applicant acquired RERC in June 1970, and has been engaged since that time¹ in the following activities: (1) providing financial advice to state and local governments; (2) providing portfolio investment advice; (3) providing branch location, financial feasibility, and specialized market studies for nonaffiliated banks; (4) providing general economic information and advice, general economic statistical forecasting services, and industry studies; (5) advising state and local governments about methods available to finance real estate development projects; (6) evaluating projected income to determine for state and local governments whether debt resulting from proposed development projects can be adequately serviced; and (7) performing appraisals of all types of real estate, other than single-family residences. These activities are performed from offices of RERC in Chicago, Illinois; Atlanta, Georgia; Dallas and Houston, Texas; Miami, Florida; San Diego and San Francisco, California; and the District of Columbia. The geographic area served is the entire continental United States. RERC also engages in other real estate advisory activities that are not subjects of this notice because the Board has determined that there is no reasonable basis for Applicant's opinion that the activities are closely related to banking.

1. Section 4 of the Act provides, inter alia, that nonbanking activities acquired between June 30, 1968, and December 31, 1970, by a company which became a bank holding company as a result of the 1970 Amendments may not be retained beyond December 31, 1980, without Board approval.

Applicant states that activity (5), "advising state and local governments about methods available to finance real estate development projects," and activity (6), "evaluating projected income to determine for state and local governments whether debt resulting from proposed development projects can be adequately serviced," are within the scope of the activity previously determined by the Board to be permissible for bank holding companies in section 225.4(a)(5)(v) of Regulation Y (12 C.F.R. § 225.4(a)(5)(v)). Applicant cites as examples of these activities, (a) analyzing the financial feasibility of converting obsolete urban buildings to new uses, and (b) examining the impact of a proposed freeway on land use, property values, tax receipts, and public expenditures. While the administrative history of that provision of Regulation Y indicates that the Board intended to restrict the scope of the activity, the Board believes nevertheless that these proposed activities may be encompassed within the language of the provision. In addition, it appears that the provision of such services by a banking organization may be consistent with factors considered by the Board under its Regulation BB (12 C.F.R. § 228.7) in assessing a state member bank's record of performance under the Community Reinvestment Act (12 U.S.C. § 2901 et seq.). Therefore, regardless of whether these activities currently are specifically authorized, the Board believes it is reasonable to secure comments on whether these activities should be permissible for bank holding companies.

Under guidelines established by a federal circuit court,² an activity may be found to be closely related to banking if it is demonstrated (1) that banks generally have in fact provided the proposed service; or (2) that banks generally provide services that are operationally or functionally so similar to the proposed services as to equip them particularly well to provide the proposed service; or (3) that banks generally provide services that are so integrally related to the proposed service as to require their provision in a specialized form.³ The Board has previously found the *National Courier* guidelines useful in determining whether there is a reasonable basis for an applicant's opinion that a proposed new nonbanking activity is closely related to banking.⁴

2. *National Courier Association v. Board of Governors of the Federal Reserve System*, 516 F.2d 1229 (D.C. Cir. 1975) (hereinafter referred to as "*National Courier*").

3. These guidelines are cited, for example, in *NCNB Corporation v. Board of Governors of the Federal Reserve System*, 599 F.2d 609 (4th Cir. 1979); *Association of Bank Travel Bureaus, Inc. v. Board of Governors of the Federal Reserve System*, 568 F.2d 549, 551 (7th Cir. 1978); *Alabama Association of Insurance Agents v. Board of Governors of the Federal Reserve System*, 553 F.2d 224, 241 (5th Cir. 1976), rehearing denied 558 F.2d 729 (1977), cert. denied 435 U.S. 904 (1978).

4. *NCNB Corporation* (Superior Insurance Company and Superior Claim Service), 64 FEDERAL RESERVE BULLETIN 506, 507 (1978); aff'd sub nom. *NCNB Corporation v. Board of Governors of the Federal Reserve System*, 599 F.2d 609 (4th Cir. 1979).

With respect to the activity of performing appraisals of real estate other than single-family residences (RERC's activity (7)), the Board finds that the record of this application currently contains little evidence, other than Applicant's unsubstantiated assertions, that this activity meets the guidelines established by the Board and the courts. There is evidence to indicate that banks perform real estate appraisals for internal use, but this is not a basis upon which an activity may be found to be closely related to banking; otherwise, any administrative support service could be found to be closely related to banking. Nevertheless, since the Board is inviting comment on other aspects of the proposal, it appears that it would be desirable to also secure comments as to whether this activity is "so closely related to banking or managing or controlling banks as to be a proper incident thereto." It is noted that appraisals accounted for a larger percentage of RERC's sales in 1979 than any other single activity. Under the Board's Regulation Y, the Board's decision to publish notice of a proposed new activity does not obligate the Board to finally determine that the activity is closely related to banking or that the activity is permissible for bank holding companies.

Interested persons may express their views on the question of whether each of the above activities is closely related to banking or managing or controlling banks. Comments concerning this question should address the *National Courier* guidelines.

Some of RERC's activities proposed by First Chicago to be continued beyond December 31, 1980, have been specified by the Board in section 225.4(a) of Regulation Y as permissible for bank holding companies, subject to Board approval of individual proposals in accordance with the procedures of section 225.4(b). These activities are: (1) providing financial advice to state and local governments; (2) providing portfolio investment advice; (3) providing branch location, financial feasibility, and specialized market studies for non-affiliated banks; and (4) providing general economic information and advice, general economic forecasting services, and industry studies. Interested persons may also express their views on the question of whether the continued performance by Applicant of these activities, as well as those activities proposed for rulemaking discussed above, can "reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."

A request for a hearing on either question must be accompanied by a statement of the reasons a written presentation would not suffice in lieu of a hearing, identifying specifically any questions of fact that are in

dispute, summarizing the evidence that would be presented at a hearing, and indicating how the party commenting would be aggrieved by approval of the proposal.

The application may be inspected at the offices of the Board of Governors or at the Federal Reserve Bank of Chicago.

Board of Governors of the Federal Reserve System,
June 26, 1980.

(Signed) GRIFFITH L. GARWOOD,
Deputy Secretary of the Board.

[SEAL]

First Financial Group of New Hampshire, Inc.,
Manchester, New Hampshire

*Order Approving Acquisition of Guaranty Savings
Bank*

First Financial Group of New Hampshire, Inc., Manchester, New Hampshire, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) to acquire all of the outstanding shares of Guaranty Savings Bank ("Guaranty"), Salem, New Hampshire.

Notice of the application, affording opportunity for interested persons to submit comments and views, has been duly published (44 *Federal Register* 55,657 (1979)). The time for filing comments and views has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 4(c)(8) of the Act.

On the basis of the record, the Board has confirmed that the operation of a guaranty savings bank is closely related to New Hampshire banking and has determined that, provided there is no tandem operation by Applicant of Guaranty and any commercial bank affiliate, the balance of public interest factors the Board must consider under section 4(c)(8) of the Act is favorable. Accordingly, the application is approved for the reasons set forth in the Board's Statement, which will be released at a later date. This determination is subject to the conditions set forth in section 225.4(c) of Regulation Y (12 C.F.R. § 225.4(c)), to the condition that Applicant will not operate Guaranty in tandem with any commercial bank affiliate, and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

By order of the Board of Governors, effective June 20, 1980.

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

(Signed) GRIFFITH L. GARWOOD,
Deputy Secretary of the Board.

[SEAL]

Statement by Board of Governors of the Federal Reserve System Regarding Application by First Financial Group of New Hampshire, Inc. to Acquire First Guaranty Savings Bank

First Financial Group of New Hampshire, Inc., Manchester, New Hampshire, a bank holding company within the meaning of the Bank Holding Company Act ("Act"), has applied for the Board's approval, under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)), to acquire First Guaranty Savings Bank ("Guaranty"), Salem, New Hampshire, an organization currently engaged in the activities of a guaranty savings bank in New Hampshire.¹ These activities include: accepting time and savings deposits, including NOW accounts; investing in residential and commercial mortgages; investing in U.S. Government securities and other investments permitted by applicable laws; making secured and unsecured loans; providing safe deposit services; and servicing mortgages and other loans. In 1975, the Board approved the acquisition of a New Hampshire guaranty savings bank by a New Hampshire bank holding company, determining that the operation of such an institution was closely related to banking in New Hampshire.² However, the operation of a New Hampshire guaranty savings bank has not been specified by the Board in section 225.4(a) of Regulation Y as permissible generally for bank holding companies.

Notice of the application, affording opportunity for interested persons to submit comments and views, has been duly published. The time for filing comments and views has expired, and the Board has considered the application and all the comments received, including those of Merchants Savings Bank, the National Association of Mutual Savings Banks ("NAMS"), the New Hampshire Association of Savings Banks, Rockingham County Trust Company, and Senator William Proxmire, in light of the factors set forth in section

4(c)(8) of the Act. In addition, in response to a request by NAMS, Applicant and several of the protestants made an oral presentation before Board staff on January 10, 1980.

Applicant, the third largest commercial banking organization in New Hampshire, controls four banks with aggregate deposits of \$217.8 million, representing 9.5 percent of deposits in all commercial banks in the state.³ In addition, Applicant engages in limited grandfathered real estate activities and controls First Mortgage Corporation, a mortgage banking subsidiary that was reactivated this year with Board approval. Guaranty, which opened for business on July 27, 1978, is an independent state-chartered guaranty savings bank controlling \$5.5 million in deposits as of December 31, 1979, representing 0.01 percent of the total deposits in New Hampshire's mutual and guaranty savings banks. Guaranty operates in the Boston banking market⁴ and controls 0.2 percent of the total deposits of the savings banks in the Boston market.

As noted, the Board has previously determined that the operation of a New Hampshire guaranty savings bank by a New Hampshire bank holding company is closely related to banking, and in the Board's view no serious challenge has been raised to this conclusion. In the ensuing years since the Board's decision, changes in the structural and competitive circumstances relevant to that determination have been modest, although the complexion of New Hampshire banking has changed in other respects.⁵ Banks operating in the state generally provide each of the main customer services offered by guaranty savings banks, and state trust companies can conduct a savings bank business. Based on the record, the Board confirms its conclusion that the operation of a guaranty savings bank is closely related to banking in New Hampshire.

In acting on this application, however, the Board must also determine whether the proposed acquisition

3. Applicant's four subsidiary banks are: The Manchester Bank, Manchester, New Hampshire, the largest commercial bank in the state (deposits of \$153 million); The Colonial Bank, Nashua, New Hampshire (deposits of \$17 million); Claremont National Bank, Claremont, New Hampshire (deposits of \$28.5 million); and First Bank and Trust Company, Meredith, New Hampshire (deposits of \$9.5 million). The Manchester Bank is the survivor by merger of a mutual savings bank and a commercial bank and continues to operate a large savings department with 63 percent of total deposits in the form of time and savings deposits. Unless otherwise indicated, all banking data are as of June 30, 1979, and include bank holding company acquisitions as of April 21, 1980.

4. The Boston banking market is approximated by the Boston RMA, the eighth largest RMA in the United States, which is comprised of 159 cities and towns or sections thereof. It includes all of Suffolk and Essex Counties, most of Middlesex, Norfolk, and Plymouth Counties, and small portions of Worcester and Bristol Counties. Also included are the SMSA's of Boston, Brockton, Lowell, and Lawrence-Haverhill. The area extends over the entire eastern coast of Massachusetts, excluding Cape Cod, but including 13 towns in southern New Hampshire, one of which is Salem.

5. See, *Heritage Banks, Inc.*, 66 FEDERAL RESERVE BULLETIN 590 (1980).

1. Although guaranty savings banks differ from mutual savings banks in that they are stock corporations, they are otherwise essentially the same as mutual savings banks and have federal deposit insurance available to them.

2. *Profile Bankshares, Inc.*, 61 FEDERAL RESERVE BULLETIN 901 (1975).

is a proper incident to banking, whether it "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." This is the question to which the protestants have chiefly directed their comments.

Several of the protestants have argued that the Board's denial in 1977, based on the same statutory test, of *D. H. Baldwin Company's* retention of Empire Savings, Building and Loan Association, 63 FEDERAL RESERVE BULLETIN 280 (1977), precludes approval of this application. That decision, however, reflected a general Board policy against the affiliation of commercial banks and savings and loan associations that the Board enunciated three years before it permitted the acquisition of a New Hampshire guaranty savings bank under the Act, and from which policy other similar combinations in New England, for similar historical reasons, were expressly excepted at the time.⁶

As the Board noted in *Savings Banks Shares, Inc.*, 65 FEDERAL RESERVE BULLETIN 767 (1979), *D. H. Baldwin* evidences the Board's serious concern about public policy implications of any affiliation of thrift institutions and commercial banks. It does not, however, preclude a favorable finding on this application. The acquisition proposed in this application does not involve the sharp institutional rivalry engendered by a separate Congressionally established regulatory framework to which the Board's discussion in *D. H. Baldwin* related. Neither would this proposal, as precedent, have the same broad national significance, nor would it lead to the creation of any bank holding company subject to separate, conflicting Federal regulation.⁷

Although the protestants misinterpret *D. H. Baldwin*, the Board believes they have correctly identified one substantive adverse consideration relative to the

affiliation of commercial banks and guaranty savings banks, and that involves the pairing or tandem operation of the two types of institutions.⁸ Guaranty savings banks, having asset and liability powers similar to those of other thrift institutions, are not banks within the meaning of the Act since they do not accept demand deposits and engage in the business of making commercial loans. Although they have broad lending powers and may make many of the same types of loans as do commercial banks, guaranty savings banks have traditionally concentrated their loan portfolios on residential lending. Under FDIC regulations, stock savings banks operate under the same rate structure as mutual savings banks, thus allowing them to pay an additional $\frac{1}{4}$ percent interest on deposits or accounts provided for as an interest rate differential between thrifts and commercial banks. The Board believes that the establishment of a guaranty savings bank, authorized to pay a higher rate of interest than commercial banks, at the same location as a commonly controlled commercial bank, would subvert the purpose of the differential. So far as the public's perception is concerned, these ostensibly competing institutions would be viewed as one institution, having a range of powers that neither Congress nor the New Hampshire legislature has conferred on any single institution. In the Depository Institutions Deregulation Act of 1980 Congress has, in effect, prescribed that commercial banks wait for the elimination of the differential. The Board believes a bank holding company must present compelling public benefits under the Act in order to justify indirectly avoiding that waiting period for its commercial bank subsidiaries through an artificial device that in the Board's judgment will entail the clear potential for serious conflicts of interests and may entail unfair competition as well.⁹

The same adverse effects are possible even where the two institutions are not paired at a single location but where they are located close to one another or operated in close mutual support. But, by itself, common ownership of guaranty savings banks and commercial banks in separate markets, as proposed in this application, does not raise a serious concern regarding the evasion of interest rate limitations. To the extent that the purpose of the interest rate differential is to en-

6. 37 *Federal Register* 16,133 (1972); *D. H. Baldwin*, 63 FEDERAL RESERVE BULLETIN at 284 n. 10. As the Board stressed in 1975, the historical relationship between commercial banks and guaranty savings banks in New Hampshire has been unlike historical relationships among other institutions and in other states. For that reason the Board's policy against bank holding company acquisitions of savings and loan associations did not prevent its approval of *Profile* in 1975 and, by the same token, approval of *Profile* or of this application is not considered relevant to proposals to acquire any institution other than a New Hampshire guaranty savings bank.

7. An application by an out-of-state bank holding company to acquire a New Hampshire guaranty savings bank would, because of the similarities of guaranty savings banks and commercial banks, face the same objection expressed in *D. H. Baldwin* regarding out-of-state acquisitions of savings and loan associations. However, the Act gives the Board authority to take actions necessary to prevent evasion of the Act's purposes, and the question is not presented by this application by a New Hampshire bank holding company.

8. Protestants have also suggested, based on a 1978 decision of the State Board of Trust Company Incorporation ("BTCL") denying an application to charter a guaranty savings bank subsidiary of Applicant, that affiliation of commercial banks and savings banks through bank holding companies may contravene the public policy of New Hampshire. In the Board's view this suggestion was removed as a material factor bearing on this application on April 24, 1980, when the BTCL, following a remand by the State Supreme Court for new findings, approved organization of the savings bank.

9. Tandem operation of affiliated commercial banks and savings banks have been common in New Hampshire, but there has been a distinct trend in recent years away from tandem operations, and the Board considers this trend structurally desirable.

courage the deposit of funds in thrift institutions where they will be more readily available for residential housing, that purpose may be served equally well whether a thrift institution is independent or owned by a bank holding company, as long as the thrift maintains its separate consumer oriented operations.

Applicant contends that the circumvention of the interest rate differential is not at issue in this proposal. No offices of Applicant's commercial bank subsidiaries are within Guaranty's market. Applicant affirms furthermore that, even apart from legal restrictions, it would not try to move funds between Guaranty and any commercial bank subsidiary; and since Applicant has not formulated any plans to branch into Guaranty's market, its acquisition of Guaranty and its plans for the institution are not dependent upon Guaranty's becoming a symbiont of any commercial bank affiliate.

If, in fact, the question of tandem operation is removed from consideration in this case, the Board believes the balance of public interest factors it is required to consider under section 4(c)(8) is favorable. Applicant and Guaranty, a very small institution, operate in separate markets, and there would be no significant adverse effects on competition from the acquisition. In addition, the Board does not believe there is any substantive evidence in the record that the acquisition could result in undue concentration of resources, unfair competition, conflicts of interest, unsound banking practices, or other adverse effects, so long as Guaranty operates as a free-standing competitor in its market and its operations are not paired with Applicant's commercial bank operations. Moreover, the acquisition is likely to result in public benefits through improved services and increased competitive effectiveness of Guaranty as an affiliate of Applicant.

These public benefits, however, are not sufficient to outweigh the adverse effects the Board believes could result from the establishment of a tandem relationship between Guaranty and Applicant's commercial banks, at least so long as the interest rate differential between commercial and savings banks survives. Since Applicant has not proposed a tandem relationship, based on the foregoing and other considerations reflected in the record, the Board has approved this application in reliance on its understanding that assets and liabilities will not be shifted between Guaranty and Applicant's other subsidiaries and subject to the condition that Applicant will not establish a commercial banking facility at a location of Guaranty,¹⁰ and other conditions specified in the Board's Order of June 20, 1980.

Board of Governors of the Federal Reserve System,
June 25, 1980.

(Signed) GRIFFITH L. GARWOOD,
Deputy Secretary of the Board.

[SEAL]

Dissenting Statement of Governor Partee

I agree with the majority of the Board that, consistent with precedent, the operation of a guaranty savings bank in New Hampshire by a New Hampshire bank holding company is closely related to banking. However, before approving an application under section 4 of the Bank Holding Company Act the Board must find not only that the proposed activity is closely related to banking, but also that the reasonably expected public benefits associated with the proposal outweigh the possible adverse effects. I am of the opinion that the public interest requires that this application be denied, notwithstanding the imposition of a condition prohibiting the establishment of tandem operations of Applicant's commercial bank and guaranty savings bank subsidiaries.

This proposal will result in the affiliation of a commercial banking organization with a guaranty savings bank. Guaranty savings banks are stock thrift institutions which have asset and liability powers similar to mutual savings banks. Like other thrift institutions, they are also permitted to pay the differential on savings deposits as allowed by federal deposit interest rate ceilings. Applicant would become the second of approximately 70 commercial banking organizations in New Hampshire to be formally affiliated with a thrift institution. In my judgment, this affiliation will afford Applicant a competitive advantage, albeit slight, over other commercial banking organizations in the state. Moreover, it will serve as a precedent for similar affiliations in the state. This concern is heightened by the fact that several of the largest banking organizations in the state have recently initiated efforts to establish similar subsidiary relationships. Undesirable trends in statewide structure could well occur if the largest commercial banking organizations in the state are afforded a competitive advantage in terms of deposit gathering powers.

The majority notes that the recently passed Depository Institutions Deregulation Act of 1980 requires banks to wait up to six years before the differential is eliminated. I would resist any effort by commercial banking organizations to circumvent Regulation Q interest ceiling differentials until such time as this matter

10. Applicant may apply for relief from this condition when the interest rate differential has been eliminated, and the Board will review the circumstances existing in New Hampshire at that time. While the condition is intended to prohibit only the colocation of a commercial banking facility with Guaranty, any other pairing of Guaranty's operations and those of a commercial bank subsidiary could constitute a significant alteration in Guaranty's activities requiring application in accordance with section 225.4(c)(2) of Regulation Y. 12 C.F.R. § 225.4 (c)(2). The Board in particular expects Applicant to consult the Federal Reserve System to determine whether the Board's prior approval would be required under this section if in the future it forms an intention to establish a commercial banking facility at a separate location within Guaranty's market.

is dealt with by regulation or—after six years—the full phase-out of the restrictions becomes effective. In the interim, I believe that all banking institutions competing in the same markets should be made to do so on equal terms.

For the foregoing reasons, I would deny this application.

June 25, 1980

First Pennsylvania Corporation,
Philadelphia, Pennsylvania

*Order Approving Retention of Pennamco, Inc. and
certain other assets*

First Pennsylvania Corporation, Philadelphia, Pennsylvania, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval, under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)), to retain Pennamco, Inc., Bala-Cynwyd, Pennsylvania ("Pennamco"), and the commercial finance receivables of First Pennsylvania Financial Services, Inc., Philadelphia, Pennsylvania ("FPFS"), and Industrial Finance & Thrift Corporation, New Orleans, Louisiana ("IF&T"), both of which are wholly-owned subsidiaries of Applicant.¹ The assets of FPFS and IF&T are to be transferred to First Pennsylvania Leasing, Inc. ("FPL"). FPL will engage in such commercial finance activities as are necessary to administer and liquidate the assets of FPFS and IF&T not acquired by Manufacturers Hanover Corporation, New York, New York, in a related transaction. Similarly, Pennamco, a mortgage banker and servicer, will administer and liquidate those portions of its assets not being acquired by Manufacturers Hanover Corporation.² Such activities have been determined by the Board to be closely related to banking (12 C.F.R. §§ 225.4(a)(1), (3)).

1. Section 4 of the Act provides, in relevant part, that nonbanking activities acquired between June 30, 1968, and December 31, 1970, by a company that became a bank holding company as a result of the 1970 Amendments to the Act may not be retained beyond December 31, 1980, without prior Board approval. Applicant became a bank holding company as a result of the 1970 Amendments and acquired Pennamco, FPFS and IF&T in 1970. Applicant is also engaged in land development and property management activities that are not permissible for bank holding companies. Applicant does not seek the Board's approval to retain these activities, and will divest them by December 31, 1980.

2. The Board, by separate action of this date, has approved the application of Manufacturers Hanover Corporation to acquire FPFS, IF&T, and certain assets of Pennamco.

Notice of the applications, affording opportunity for interested persons to submit comments on the public interest factors, has been duly published (45 *Federal Register* 30,539 (1980)). The time for filing comments has expired, and the Board has considered the applications and all comments received in the light of the public interest factors set forth in section 4(c)(8) of the Act.

Applicant, the second largest banking organization in Pennsylvania, controls First Pennsylvania Bank, N.A., Philadelphia, Pennsylvania, with total deposits of approximately \$5.0 billion.³ The assets of FPFS, IF&T and Pennamco that Applicant proposes to retain (\$19.8 million in commercial finance receivables and a real estate portfolio of \$163.0 million) will eventually be liquidated and, based upon all the facts of record, the Board concludes that Applicant's proposed retention would not have any adverse competitive effects. Moreover, the proposed retention of these assets after December 31, 1980, would permit the orderly settlement of the business of FPFS, IF&T and Pennamco, which the Board believes to be in the public interest, particularly in light of certain commitments made by Applicant regarding limitations on the activities of these subsidiaries.

There is no evidence in the record indicating that this retention would result in any undue concentration of resources, unfair competition, conflicts of interests, unsound banking practices or other adverse effects.

Based upon the foregoing and other considerations reflected in the record, the Board has determined that the balance of the public interest factors the Board is required to consider under section 4(c)(8) is favorable. Accordingly, the applications are hereby approved. This determination is subject to the conditions set forth in section 225.4(c) of Regulation Y (12 C.F.R. § 225.4(c)) and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

By order of the Board of Governors, effective June 2, 1980.

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

(Signed) GRIFFITH L. GARWOOD,
Deputy Secretary of the Board.

[SEAL]

3. All data are as of March 31, 1980.

Manufacturers Hanover Corporation, New York, New York

Order Approving Acquisition of Nonbanking Companies

Manufacturers Hanover Corporation, New York, New York ("Applicant"), a bank holding company within the meaning of the Bank Holding Company Act ("Act"), has applied for the Board's approval, under § 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and § 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)), to acquire through a de novo subsidiary, M H Financial Corporation, all of the voting shares of the following: (1) First Pennsylvania Financial Services, Inc., Philadelphia, Pennsylvania; (2) Continental Finance Corporation of America, Aurora, Colorado; and (3) Ellwood Consumer Discount Company, Inc., Ellwood City, Pennsylvania (collectively, "Companies"). Applicant also seeks to acquire through its existing mortgage banking subsidiary, Manufacturers Hanover Mortgage Corporation, the mortgage servicing portfolio and certain other assets of Pennamco, Inc., Bala Cynwyd, Pennsylvania ("Pennamco"), and thereafter service such portfolio.

Companies, directly and through subsidiaries, are engaged in the activities of consumer lending, sales finance, industrial banking, and second mortgage lending, and selling as agent credit life, accident and health insurance and property and casualty insurance directly related to extensions of credit made by Companies. Companies also act as underwriter for credit life, accident and health insurance¹ directly related to extensions of credit made by Companies. Each of these activities has been determined by the Board to be closely related to banking (12 C.F.R. §§ 225.4(a)(1), (2), (3), (9) and (10)).²

Notice of the application, affording opportunity for interested persons to submit comments on the public interest factors, has been duly published (45 *Federal Register* 29,119). The time for filing comments has expired, and the Board has considered the application

and all comments received in the light of the public interest factors set forth in section 4(c)(8) of the Act.³

Applicant, with total consolidated assets of \$47.7 billion, is the second largest banking organization in New York and the fourth largest in the United States.⁴ Applicant engages through subsidiaries in a variety of nonbanking activities, including mortgage banking, leasing and factoring.

Through its subsidiary, Ritter Financial Corporation, Wyncote, Pennsylvania ("Ritter"), Applicant also engages in consumer and commercial finance and credit-related insurance agency and underwriting activities similar to those of Companies. Ritter operates 153 loan offices in 12 states, concentrated along the East coast of the United States, and is the 33rd largest non-captive finance company in the United States in terms of total capital.⁵ Ritter's total assets approximate \$200 million.

Companies, in the aggregate, are the 28th largest non-captive finance company in the United States on the basis of total capital,⁶ and have total assets approximating \$300 million. Companies operate 246 offices in 23 states, primarily in the mid-Atlantic states

3. On Friday, May 30, 1980, the Board received a protest by The Professional Insurance Agents of New Jersey ("Protestants") regarding that portion of the application dealing with the sale of property and casualty insurance in New Jersey. Protestants contend that (1) there are no public benefits associated with Applicant's proposal; (2) Applicant may "tie" the granting of credit to the purchase of insurance; (3) Applicant could have an advantage over independent insurance agents because of its access to depositor information; and (4) the Board should postpone action on the application while legislation to prohibit insurance sales by holding companies is under consideration in the Congress and in the New Jersey legislature. Protestants also urge the Board to sever the New Jersey property and casualty insurance portions of the application for consideration at a later time and to order a hearing.

Protestants' comments and hearing request were not received within the time specified in the *Federal Register* notice. The Board's Rules of Procedure, 12 C.F.R. § 262.3(e), preclude consideration of untimely hearing requests. It is within the Board's discretion to consider untimely comments under these rules, but the Board declines to exercise this discretion. Protestants' comments consist of nothing more than unsubstantiated conclusions and allegations which, for the most part, bear no relation to this particular application. The tying of credit extensions to insurance sales is prohibited by law (12 U.S.C. § 1972) and the possibility of the occurrence of either "involuntary" or "voluntary" tying is made quite remote by the provisions of the Board's Regulation Z dealing with insurance, 12 C.F.R. § 226.4(a)(6). Moreover, the Board believes it is inappropriate to delay or sever an application on the basis of an untimely protest, and the Board has previously indicated its belief that pending legislation will not stop the running of the 91-day limit on Board action contained in section 4(c) of the Act. Finally, the substantial public benefits associated with this proposal are sufficient to outweigh the highly speculative adverse effects alleged by Protestants. Even if this public benefits analysis is made only with regard to the insurance portion of the application, the procompetitive effect of maintaining an additional competitor in the market is sufficient to outweigh the speculative adverse effects described by Protestants.

4. All financial data are as of December 31, 1979, unless otherwise indicated.

5. *American Banker*, June 11, 1979. A "non-captive" finance company is one that does not restrict its business to loans made in connection with the purchase of a particular manufacturer's product.

6. *Id.*

1. Companies are engaged in certain activities that are impermissible for Applicant. Applicant does not propose to engage in those activities following consummation of the proposal.

2. Applicant has also applied under section 4(c) (13) of the Act for the Board's approval to acquire CommoLoCo, Inc., Hato Rey, Puerto Rico ("CommoLoCo"). CommoLoCo is engaged in consumer and commercial lending and sales finance activities and the sale of credit related insurance in Puerto Rico. Under section 211.2(f) of Regulation K, Puerto Rico is treated as a foreign country. These activities are among those the Board has determined to be permissible in section 211.5(d) of Regulation K. The Board finds that this proposal is not at variance with the purposes of the Act and that its consummation would be in the public interest. Accordingly, the Board grants its specific consent for this proposal.

and across the middle and southern portions of the United States.

The Board believes that the relevant product market to be considered in evaluating the competitive effects of this proposal is the making of personal cash loans.⁷ Consumer finance companies compete with commercial banks in the area of personal loans, and the relevant geographic market is approximated by the local banking market.⁸ Ritter has loan offices in 17 local markets where Companies also have loan offices, and from the record it appears that both Applicant and Companies hold a significant amount of the outstanding personal cash loans in many of those markets. Indeed, in four relatively small markets the combined market shares of Ritter and Companies exceeds 19 percent. Thus, it is the Board's opinion that the adverse effects on existing competition that would result from consummation of this proposal are serious. Were it not for the substantial public benefits associated with this proposal, as discussed below, this factor would warrant denial of Applicant's proposal.

With regard to potential competition, the Board notes that Companies' parent corporation, First Pennsylvania Corporation, Philadelphia, Pennsylvania, has decided to concentrate its financial and managerial resources on its banking subsidiary. Accordingly, it does not appear that Companies are a likely entrant into the local markets where Applicant presently has offices. On the other hand, Applicant has increased the number of its loan offices by one-fifth since 1975, and has increased the number of states in which it is represented from six to twelve. Applicant apparently has the potential to enter many of the local markets where Companies presently have offices. However, the large number of other potential entrants into Companies' local markets moderates somewhat the negative effects on potential competition associated with the proposal.

Applicant also proposes to acquire the mortgage servicing portfolio of Pennamco, which has a servicing portfolio of \$2.9 billion and ranks as the eighth largest mortgage servicer in the country. Applicant's subsidiary, Manufacturers Hanover Mortgage Corporation, services a mortgage portfolio of \$2.5 billion, and is the nation's 14th largest mortgage servicer. Thus, consummation of Applicant's proposal also will eliminate an independent competitor in the mortgage servicing industry.

In view of the size of the various companies involved in this proposal and based upon all the facts of record, consummation of the proposal would have some negative effects with respect to other consid-

erations specified in section 4(c)(8) of the Act. Nevertheless, the Board believes that such negative effects are somewhat tempered by the large number of other competitors that will remain after consummation of the proposal, and when balanced against the public benefits expected to result from this transaction, the Board does not view the adverse effects associated with the proposal as being so serious as to warrant denial. In addition, while it might be preferable from a competitive standpoint to have this acquisition made by another purchaser, in order to assure the immediate benefits to the public that are expected to result from the prompt consummation of this proposal, the Board believes that approval is in the public interest.

Affiliation of Companies and Pennamco with Applicant will provide those organizations with access to Applicant's financial and managerial resources and ensure the continued availability of personal loans and related insurance services to Companies' customers at their present locations. The Board views these factors favorably in light of First Pennsylvania Corporation's decision to concentrate its resources on its banking subsidiary. More significantly, the funds that First Pennsylvania Corporation will derive from the proposed transaction will serve to strengthen the overall organization and improve its future prospects. The continued viability of Companies and the funds First Pennsylvania Corporation will receive as a result of this transaction lend significant weight toward approval of the proposal.

Applicant also has stated that following consummation of the proposal Companies will offer at reduced premiums the several types of credit insurance policies that they will underwrite.⁹ Since Applicant proposes to sell credit life and credit accident and health insurance underwritten by Companies in each of the states in which Companies operate, Applicant's proposed rate reductions vary according to the permissible rate structures in each respective state, and involve rate reductions for reducing-term single and joint credit life insurance at premium rates ranging from approximately 2 percent to 15 percent below the rates presently charged in each of the respective states.

On the basis of these and other facts of record, the Board concludes that the benefits to the public that

9. With respect to underwriting credit life and credit accident and health insurance, which is generally made available by banks and other lenders and is designed to assure repayment of a loan in the event of death or disability of the borrower, the Board has stated:

To assure that engaging in the underwriting of credit life and credit accident and health insurance can reasonably be expected to be in the public interest, the Board will only approve applications in which the Applicant demonstrates that approval will benefit the consumer or result in other public benefits. Normally, such a showing would be made by a projected reduction in rates or increase in policy benefits due to bank holding company performance of this service. (12 C.F.R. § 225.4(a)(10) n. 8).

7. *Security Pacific Corporation* (American Finance System, Inc.), 65 FEDERAL RESERVE BULLETIN 73 (1979).

8. *Bankers Trust Corporation* (Public Loan Company), 59 FEDERAL RESERVE BULLETIN 694 (1973).

would result from Applicant's acquisition of Companies and Pennamco are sufficient to outweigh the negative effects on competition and concentration of resources that would result from the proposed acquisition. Furthermore, there is no evidence in the record to indicate that consummation of the proposed transaction would result in unfair competition, conflicts of interest, unsound banking practices or any other effects that would be adverse to the public interest.

Based upon the foregoing and other considerations reflected in the record, the Board has determined that the balance of the public interest factors the Board is required to consider under section 4(c)(8) is favorable. Accordingly, the application is hereby approved, subject to the conditions that: (1) Applicant will not engage in any of the activities in which Companies are engaged that the Board has not determined to be closely related to banking, and (2) Applicant will maintain on a continuing basis the public benefits that the Board has found to be reasonably expected to result from this proposal with regard to insurance underwriting activities. This determination is also subject to the conditions set forth in § 225.4(c) of Regulation Y and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof. The transaction shall be made not later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of New York pursuant to authority hereby delegated.

By order of the Board of Governors, effective June 2, 1980.

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

(Signed) GRIFFITH L. GARWOOD,
Deputy Secretary of the Board.

[SEAL]

**Manufacturers Hanover Trust Company,
New York, New York**

Order Approving Establishment of a Branch

Manufacturers Hanover Trust Company, New York, New York, has applied for the Board's approval under section 9 of the Federal Reserve Act (12 U.S.C. § 321) to establish a branch at 6421-23 18th Avenue, Brooklyn, New York.

Notice of this application has been given as required by the Board's Rules of Procedure (12 C.F.R. § 262.3(b)), affording interested persons the opportunity to submit comments and views. The Board has received comments on Applicant's record under the Community Reinvestment Act of 1977 ("CRA," 12 U.S.C. §§ 2901-05) from South Brooklyn Against Investment Discrimination ("Protestant"), as well as comments from a number of other groups. The Board has considered the application and all comments received in light of section 9 of the Federal Reserve Act and the CRA.

Applicant, with total foreign and domestic deposits of \$37.8 billion,¹ currently operates 202 domestic branches. Establishment of the proposed office would not adversely affect existing or potential competition. The financial and managerial resources and future prospects of Applicant are considered generally satisfactory, as are the future prospects of the proposed branch. Establishment of the proposed branch would provide a convenient additional source of banking services to the surrounding community. These factors are consistent with approval of the application.

In addition to the factors considered above, the Board is required by the CRA to assess the record of Applicant of meeting the credit needs of its entire community, including low and moderate income neighborhoods, consistent with safe and sound operation, and to take that record into account in its evaluation of this application. In connection with this application, the Board conducted an extensive investigation of Applicant's record, including a full consumer compliance examination. Applicant has met all the procedural requirements of the CRA and has made a reasonable delineation of its community. Applicant, which is a major wholesale banking institution, also offers a wide range of retail banking services, emphasizing consumer and small business lending, throughout its community. Applicant has established a CRA task force and steering committee of senior officers to coordinate its efforts to meet community credit needs. One result of this process has been numerous meetings with community organizations throughout Applicant's community, and a number of these organizations have submitted comments in support of Applicant's record. Applicant has also established an urban lending department which currently has outstanding \$20 million in nonconventional business loans and bridge loans for economic development and similar purposes.

Protestant contends, however, that Applicant's record is deficient in several respects. Protestant states that although Applicant has received deposits from the Brooklyn area, it has bypassed the needs of the area

¹ Financial data are as of September 30, 1979, unless otherwise noted.

by lending outside New York City; that it has failed to serve the small business credit needs of the Brooklyn area; and that with respect to housing credit it has employed restrictive mortgage policies, refused to extend credit on residential properties containing more than two units, and extended relatively little credit in racially mixed and low to moderate income neighborhoods. Having considered the charges of Protestant in light of the record before it and the requirements of CRA, the Board has concluded that the application should be approved.

With respect to the charge of disinvestment, the Board has previously stated:

“there are many reasons why particular neighborhoods may generate more deposits than loan requests, or more requests than deposits, and that disparity in a particular local area between credit granted and deposit totals is not *prima facie* evidence of discrimination. The Board is more concerned with lender sensitivity to the needs of each area.”²

Moreover, the Board has indicated that the CRA does not require the Board to dictate the product mix of a commercial bank.³ Applicant is a major wholesale commercial bank involved in commercial lending and finance throughout the United States and the world, and the Board does not regard Applicant's efforts in these lines as being inconsistent with helping to meet the credit needs of its local community. Just as the CRA was not intended to establish fixed ratios between deposits and loans in particular neighborhoods, it also cannot be read to require fixed proportions of retail or commercial deposits to retail or commercial lending.

With regard to small business lending, the record indicates that Applicant is engaged in small business lending throughout its community. As of June 1979, Applicant had over \$750 million in small business loans outstanding in its community, and the distribution of those loans was similar to the distribution of small businesses in the counties comprising its community. In particular, Brooklyn receives the largest proportion of Applicant's small business installment loans and the second largest proportion, after Manhattan, of small business commercial loans. In December 1978, Applicant instituted a “Small Business Base Rate” program to permit small businesses to borrow at 1¼ percent below the prime rate, and it operates a “Quickfinance” loan program which allows rapid turnaround on loan applications for small business leasing and equipment purchase needs. Applicant has

also extended \$178 million in Small Business Administration Loans as of June 1979.

In some respects, Applicant's record of mortgage lending bears out some of Protestant's charges. Applicant, like other New York state chartered institutions, has been subject to a state usury ceiling that affected the terms and kinds of loans that it made. Applicant has not emphasized mortgage lending in New York, and has adopted relatively restrictive loan policies, including a high income-to-mortgage-size requirement. Applicant has made mortgage loans only for one- and two-family homes. Similar to other large New York state chartered institutions, approximately one-half of Applicant's mortgage portfolio consists of loans made outside the state. Its proportion of lending in low and moderate income areas is lower than the average for other state chartered institutions. Applicant's 1978 Home Mortgage Disclosure Act data also reflect relatively few loans made in predominantly minority census tracts. However, the number of such loans granted was proportionate to the number of applications received, and examination of Applicant's operations revealed no evidence of discriminatory practices in acting on applications. These mortgage lending patterns appear to result partly from Applicant's lending policies, and also from Applicant's lack of emphasis on mortgage lending, which is reflected, for example, in relatively ineffective communication with inner city real estate brokers.

During the course of this application, Applicant has met with Protestant on a number of occasions to discuss Protestant's charges. As a result of those meetings Applicant has agreed to eliminate its policy against financing three- and four-family residences,⁴ and to institute a long term, low down payment mortgage program utilizing private mortgage insurance. In addition, Applicant has undertaken a home improvement loan campaign in Brooklyn, and, in response to discussions with a Bronx community organization, has joined with other area lenders in a housing stock loan program in the Bronx. The Board believes that these steps reflect Applicant's willingness to be responsive to community needs, and that they will serve to improve Applicant's lending record in the area of housing.

In view of these steps, Applicant's generally good record of meeting community credit needs, and the added banking convenience of the proposed branch, considerations relating to the convenience and needs of the community to be served, including CRA considerations, are consistent with approval of this appli-

2. CRA Information Statement, 66 FEDERAL RESERVE BULLETIN 30 (1980). See also *AmeriTrust Corporation* (Cincinnati Trust Company) 66 FEDERAL RESERVE BULLETIN 238 (1980).

3. *Commerce Bancshares, Inc.* (Manchester Financial Corporation), 64 FEDERAL RESERVE BULLETIN 576 (1978).

4. Applicant does make loans on apartments with five or more units, treating them as small business loans. Although it has made relatively few such loans, a high proportion are in low and moderate income areas.

cation. Accordingly, the Board concludes that establishment of the proposed branch would be in the public interest and should be approved.

On the basis of the record, the application is approved for the reasons summarized above. The proposed branch should be established not later than three months from the date of this Order unless the time is extended for good cause by the Board or the Federal Reserve Bank of New York, acting under delegated authority.

By order of the Board of Governors, effective June 18, 1980.

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

(Signed) CATHY L. PETRYSHYN,
[SEAL] *Assistant Secretary of the Board.*

Tennessee National Bancshares, Inc., Maryville, Tennessee

Order Approving Retention of Southeastern Life Insurance Company

Tennessee National Bancshares, Inc., Maryville, Tennessee, a bank holding company within the meaning of the Bank Holding Company Act ("Act"), has applied for the Board's approval under § 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and § 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)) to acquire direct control of all of the voting shares of Southeastern Life Insurance Company, Maryville, Tennessee ("Company"). Company engages in the activity of underwriting, as reinsurer, credit life and credit accident and health insurance directly related to extensions of credit by Applicant's banking subsidiaries. Such activity has been determined by the Board to be closely related to banking (12 C.F.R. § 225.4(a)(10)).

Notice of the application, affording opportunity for interested persons to submit comments and views on the public interest factors, has been duly published (44 *Federal Register* 45245 (1979)). The time for filing comments and views has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in § 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)).

Applicant, the seventh largest banking organization in Tennessee, controls four subsidiary banks having total assets of approximately \$144 million.¹ Applicant does not engage in any other nonbanking activities.

Company was organized in 1972 by Blount National Bank of Maryville, Maryville, Tennessee ("Maryville Bank"), a subsidiary of Applicant, as trustee for the Blount National Bank Retirement Plan ("Plan"). The Plan covers certain employees of Bank, as well as Applicant and its other subsidiary banks. Company acts as reinsurer of credit life and credit accident and health insurance sold by Applicant's subsidiary banks in connection with extensions of credit. In December 1978 the Plan was dissolved and the shares of Company constituted a surplus asset of the Plan which were eligible for distribution to Maryville Bank. Under national bank laws, however, Maryville Bank was not permitted to hold such shares, and they were transferred to Applicant's counsel to be held in trust for Applicant pending action on this application.

Inasmuch as Company was formed de novo, the Board concludes that Applicant's acquisition of Company did not have any adverse effects on either existing or potential competition in any relevant area, and that Applicant's retention of Company likewise would not have any adverse competitive effects. However, the Board regards Applicant's indirect formation and acquisition of Company in 1972 as a violation of the prohibitions of section 4(a) of the Act against nonbank acquisitions.² Similarly, the transfer in 1978 of the shares of Company to a trustee to be held for the benefit of Applicant represented a continuation of Applicant's violation of section 4. While the Board regards this violation of the Act as a serious matter, Applicant maintains that its actions with respect to Company were taken on advice of counsel and did not represent an intention of Applicant to violate the provisions of the Act. From the record, it does not appear that Applicant has otherwise violated the Act, or that the acquisition of Company is indicative of a pattern of disregard by Applicant of its obligations under the provisions of the Act. In addition, Applicant has committed to undertake an affirmative program of compliance with the Act, including the designation as a corporate official as Applicant's compliance officer to oversee the program. Moreover, Applicant has committed to make restitution of the amount of net income earned by Company since its formation in 1972 that was in excess of the amount Company would have earned if it had been charging reduced insurance premiums in accordance with the Board's policy on bank holding companies engaging in insurance underwriting. Accordingly, based on its review of the entire

2. Section 2(g)(2)(C) of the Act provides that shares controlled by trustees for the benefit of employees of a company are deemed to be controlled by the company. Thus, under section 2(g) of the Act, the shares of Company acquired and held by the Plan since 1972 are deemed to be controlled by Applicant.

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

record in this matter, the Board does not believe that denial of this application is warranted.

Credit life and credit accident and health insurance is generally made available by banks and other lenders and is designed to assure repayment of a loan in the event of death or disability of the borrower. In connection with its addition of the underwriting of such insurance to the list of permissible activities for bank holding companies, the Board stated that it will only approve applications to engage in such activities where an applicant demonstrates that approval will benefit the consumer or result in other public benefits, and that normally, such a showing would be made by a projected reduction in rates or increase in policy benefits.³ Applicant has stated that following approval of this application, Company will offer at reduced premiums, the several types of credit insurance policies that it underwrites. In particular, Company will offer credit life insurance and credit disability insurance at premiums of 6.7 and 5 percent, respectively, below those currently being charged. Applicant has also committed to the Board that it will reduce its rates further in order to maintain on a continuous basis these rate reductions if state rates should be reduced.

On the basis of these and other facts of record, the Board concludes that the benefits to the public that will result from Applicant's retention of Company outweigh any adverse effects that may have resulted from the affiliation. Moreover, it is the Board's view that approval of Applicant's retention of Company can reasonably be expected to produce benefits to the public that would outweigh possible adverse effects. Further, there is no evidence in the record indicating that approval of the application would result in any undue concentration of resources, conflicts of interest, unsound banking practices, or other effects that would be adverse to the public interest.

Based upon the foregoing and other considerations reflected in the record, including the commitments made by Applicant upon which the approval of the application is based, the Board has determined that the balance of the public interest factors the Board is required to consider under § 4(c)(8) is favorable. Accordingly, the application is hereby approved. This determination is subject to the conditions set forth in § 225.4(c) of Regulation Y and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

By order of the Board of Governors, effective June 9, 1980.

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

(Signed) GRIFFITH L. GARWOOD,
Deputy Secretary of the Board.

[SEAL]

Orders Under Section 2 of Bank Holding Company Act

**Dewco Agency Company,
Timber Lake, South Dakota**

Order Granting Determination Under the Bank Holding Company Act

Dewco Agency Company ("Dewco"), Timber Lake, South Dakota, a bank holding company within the meaning of the Bank Holding Company Act of 1956 (12 U.S.C. § 1841 et seq.) (the "Act"), has requested a determination under section 2(g)(3) of the Act (12 U.S.C. § 1841(g)(3)) that Dewco is not in fact capable of controlling Ziebach County Abstract Co., Inc. ("Ziebach"), Dupree, South Dakota, although Ziebach is indebted to Dewco as a result of Ziebach's installment purchase of all the assets of Dewey County Title Company ("Company").

Under the provisions of section 2(g)(3) of the Act, shares transferred after January 1, 1966, by any bank holding company to a transferee that is indebted to the transferor are deemed to be indirectly owned or controlled by the transferor unless the Board, after opportunity for hearing, determines that the transferor is not in fact capable of controlling the transferee.¹ No request for a hearing was made by Dewco. Instead, Dewco has submitted evidence to the Board to support its contention that it is not in fact capable of controlling Ziebach, and the Board has received no contradictory evidence.

On the basis of the facts of record, it is hereby determined that Dewco is not in fact capable of controlling Ziebach. It appears that the sale of Company's assets by Dewco was effected through arm's-length negotiations. Moreover, Dewco has indicated that all business between Dewco or Bank and Ziebach will be conducted on a nonpreferential basis. In addition, there are no employee, officer, or director interlocks be-

3. 12 C.F.R. § 225.4(a)(10), note 7.

1. For purposes of section 2(g)(3) the Board deems the transfer of all or substantially all the assets of a company or the disposition of a separate activity of a company to involve a transfer of shares. 12 C.F.R. § 225.139(c)(3).

tween Ziebach and Dewco or its subsidiary bank. Furthermore, because of the structure of the transaction, there is no significant likelihood that Dewco may reacquire Company in the future. Finally, Dewco has undertaken that it will not attempt to exercise control over Ziebach, and Ziebach has committed that it will set policy and direct operations of Company independently.

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

By order of the Board of Governors, acting through its General Counsel, pursuant to delegated authority (12 C.F.R. § 265.2(b)(1)), effective June 20, 1980.

(Signed) GRIFFITH L. GARWOOD,
Deputy Secretary of the Board.

[SEAL]

**Pan American Bancshares, Inc.,
Miami, Florida**

*Order Granting Determination Under the Bank
Holding Company Act*

Pan American Bancshares, Inc. ("Pan American"), Miami, Florida, a bank holding company within the meaning of the Bank Holding Company Act, has requested a determination under section 2(g)(3) of the Act (12 U.S.C. § 1841(g)(3)), that it is not in fact capable of controlling Atico Financial Corporation ("Atico"), Miami, Florida, notwithstanding the fact that Mr. Joseph Weintraub, Pan American's chairman, is also chairman of Atico, and that Pan American is guarantor of certain debts of Atico.

Under section 2(g)(3) of the Act, shares transferred after January 1, 1966, by any bank holding company to a transferee that is indebted to the transferor or has one or more officers, directors, trustees, or beneficiaries in common with or subject to control by the transferor are deemed to be indirectly owned or controlled by the transferor unless the Board, after opportunity for a hearing, determines that the transferor is not in fact capable of controlling the transferee. It is hereby determined that Pan American is not in fact capable of controlling Atico. This determination is based

upon the evidence of record in this matter, including the following facts.

Pan American divested its interest in Atico by a pro rata distribution of Atico's shares to Pan American's shareholders. At the date of the transfer, Mr. Weintraub, the founder of Pan American and Atico, owned 18.8 percent of Pan American's voting shares, and upon consummation of the distribution, he received 21.4 percent of Atico's voting shares. The total number of shares owned by officers and directors of Pan American, including Mr. Weintraub, slightly is in excess 25 percent of Atico's shares. Prior to the distribution, twelve individuals served as common officers or directors of Pan American and Atico. Upon consummation of the transfer, however, only Mr. Weintraub remained as a management official of both Pan American and Atico. The presumption of control in section 2(g)(3) arises because the Board has interpreted the presumption to apply when a transferee, such as Mr. Weintraub, is an officer, director, or trustee of the transferor (12 C.F.R. § 225.139(c)(2)). In view of Pan American's commitment that this final interlock will be retained only for a short period to ensure an orderly transition of management of Atico, it does not appear that the retention of this interlock is intended as a means for perpetuating Pan American's control over Atico.

While Atico was its subsidiary, Pan American had issued certain long and short term debt obligations of Atico, and Atico is indebted to Pan American. Based on the facts of record, it appears that Atico has sufficient resources to honor its debt obligations without requiring Pan American to fulfill its obligation as guarantor, and there is no evidence in the record to indicate that Atico will not repay these debts in accordance with their terms.

Finally, Pan American's board of directors has adopted a resolution that it does not, and will not attempt to, exercise control, either directly or indirectly, over Atico or any of its affiliates. Similarly, Atico's board of directors has adopted a resolution that it is not, and will not be, controlled by Pan American. In addition, Mr. Weintraub has filed an affidavit to the effect that he will not represent the interests of Pan American in his management of voting his shares of Atico.

Based on these and other facts of record, it is hereby determined that Pan American is not, in fact, capable of controlling Atico, and that the request of Pan American for a determination pursuant to section 2(g)(3) be and hereby is granted. This determination is also based on certain representations and commitments made to the Board by Pan American, Atico, and Mr. Weintraub. In the event the Board should hereafter determine that facts material to this determination are otherwise than as represented, or that the parties have

failed to disclose any material facts or to fulfill any commitments and representations, this determination may be revoked or reconsidered.

By order of the Board of Governors, acting through its General Counsel pursuant to delegated authority (12 C.F.R. § 265.2(b)(1)), effective June 17, 1980.

(Signed) CATHY L. PETRYSHYN,
Assistant Secretary of the Board.

[SEAL]

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

First Pyramid Life Insurance Company,
Little Rock, Arkansas

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

[Docket No. TCR 76-179]

First Pyramid Life Insurance Company (First) Little Rock, Arkansas, has requested a prior certification pursuant to section 1101(b)(1) of the Internal Revenue Code ("Code") as amended by section 2(a) of the Bank Holding Company Tax Act of 1976 ("Tax Act") that its proposed divestiture of certain shares of a corporation ("New Corporation") to be formed to acquire City National Bank of Fort Smith ("Bank") Fort Smith, Arkansas, is necessary or appropriate to effectuate the policies of the Bank Holding Company Act (12 U.S.C. § 1841 et seq) ("BHC Act").¹ First proposes to exchange the 204,786 shares of Bank it presently owns for 225,264 shares of New Corporation, and immediately after the exchange, to distribute pro rata to the holders of common stock of First, those shares of New Corporation held by it that are received in exchange for shares by Bank held by First that could be distributed without recognition of gain under section 1101(b) of the Code.²

1. On January 24, 1980, the Board issued a prior certification pursuant to the Tax Act relating to the proposed divestiture by First of shares of New Corporation received in a transaction under section 1101(c)(3) of the Code. This certification relates to a proposal by First to acquire the shares of New Corporation under a different section of the Code, and in turn to distribute them under section 1101(b) of the Code. Accordingly, inasmuch as the facts of the transaction are other than as described in the previous certification, the Board's certification of January 24, 1980, is hereby revoked.

2. Under subsection (c) of section 1101 of the Code, property acquired after July 7, 1970, generally does not qualify for the tax benefits of section 1101(b) when distributed by an otherwise qualified bank holding company. However, where such property is acquired by a qualified bank holding company in a transaction in which gain is not recognized under section 368(a)(1)(A) of the Code, then section

In connection with this request, the following information is deemed relevant, for purposes of issuing the requested certification.³

1. First is a corporation organized under the laws of Arkansas on November 5, 1928. On July 24, 1953, First acquired ownership and control of 28,550 shares, representing 95.2 percent of the outstanding voting shares, of Bank. On July 7, 1970, First held 63,407 of the outstanding voting shares of Bank. Between July 7, 1970 and the present, First has acquired an additional 225,876 shares of Bank in various transactions and has sold 84,497 shares.⁴
2. First became a bank holding company on December 31, 1970, as a result of the 1970 Amendments to the BHC Act, by virtue of its ownership and control at that time of more than 25 percent of the outstanding voting shares of Bank, and it registered as such with the Board on August 15, 1971. First would have been a bank holding company on July 7, 1970, if the BHC Act amendments of 1970 had been in effect on that date by virtue of its ownership and control on that date of more than 25 percent of the outstanding voting shares of Bank. First presently owns and controls 204,876 shares, representing 34.1 percent of the outstanding voting shares, of Bank.
3. First holds property acquired by it on or before July 7, 1970, the disposition of which, but for the proviso of section 4(a)(2) of the BHC Act, would be necessary or appropriate to effectuate section 4 of the BHC Act if First were to continue to be a bank holding company beyond December 31, 1980, and

1101(b) is applicable. With respect to the shares of New Corporation to be received in exchange for the 181,755 shares of Bank that would be eligible to be distributed without recognition of gain under section 1101(b) (see note 4), First has indicated that these shares will be acquired in a transaction described in section 368(a)(1)(A) of the Code in which gain would not be recognized. Accordingly, even though such shares of New Corporation would be acquired after July 7, 1970, those shares that are substituted for the 181,755 shares of Bank that would be eligible for the benefits provided in section 1101(b) would nevertheless qualify as property eligible for the tax benefits provided in section 1101(b) of the Code, by virtue of section 1101(c)(1)(D), if those shares of New Corporation are in fact received in a transaction in which gain is not recognized under section 368(a)(1)(A) of the Code.

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

4. As discussed in note 2, under section 1101(c) of the Code, property acquired after July 7, 1970, generally does not qualify for the tax benefits of section 1101(b) when distributed by an otherwise qualified bank holding company. However, where such property was acquired by a qualified bank holding company in a transaction in which gain was not recognized under section 305(a) of the Code, then section 1101(b) is applicable. First has stated that 201,846 of the shares of Bank it has received since July 7, 1970, were received in transactions in which gain was not recognized under section 305(a) of the Code. Accordingly, even though shares of Bank were acquired after July 7, 1970, 118,348 of these shares would be eligible for the benefits provided in section 1101(b), by virtue of section 1101(c)(1)(A), if those shares of Bank were in fact received in a transaction in which gain was not recognized under section 305(a).

which property, but for such proviso, would be "prohibited property" within the meaning of section 1103(c) of the Code. Section 1103(g) of the Code provides that any bank holding company may elect, for the purposes of part VIII of subchapter O of Chapter 1 of the Code, to have the determination of whether property is "prohibited property" or is property eligible to be distributed without recognition of gain under section 1101(b)(1) of the Code, made under the BHC Act as if the Act did not contain the proviso of section 4(a)(2). First has represented that it will make such an election prior to the consummation of the proposed divestiture.⁵

4. First has committed to the Board that no officer, director, or employee with policy-making functions of First or any of its subsidiaries (including honorary or advisory directors) will hold any such position with New Corporation or any of its subsidiaries. First has further committed that all such interlocking relationships that now exist between First and Bank will be terminated.

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

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

(B) the shares of New Corporation that First will receive in exchange for shares of Bank will be all or part of the property by reason of which First controls (within the meaning of section 2(a) of the BHC Act) a bank or bank holding company, and
(C) the distribution to the shareholders of First of the shares of New Corporation is necessary or appropriate to effectuate the policies of the BHC Act.

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

By order of the Board of Governors acting through its General Counsel, pursuant to delegated authority (12 C.F.R. § 265.2(b)(3), effective June 13, 1980.

[SEAL]

(Signed) CATHY L. PETRYSHYN,
Assistant Secretary of the Board.

ORDERS APPROVED UNDER BANK HOLDING COMPANY ACT

By the Board of Governors

During June 1980 the Board of Governors approved the applications listed below. Copies are available upon request to Publications Services, Division of Support Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Section 3

Applicant	Bank(s)	Board action (effective date)
First American Bank Corporation, Kalamazoo, Michigan	First National Bank of South Central Michigan, Quincy, Michigan	June 23, 1980
Old Canal Bankshares II, Inc., Lockport, Illinois	Old Canal Bankshares, Inc., Lockport, Illinois	June 30, 1980

5. First proposes to retain a portion of the shares of New Corporation it will receive, which shares will represent less than 5 percent of the shares of New Corporation. Section 1103(g) of the Code provides that the final certification for a bank holding company such as First that has made an election under that section must include a certification that the bank holding company has disposed of all banking property. Inasmuch as banking property means those shares by which a

company controls a bank, and section 2(a)(3) of the Bank Holding Company Act provides that a company holding less than 5 percent of the shares of a bank is presumed not to control the bank, absent other facts indicating that First would continue to control Bank, it appears that First may retain up to 5 percent of the shares of New Corporation and still meet the disposition requirements of section 1103(g).

Sections 3 and 4

Applicant	Bank(s)	Nonbanking company (or activity)	Reserve Bank	Effective date
T E A, Incorporated, Shullsburg, Wisconsin	Farmers and Merchants Bank, Shullsburg, Wisconsin	to engage in the sale of general insurance	Chicago	June 20, 1980
WORTH BANCORP., Inc., Chicago, Illinois	Worth Bank and Trust, Worth, Illinois	to act as agent or broker in the sale of credit life and credit health and accident insurance	Chicago	June 13, 1980

*ORDERS APPROVED UNDER BANK MERGER ACT**By the Board of Governors*

Applicant	Bank(s)	Effective date
The Central Trust Company, Reynoldsburg, Ohio	The Farmers and Citizens Bank, Lancaster, Ohio	June 10, 1980

By Federal Reserve Banks

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

Section 3

Applicant	Bank(s)	Reserve Bank	Effective date
ADCO Company, Brule, Nebraska	Bank of Brule, Brule, Nebraska	Kansas City	May 30, 1980
Ameribanc, Inc., St. Joseph, Missouri	Ameribanc Life Insurance Company, Phoenix, Arizona	Kansas City	May 23, 1980
American Bancorporation of Muskogee, Inc., Muskogee,	American Bank of Muskogee, Muskogee, Oklahoma	Kansas City	May 19, 1980
Anna Bancshares, Inc., Anna, Texas	The First National Bank of Anna, Anna, Texas	Dallas	June 12, 1980
Antioch Bancshares, Inc., Antioch, Illinois	The First National Bank of Antioch, Antioch, Illinois	Chicago	June 24, 1980
Bank Corporation of Georgia, Fort Valley, Georgia	Bank of Fort Valley, Fort Valley, Georgia, and First State Bank, Marshallville, Georgia	Atlanta	June 16, 1980
Bankshares of Park County, Inc., Bailey, Colorado	The Bank of Park County, Bailey, Colorado	Kansas City	June 20, 1980
Coastal Bankshares, Inc., St. Simons Island, Georgia	The Coastal Bank of Georgia, St. Simons Island, Georgia	Atlanta	June 16, 1980
Capital Bancorp, Salt Lake City, Utah	Capital City Bank, Salt Lake City, Utah	San Francisco	June 16, 1980
Clayton Bancshares Corporation, St. Louis, Missouri	Crestwood Bank Shares Corporation and Hampton Bankshares Corporation, both of St. Louis, Missouri	St. Louis	June 5, 1980
Columbia National Bankshares, Inc., Longview, Washington	Columbia National Bank, Longview, Washington	San Francisco	June 24, 1980

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Cowden Bancorp, Inc., Springfield, Illinois	State Bank of Cowden, Cowden, Illinois	Chicago	June 4, 1980
Crofton State Company, Crofton, Nebraska	Crofton State Bank, Crofton, Nebraska	Kansas City	June 13, 1980
DETROITBANK Corporation, Detroit, Michigan	ISB Financial Corporation, Kalamazoo, Michigan	Chicago	June 9, 1980
Elk River Bancshares, Inc. Elk River, Minnesota	First National Bank of Elk River, Elk River, Minnesota	Minneapolis	June 2, 1980
Exchange Bancshares, Inc., Mayfield, Kentucky	The Exchange Bank, Mayfield, Kentucky	St. Louis	June 20, 1980
F.N.B.C. of La Grange, Inc., La Grange, Illinois	First National of La Grange, La Grange, Illinois	Chicago	June 19, 1980
FSB Bancorp, Inc., Peachtree City, Georgia	The Fayette State Bank, Peachtree City, Georgia	Atlanta	June 3, 1980
Fifth Third Bancorp, Cincinnati, Ohio	The Fayette County Bank, Jeffersonville, Ohio	Cleveland	June 23, 1980
FIRST BANCSHARES, INC., Highland, Indiana	The First Bank of Whiting, Whiting, Indiana	Chicago	June 18, 1980
First Financial Group, Inc., Janesville, Wisconsin	Tobacco Exchange Bank, Edgerton, Wisconsin	Chicago	June 3, 1980
First Guthrie Corp., Guthrie, Oklahoma	The First State Bank and Trust Company, Guthrie, Oklahoma	Kansas City	May 29, 1980
First Mexia Bancshares, Inc., Mexia, Texas	First Mexia Bank, Mexia, Texas	Dallas	June 19, 1980
First National Bancshares of Hico, Inc., Hico, Texas	The First National Bank of Hico, Hico, Texas	Dallas	June 19, 1980
First National Charter Corporation, Kansas City, Missouri	First State Bancshares, Inc., Raytown, Missouri	Kansas City	May 19, 1980
First Paris Holding Company, Paris, Arkansas	The First National Bank at Paris, Paris, Arkansas	St. Louis	June 16, 1980
Frazee Bancorporation, Inc., Frazee, Minnesota	Peoples State Bank of Frazee, Frazee, Minnesota	Minneapolis	June 10, 1980
GREATER MILWAUKEE FINANCIAL CORP., Milwaukee, Wisconsin	Greater Milwaukee Bank, Milwaukee, Wisconsin	Chicago	June 4, 1980
Harper Associates Bancshares Ltd., Bucklin, Missouri	Bucklin State Bank of Bucklin, Missouri, Bucklin, Missouri	Kansas City	May 30, 1980
Hawkeye Bancorporation, Des Moines, Iowa	Sibley Bancorporation, Sibley, Iowa, and The First National Bank of Sibley, Sibley, Iowa	Chicago	June 23, 1980
Heritage Bancorporation, Cherry Hill, New Jersey	The City National Bank and Trust of Salem, Salem, New Jersey	Philadelphia	June 18, 1980
Horton Bancshares, Inc., Horton, Kansas	Bank of Horton, Horton, Kansas	Kansas City	May 19, 1980
Independent Bankshares, Inc., Abilene, Texas	The First State Bank, Abilene, Texas	Dallas	June 9, 1980
Iola Bancshares, Inc. Iola, Kansas	Gilpin Insurance Agency, Iola, Kansas	Kansas City	June 5, 1980

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Jefferson Bancshares, Inc., Metairie, Louisiana	Jefferson Bank and Trust Company, Metairie, Louisiana	Atlanta	June 16, 1980
Liberty National Bancorp, Inc., Louisville, Kentucky	Liberty National Bank and Trust Company, Louisville, Kentucky	St. Louis	June 23, 1980
Marine Bancorp, Inc., Springfield, Illinois	Springfield Marine Bank, Springfield, Illinois	Chicago	June 9, 1980
Mills County Bancorp., Glenwood, Iowa	Mills County State Bank, Glenwood, Iowa	Chicago	June 20, 1980
Morton Bancshares, Inc., Morton, Texas	First State Bank, Morton, Texas	Dallas	June 19, 1980
NorthPark National Corporation, Dallas, Texas	NorthPark National Bank of Dallas, Dallas, Texas	Dallas	June 16, 1980
Nasher Financial Corporation, Dallas, Texas	NorthPark National Corporation Dallas, Texas	Dallas	June 16, 1980
Peoples Bancorp Inc., Marietta, Ohio	The Peoples Banking and Trust Marietta, Ohio	Cleveland	June 26, 1980
Republic of Texas Corporation, Dallas, Texas	Oak Cliff Bank & Trust Company, Dallas, Texas	Dallas	June 16, 1980
Robinson Bank Holding Company, Robinson, North Dakota	Security State Bank of Robinson, Robinson, North Dakota	Minneapolis	June 4, 1980
Roger Billings, Inc., Delphos, Kansas	The State Bank of Delphos, Delphos, Kansas	Kansas City	May 23, 1980
Slater Bancshares, Inc., Slater, Missouri	State Bank of Slater, Slater, Missouri	Kansas City	May 19, 1980
Southern Banks of Florida, Inc., Gainesville, Florida	High Springs Bank, High Springs, Florida	Atlanta	June 20, 1980
Stockton Bancshares, Inc., Stockton, Kansas	The Stockton National Bank, Stockton, Kansas	Kansas City	June 20, 1980
Tecumseh F & M Bancorp, Inc., Tecumseh, Oklahoma	The Farmers and Merchants Bank, Tecumseh, Oklahoma	Kansas City	June 13, 1980
Tolono Bancshares, Inc., Tolono, Illinois	Citizens Bank of Tolono, Tolono, Illinois	Chicago	June 2, 1980
United Ohio Bancs, Inc., Dayton, Ohio	The Third National Bank and Trust Company, Dayton, Ohio	Cleveland	June 3, 1980
Waytru Bancorp., Cambridge City, Indiana	Wayne Bank and Trust Co., Cambridge City, Indiana	Chicago	June 6, 1980
Wilson Bancshares, Inc., Weston, Missouri	Bank of Weston, Weston, Missouri	Kansas City	May 30, 1980
Windom State Investment Company, Windom, Minnesota	Windom State Bank, Windom, Minnesota	Minneapolis	June 4, 1980
Yorkville Bancshares, Inc., Yorkville, Illinois	The Yorkville National Bank, Yorkville, Illinois	Chicago	June 19, 1980

Section 4

Applicant	Nonbanking company (or activity)	Reserve Bank	Effective date
North Branch Investment, Inc., North Branch, Minnesota	to continue to sell insurance as a general insurance agent	Minneapolis	June 16, 1980

Section 4—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Tri-County State Agency, Inc., Ortonville, Minnesota	to continue to sell insurance as a general insurance agent in the town of Ortonville, Minnesota	Minneapolis	June 24, 1980
Kinban, Inc., Kinsley, Kansas	to continue to engage in general in- surance agency activities	Kansas City	June 20, 1980
Mid Iowa, Inc., Panora, Iowa	to continue to engage in general in- surance activities	Chicago	June 12, 1980
First Oklahoma Bancorporation, Inc., Oklahoma City, Oklahoma	American Mortgage and Investment Co., Oklahoma City, Oklahoma	Kansas City	May 23, 1980
Fabank, Inc., Fayette, Iowa	to continue to directly engage as agent in general insurance activities	Chicago	May 30, 1980
Clearwater Development Co., Inc., Clearwater Nebraska	to continue to engage in general in- surance agency activities	Kansas City	June 20, 1980
Circle Management Company, Kearney, Nebraska	to continue to engage in the activity of selling credit-related insurance	Kansas City	June 5, 1980
Carleton Agency, Inc., Carleton, Nebraska	to continue to engage in general in- surance activities	Kansas City	June 5, 1980
Ashton Investment Company, Rock Rapids, Iowa	to continue to engage in general in- surance agency activities	Chicago	June 25, 1980
Wood Lake Corporation, Wood Lake, Minnesota	to continue to sell insurance as a general insurance agent in the town of Wood Lake, Minnesota	Minneapolis	June 26, 1980

ORDERS APPROVED UNDER BANK MERGER ACT

Applicant	Bank(s)	Reserve Bank	Effective date
The Dime Bank of Northwest Ohio, Continental, Ohio	The Dime Bank of Continental, Continental, Ohio, et al.	Cleveland	June 19, 1980
Springfield Marine Bank, Springfield, Illinois	SM Bank Springfield, Illinois	Chicago	June 9, 1980

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.

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

Edwin F. Gordon v. Board of Governors, et al., filed June 1980, U.S. Supreme Court.

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

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

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

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

Angela Belk v. Government of Iran, et al., filed April 1980, U.S.D.C. for the District for South Carolina, Columbia Division.

Independent Bank Corporation v. Board of Governors, filed October 1979, U.S.C.A. for the Sixth Circuit.

Wiley v. United States, et al., filed September 1979, U.S.D.C. for the District of Columbia.

- County National Bancorporation and TGB Co. v. Board of Governors*, filed September 1979, U.S.C.A. for the Eighth Circuit.
- Edwin F. Gordon v. Board of Governors, et al.*, filed August 1979, U.S.D.C. for the Northern District of Georgia.
- Gregory v. Board of Governors*, filed July 1979, U.S.D.C. for the District of Columbia.
- Donald W. Riegel, Jr. v. Federal Open Market Committee*, filed July 1979, U.S.D.C. for the District of Columbia.
- Connecticut Bankers Association, et al., v. Board of Governors*, filed May 1979, U.S.C.A. for the District of Columbia.
- Independent Insurance Agents of America, et al., v. Board of Governors*, filed May 1979, U.S.C.A. for the District of Columbia.
- Independent Insurance Agents of America, et al., v. Board of Governors*, filed April 1979, U.S.C.A. for the District of Columbia.
- Independent Insurance Agents of America, et al., v. Board of Governors*, filed March 1979, U.S.C.A. for the District of Columbia.
- Credit and Commerce American Investment, et al., v. Board of Governors*, filed March 1979 U.S.C.A. for the District of Columbia.
- Independent Bankers Association of Texas v. First National Bank in Dallas, et al.*, filed July 1978, U.S.D.C. for the Northern District of Texas.
- Security Bancorp and Security National Bank v. Board of Governors*, filed March 1978, U.S.C.A. for the Ninth Circuit.
- Vickars-Henry Corp. v. Board of Governors*, filed December 1977, U.S.C.A. for the Ninth Circuit.
- Investment Company Institute v. Board of Governors*, filed September 1977, U.S.D.C. for the District of Columbia.
- Roberts Farms, Inc. v. Comptroller of the Currency, et al.*, filed November 1975, U.S.D.C. for the Southern District of California.

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1.10 MONETARY AGGREGATES AND INTEREST RATES

Item	1979			1980	1980																								
	Q2	Q3	Q4 ^r	Q1 ^r	Jan. ^r	Feb. ^r	Mar. ^r	Apr. ^r	May																				
Monetary and credit aggregates (annual rates of change, seasonally adjusted in percent) ¹																													
<i>Member bank reserves</i>																													
1 Total	-3.7	5.0	12.7	4.4	-1.4	-0.8	4.4	4.3	-.9																				
2 Required	-3.5	4.7 ^r	11.7	5.4	4.0	0.3	4.6	2.7	1.3																				
3 Nonborrowed	-7.5	6.9	7.1	3.6	5.3	-12.7	-29.3	15.5	41.4																				
4 Monetary base ²	4.8	9.3	9.7	7.6	7.8	7.5	6.9	1.7	7.7																				
<i>Concepts of money and liquid assets³</i>																													
5 M-1A	7.2 ^r	7.8 ^r	4.5	4.8	3.6	9.4	-1.9	-17.7	.7																				
6 M-1B	10.4 ^r	9.6 ^r	5.0	5.9	5.3	9.9	-.3	-14.1	-1.2																				
7 M-2	10.2	10.7 ^r	7.1	7.2	6.9	9.5	4.7	-1.9	9.1																				
8 M-3	9.3 ^r	10.8 ^r	9.1	7.7	7.6	11.9	3.6	.5	8.6																				
9 L	13.5 ^r	12.2 ^r	8.5	8.1	7.9	11.5	5.8	5.0	n.a.																				
<i>Time and savings deposits</i>																													
Commercial banks																													
10 Total	1.2 ^r	9.1	12.4	8.4	6.9	14.6	8.5	15.0	6.6																				
11 Savings ⁴	-8.4 ^r	4 ^r	-16.5	-19.3	-12.4	-22.5	-35.6	-43.3	-7.5																				
12 Small-denomination time ⁵	21.2 ^r	22.5 ^r	32.1	29.1	21.9	25.9	42.5	54.4	14.1																				
13 Large-denomination time ⁶	-7.7 ^r	4.5 ^r	19.7	11.3	7.4	34.0	7.6	16.2	8.5																				
14 Thrift institutions ⁷	7.4	7.4	6.7	2.7	-.9	1.4	4.1	3.2	8.0																				
15 Total loans and securities at commercial banks ⁸	11.5	13.4	8.7	9.4	12.8	18.7	2.6	-4.3	-6.1																				
Interest rates (levels, percent per annum)																													
<table border="1"> <thead> <tr> <th></th><th colspan="2">1979</th><th colspan="2">1980</th><th colspan="5">1980</th></tr> <tr> <th></th><th>Q3</th><th>Q4</th><th>Q1</th><th>Q2</th><th>Feb.</th><th>Mar.</th><th>Apr.</th><th>May</th><th>June</th></tr> </thead> </table>											1979		1980		1980						Q3	Q4	Q1	Q2	Feb.	Mar.	Apr.	May	June
	1979		1980		1980																								
	Q3	Q4	Q1	Q2	Feb.	Mar.	Apr.	May	June																				
<i>Short-term rates</i>																													
16 Federal funds ⁹	10.94	13.58	15.07	12.67	14.13	17.19	17.61	10.98	9.47																				
17 Federal Reserve discount ¹⁰	10.21	11.92	12.51	12.45	12.52	13.00	13.00	12.94	11.40																				
18 Treasury bills (3-month market yield) ¹¹	9.67	11.84	13.35	9.62	12.86	15.20	13.20	8.58	7.07																				
19 Commercial paper (3-month) ^{11,12}	10.64	13.35	14.54	11.18	13.78	16.81	15.78	9.49	8.27																				
<i>Long-term rates</i>																													
Bonds																													
20 U.S. government ¹³	9.03	10.18	11.78	10.58	12.21	12.49	11.42	10.44	9.89																				
21 State and local government ¹⁴	6.28	7.20	8.23	7.95	8.16	9.17	8.63	7.59	7.63																				
22 Aaa utility (new issue) ¹⁵	9.64	11.21	13.22	11.78	13.57	14.00	12.90	11.53	10.95																				
23 Conventional mortgages ¹⁶	11.13	12.38	14.32	n.a.	14.10	16.05	15.55	13.20	12.45																				

1. Unless otherwise noted, rates of change are calculated from average amounts outstanding in preceding month or quarter. Growth rates for member bank reserves are adjusted for discontinuities in series that result from changes in Regulations D and M.

2. Includes total reserves (member bank reserve balances in the current week plus vault cash held two weeks earlier); currency outside the U.S. Treasury, Federal Reserve Banks, and the vaults of commercial banks; and vault cash of nonmember banks.

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

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

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

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

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

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

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

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

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

8. Changes calculated from figures shown in table 1.23.

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

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

11. Quoted on a bank-discount basis.

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

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

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

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

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

1.11 FACTORS AFFECTING MEMBER BANK RESERVES

Millions of dollars

Factors	Monthly averages of daily figures			Weekly averages of daily figures for week-ending						
	1980			1980						
	Apr. ^P	May ^P	June ^P	May 14 ^P	May 21 ^P	May 28 ^P	June 4 ^P	June 11 ^P	June 18 ^P	June 25 ^P
SUPPLYING RESERVE FUNDS										
1 Reserve bank credit outstanding	139,098	139,561	141,246	138,630	140,624	139,623	142,353	140,324	140,213	141,632
2 U.S. government securities ¹	118,636	120,689	122,336	119,953	122,295	120,851	123,192	121,586	121,141	122,735
3 Bought outright	118,268	120,282	121,623	119,953	122,295	120,125	121,183	121,586	120,059	122,003
4 Held under repurchase agreements	368	407	713			726	2,009		1,082	732
5 Federal agency securities	8,910	8,974	9,020	8,877	8,877	9,088	9,254	8,876	9,126	8,963
6 Bought outright	8,833	8,877	8,875	8,877	8,877	8,877	8,877	8,876	8,875	8,875
7 Held under repurchase agreements	77	97	145			211	377		251	88
8 Acceptances	55	75	171			119	376		245	163
9 Loans	2,444	1,028	365	1,021	839	1,123	459	401	396	318
10 Float	3,902	3,642	3,997	3,218	3,875	3,532	3,984	4,352	3,858	3,930
11 Other Federal Reserve assets	5,151	5,153	5,357	5,561	4,738	4,909	5,089	5,108	5,446	5,522
12 Gold stock	11,172	11,172	11,172	11,172	11,172	11,172	11,172	11,172	11,172	11,172
13 Special drawing rights certificate account	2,968	2,968	2,986	2,968	2,968	2,968	2,968	2,968	2,968	3,011
14 Treasury currency outstanding	13,215	13,266	13,280	13,253	13,262	13,267	13,383	13,275	13,278	13,285
ABSORBING RESERVE FUNDS										
15 Currency in circulation	123,717	124,738	126,326	124,713	124,750	125,187	125,854	126,213	126,536	126,311
16 Treasury cash holdings	589	577	543	588	577	566	557	549	546	538
Deposits, other than member bank reserves, with Federal Reserve Banks										
17 Treasury	2,647	2,828	2,923	2,807	3,020	2,614	3,886	2,884	2,023	3,192
18 Foreign	346	377	354	467	328	355	450	347	276	311
19 Other ²	500	643	1,378	515	523	778	1,260	1,281	1,355	1,458
20 Other Federal Reserve liabilities and capital	4,990	5,078	4,971	5,069	5,066	5,043	4,999	4,960	5,080	4,907
21 Reserve accounts ³	33,663	32,726	32,189	31,863	33,762	32,486	32,871	31,504	31,815	32,383
End-of-month figures										
Wednesday figures										
1980										
1980										
	Apr. ^P	May ^P	June ^P	May 14 ^P	May 21 ^P	May 28 ^P	June 4 ^P	June 11 ^P	June 18 ^P	June 25 ^P
SUPPLYING RESERVE FUNDS										
22 Reserve bank credit outstanding	141,107	142,105	143,741	142,543	138,811	145,684	142,005	140,152	142,608	139,278
23 U.S. government securities ¹	118,825	124,277	124,515	122,454	120,095	124,202	121,509	122,185	121,979	119,841
24 Bought outright	118,825	121,371	124,058	122,454	120,095	121,200	120,573	122,185	121,542	119,841
25 Held under repurchase agreements	0	2,906	457			3,002	936		437	
26 Federal agency securities	8,877	9,230	8,912	8,877	8,877	9,801	9,270	8,875	8,936	8,875
27 Bought outright	8,877	8,877	8,875	8,877	8,877	8,877	8,877	8,875	8,875	8,875
28 Held under repurchase agreements	0	353	37			924	393		61	
29 Acceptances	0	366	373			612	467		367	
30 Loans	4,770	602	215	1,585	886	2,400	252	329	798	364
31 Float	3,072	2,475	4,167	3,777	4,008	3,605	5,396	3,579	5,039	4,483
32 Other Federal Reserve assets	5,563	5,155	5,559	5,850	4,945	5,064	5,111	5,184	5,489	5,715
33 Gold stock	11,172	11,172	11,172	11,172	11,172	11,172	11,172	11,172	11,172	11,172
34 Special drawing rights certificate account	2,968	2,968	3,018	2,968	2,968	2,968	2,968	2,968	2,968	3,018
35 Treasury currency outstanding	13,410	13,530	13,293	13,260	13,266	13,271	13,275	13,275	13,285	13,285
ABSORBING RESERVE FUNDS										
36 Currency in circulation	123,963	125,694	126,859	125,027	125,089	125,949	126,252	126,831	126,773	126,766
37 Treasury cash holdings	584	554	528	587	574	562	555	552	545	534
Deposits, other than member bank reserves, with Federal Reserve Banks										
38 Treasury	4,561	4,523	3,199	2,080	3,119	2,297	3,337	2,970	3,549	2,951
39 Foreign	648	380	691	351	350	383	517	315	254	295
40 Other ²	553	1,160	1,332	478	528	1,163	1,314	1,348	1,400	1,525
41 Other Federal Reserve liabilities and capital	5,066	5,083	5,003	4,929	4,867	4,979	4,884	4,870	5,111	4,851
42 Reserve accounts ³	33,282	32,382	33,612	36,491	31,690	37,763	32,561	30,681	32,402	29,831

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

2. Includes special deposits under the credit restraint program held by money market mutual funds and other financial intermediaries, held by nonmember banks against managed liabilities, and held by any institution in conjunction with the consumer credit restraint program.

3. Includes reserves of member banks, Edge Act corporations and U.S. agencies and branches of foreign banks.

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

1.12 RESERVES AND BORROWINGS Member Banks

Millions of dollars

Reserve classification	Monthly averages of daily figures									
	1978	1979			1980					
	Dec.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar. ^p	Apr. ^p	May ^p	June ^p
<i>All member banks</i>										
Reserves										
1 At Federal Reserve Banks	31,158	31,455	32,030	32,473	32,712	31,878	32,400	33,663	32,726	32,189
2 Currency and coin	10,330	10,681	10,737	11,344	12,283	11,063	10,729	10,895	10,998	11,137
3 Total held ¹	41,572	42,279	42,908	43,972	45,170	43,156	43,352	44,769	43,933	43,531
4 Required	41,447	42,007	42,753	43,578	44,928	42,966	42,907	44,678	43,793	43,282
5 Excess ¹	125	272	155	394	242	190	445	91	140	249
Borrowings at Reserve Banks ²										
6 Total	874	2,022	1,906	1,473	1,241	1,655	2,828	2,443	1,028	365
7 Seasonal	134	161	146	82	75	96	152	156	64	12
<i>Large banks in New York City</i>										
8 Reserves held	7,120	6,915	6,913	7,401	7,758	7,168	7,276	7,603	7,596	7,482
9 Required	7,243	6,855	6,932	7,326	7,760	7,205	7,655	7,662	7,662	7,600
10 Excess	-123	60	-19	75	-2	-37	82	-52	-66	-118
11 Borrowings ²	99	180	143	66	26	125	60	81	31	18
<i>Large banks in Chicago</i>										
12 Reserves held	1,907	1,863	1,940	2,036	2,051	1,968	1,886	2,150	1,922	1,868
13 Required	1,900	1,859	1,950	2,005	2,063	1,941	1,961	2,173	1,906	1,868
14 Excess	7	4	-10	31	-12	27	-75	-23	16	0
15 Borrowings ²	10	136	122	90	60	97	137	60	28	1
<i>Other large banks</i>										
16 Reserves held	16,446	16,840	16,970	17,426	18,078	17,246	17,029	17,644	17,379	17,049
17 Required	16,342	16,799	17,004	17,390	18,065	17,265	17,135	17,991	17,545	17,199
18 Excess	104	41	-34	36	13	-19	-106	-347	-166	-150
19 Borrowings ²	276	883	803	707	647	729	1,287	808	808	319
<i>All other banks</i>										
20 Reserves held	16,099	16,571	16,582	16,734	16,904	16,403	16,261	16,314	16,271	16,248
21 Required	15,962	16,422	16,398	16,536	16,692	16,229	16,233	16,367	16,234	16,186
22 Excess	137	149	184	198	212	174	28	-53	37	62
23 Borrowings ²	489	823	838	610	508	704	1,152	1,015	161	27
<i>Edge corporations</i>										
24 Reserves held	n.a.	90	308	336	339	328	317	339	10,396	374
25 Required	n.a.	72	288	303	323	303	300	299	9,132	332
26 Excess	n.a.	18	20	33	16	25	17	40	1,264	42
<i>U.S. agencies and branches</i>										
27 Reserves held	n.a.	n.a.	195	39	40	43	90	198	162	106
28 Required	n.a.	n.a.	181	18	25	23	84	193	151	97
29 Excess	n.a.	n.a.	14	21	15	20	6	5	11	9
Weekly averages of daily figures for week (in 1980) ending										
	Apr. 23 ^p	Apr. 30 ^p	May 7 ^p	May 14 ^p	May 21 ^p	May 28 ^p	June 4 ^p	June 11 ^p	June 18 ^p	June 25 ^p
<i>All member banks</i>										
Reserves										
30 At Federal Reserve Banks	35,289	33,735	32,911	31,863	33,762	32,486	32,871	31,504	31,815	32,383
31 Currency and coin	10,184	11,299	11,413	11,419	10,196	10,924	11,096	11,256	11,413	10,692
32 Total held ¹	45,681	45,244	44,535	43,491	44,167	43,619	44,174	42,967	43,435	43,284
33 Required	45,258	45,028	44,234	43,449	43,914	43,614	43,706	42,877	43,271	43,092
34 Excess ¹	423	216	301	42	253	5	468	90	164	192
Borrowings at Reserve Banks ²										
35 Total	2,555	2,664	1,329	1,021	839	1,123	459	401	396	318
36 Seasonal	159	172	155	47	41	29	21	15	11	8
<i>Large banks in New York City</i>										
37 Reserves held	7,926	7,671	7,628	7,313	8,042	7,351	8,152	7,258	7,499	7,362
38 Required	7,785	7,725	7,566	7,445	7,829	7,664	8,005	7,542	7,619	7,352
39 Excess	141	-54	62	-132	213	-313	147	-284	-120	10
40 Borrowings ²	44	92	0	89	0	48	0	0	79	0
<i>Large banks in Chicago</i>										
41 Reserves held	1,984	2,209	1,950	1,813	2,057	1,813	1,828	1,791	2,062	1,591
42 Required	2,150	2,084	1,920	1,902	1,955	1,859	1,873	1,858	1,902	1,825
43 Excess	-166	125	30	-89	102	-46	-45	-67	160	-234
44 Borrowings ²	54	122	11	0	0	108	11	0	0	0
<i>Other large banks</i>										
45 Reserves held	17,972	17,815	17,952	17,363	17,283	17,185	17,155	16,822	16,777	17,211
46 Required	18,347	18,210	17,905	17,540	17,471	17,400	17,232	16,995	17,217	17,202
47 Excess	-375	-395	47	-177	-188	-215	-77	-173	-440	9
48 Borrowings ²	1,345	1,484	866	831	773	899	393	378	291	297
<i>All other banks</i>										
49 Reserves held	16,332	16,628	16,474	16,119	16,194	16,289	16,272	15,925	16,222	16,367
50 Required	16,556	16,644	16,449	16,104	16,221	16,208	16,127	15,921	16,133	16,360
51 Excess	-224	-16	25	15	-27	81	145	4	89	7
52 Borrowings ²	1,112	966	452	101	66	68	55	23	26	21
<i>Edge corporations</i>										
53 Reserves held	328	317	317	338	321	348	367	386	407	346
54 Required	287	293	298	293	292	290	307	358	353	306
55 Excess	41	24	19	45	29	58	60	28	54	40
<i>U.S. agencies and branches</i>										
56 Reserves held	141	80	105	188	158	188	173	217	60	57
57 Required	133	72	96	165	146	193	162	205	47	47
58 Excess	8	8	9	23	12	-5	11	12	13	10

1. Adjusted to include waivers of penalties for reserve deficiencies in accordance with Board policy, effective Nov. 19, 1975, of permitting transitional relief on a graduated basis over a 24-month period when a nonmember bank merged into an existing member bank, or when a nonmember bank joins the Federal

Reserve System. For weeks for which figures are preliminary, figures by class of bank do not add to total because adjusted data by class are not available.
2. Based on closing figures.

A6 Domestic Financial Statistics □ July 1980

1.13 FEDERAL FUNDS AND REPURCHASE AGREEMENTS Large Member Banks¹

Averages of daily figures, in millions of dollars

By maturity and source	1980, week ending Wednesday								
	May 7 ^r	May 14 ^r	May 21 ^r	May 28 ^r	June 4	June 11	June 18	June 25	July 2
<i>One day and continuing contract</i>									
1 Commercial banks in U.S.	46,327	46,714	47,006	45,234	46,784	51,163	50,083	47,170	47,578
2 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies	12,277	14,103	15,397	14,636	17,725	16,450	17,316	17,703	17,284
3 Nonbank securities dealers	1,076	962	1,233	1,177	1,579	964	1,046	1,541	1,245
4 All other	13,264	12,496	13,197	14,059	14,582	13,590	13,381	14,981	15,567
<i>All other maturities</i>									
5 Commercial banks in U.S.	6,033	5,907	5,967	6,500	6,037	5,362	4,825	4,430	3,969
6 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies	6,945	6,787	6,751	7,002	6,556	6,629	6,463	6,161	6,102
7 Nonbank securities dealers	2,441	2,315	2,546	2,476	2,678	2,798	2,772	2,760	2,956
8 All other	9,614	10,161	8,542	9,234	9,325	10,601	9,122	9,486	9,167
MEMO: Federal funds and resale agreement loans in ma- turities of one day or continuing contract									
9 Commercial banks in U.S.	16,131	15,542	16,597	14,807	16,297	16,144	16,984	15,013	15,326
10 Nonbank securities dealers	1,890	2,051	2,129	1,850	1,964	2,936	2,617	2,256	2,117

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

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per annum

Current and previous levels												
Federal Reserve Bank	Loans to member banks									Loans to all others under sec. 13, last par. ⁴		
	Under secs. 13 and 13a ¹			Under sec. 10(b) ²								
				Regular rate			Special rate ³					
	Rate on 5/31/80	Effective date	Previous rate	Rate on 5/31/80	Effective date	Previous rate	Rate on 5/31/80	Effective date	Previous rate	Rate on 5/31/80	Effective date	Previous rate
Boston	11	6/16/80	12	11½	6/16/80	12½	12	6/16/80	13	14	6/16/80	15
New York	11	6/13/80	12	11½	6/13/80	12½	12	6/13/80	13	14	6/13/80	15
Philadelphia	11	6/13/80	12	11½	6/13/80	12½	12	6/13/80	13	14	6/13/80	15
Cleveland	11	6/13/80	12	11½	6/13/80	12½	12	6/13/80	13	14	6/13/80	15
Richmond	11	6/13/80	12	11½	6/13/80	12½	13	6/13/80	13	14	6/13/80	15
Atlanta	11	6/16/80	12	11½	6/16/80	12½	12	6/16/80	13	14	6/16/80	15
Chicago	11	6/13/80	12	11½	6/13/80	12½	12	6/13/80	13	14	6/13/80	15
St. Louis	11	6/13/80	12	11½	6/13/80	12½	12	6/13/80	13	14	6/13/80	15
Minneapolis	11	6/13/80	12	11½	6/13/80	12½	12	6/13/80	13	14	6/13/80	15
Kansas City	11	6/13/80	12	11½	6/13/80	12½	12	6/13/80	13	14	6/13/80	15
Dallas	11	6/13/80	12	11½	6/13/80	12½	12	6/13/80	13	14	6/13/80	15
San Francisco	11	6/13/80	12	11½	6/13/80	12½	12	6/13/80	13	14	6/13/80	15

Range of rates in recent years⁵

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, 1970	5½	5½	1974— Apr. 25	7½-8	8	1978— Jan. 9	6-6½	6½
1971— Jan. 8	5¼-5½		30	8	8	20	6½	6½
15	5¼	5¼	Dec. 9	7¾-8	7¾	May 11	6½-7	7
19	5-5¼	5¼	16	7¾	7¾	12	7	7
22	5-5¼	5¼				July 3	7-7¼	7¼
29	5	5	1975— Jan. 6	7¼	7¼	10	7¼-7¾	7¼
Feb. 13	4¾-5	5	10	7¼	7¼	Aug. 21	7¾	7¾
19	4¾	5	24	7¼	7¼	Sept. 22	8	8
July 16	4¾-5	4¾	Feb. 5	6¾-7¼	6¾	Oct. 16	8-8½	8½
23	5	5	7	6¾	6¾	20	8½	8½
Nov. 11	4¾-5	5	Mar. 10	6¼-6¾	6¼	Nov. 1	8½-9½	9½
19	4¾	5	14	6¼	6¼	3	9½	9½
Dec. 13	4½-4¾	4¾	May 16	6-6¼	6			
17	4½-4¾	4¾				1979— July 20	10	10
24	4½	4½	1976— Jan. 19	5½-6	5½	Aug. 17	10-10½	10½
1973— Jan. 15	5	5	23	5½	5½	20	10½	10½
Feb. 26	5-5½	5	Nov. 22	5¼-5½	5¼	Sept. 19	10½-11	11
Mar. 2	5½	5½	26	5¼	5¼	21	11	11
Apr. 23	5½-5¾	5½	1977— Aug. 30	5¼-5¾	5¼	Oct. 8	11-12	12
May 4	5¾	5¾	31	5¼-5¾	5¾	10	12	12
11	5¾-6	5¾	Sept. 2	5¾	5¾			
18	6	6	Oct. 26	6	6	1980— Feb. 15	12-13	13
June 11	6-6½	6				19	13	13
15	6½	6½				May 29	12-13	13
	6½	6½				30	12	12
July 2	7	7				June 13	11-12	11
Aug. 14	7-7½	7				June 16	11	11
23	7½	7½						
						In effect June 30, 1980	11	11

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

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

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

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

5. Rates under secs. 13 and 13a (as described above). For description and earlier data, see the following publications of the Board of Governors: *Banking and Monetary Statistics, 1914-1941* and *1941-1970; Annual Statistical Digest, 1971-1975, 1972-1976, 1973-1977, and 1974-1978.*

1.15 MEMBER BANK RESERVE REQUIREMENTS¹

Percent of deposits

Type of deposit, and deposit interval in millions of dollars	Requirements in effect June 30, 1980		Previous requirements	
	Percent	Effective date	Percent	Effective date
Net demand²				
0-2	7	12/30/76	7½	2/13/75
2-10	9½	12/30/76	10	2/13/75
10-100	11¾	12/30/76	12	2/13/75
100-400	12¾	12/30/76	13	2/13/75
Over 400	16¼	12/30/76	16½	2/13/75
Time and savings^{2,3,4}				
Savings				
Time ⁵	3	3/16/67	3½	3/2/67
0-5, by maturity				
30-179 days	3	3/16/67	3½	3/2/67
180 days to 4 years	2½	1/8/76	3	3/16/67
4 years or more	1	10/30/75	3	3/16/67
Over 5, by maturity				
30-179 days	6	12/12/74	5	10/1/70
180 days to 4 years	2½	1/8/76	3	12/12/74
4 years or more	1	10/30/75	3	12/12/74
Legal limits				
	Minimum		Maximum	
Net demand				
Reserve city banks	10		22	
Other banks	7		14	
Time	3		10	
Borrowings from foreign banks	0		22	

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

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

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

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

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

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

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

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

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, with the maintenance period beginning Apr. 3, 1980, the requirement was increased to 10 percent, and with the maintenance period beginning June 12, 1980, it was decreased to 5 percent. 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 statement weeks ending Sept. 26, 1979. For the computation period beginning Mar. 20, 1980, the base was lowered by (a) 7 percent or (b) the decrease in an institution's U.S. office gross loans to foreigners and gross balances due from foreign offices of other institutions between the base period (Sept. 13-26, 1979) and the week ending Mar. 12, 1980, whichever is 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 is reduced to the extent that foreign loans and balances decline. The minimum base remains \$100 million.

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

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

Percent per annum

Type and maturity of deposit	Commercial banks				Savings and loan associations and mutual savings banks			
	In effect June 30, 1980		Previous maximum		In effect June 30, 1980		Previous maximum	
	Percent	Effective date	Percent	Effective date	Percent	Effective date	Percent	Effective date
1 Savings	5½	7/1/79	5	7/1/73	5½	7/1/79	5½	(1)
2 Negotiable order of withdrawal accounts ²	5	1/1/74	(3)	.....	5	1/1/74	(3)	.....
Time accounts ⁴								
<i>Fixed ceiling rates by maturity</i>								
3 30-89 days	5½	8/1/79	5	7/1/73	(3)	.....	(3)	.....
4 90 days to 1 year	5¾	1/1/80	5½	7/1/73	6	1/1/80	5¾	(1)
5 1 to 2 years ⁵	6	7/1/73	5½	1/21/70	6½	(1)	5¾	1/21/70
6 2 to 2½ years ⁵			5¾	1/21/70			6	1/21/70
7 2½ to 4 years ⁵			5¾	1/21/70			6	1/21/70
8 4 to 6 years ⁶			7½	11/1/73	7½	11/1/73	(7)	.....
9 6 to 8 years ⁶	7½	12/23/74	7¾	11/1/73	7¾	12/23/74	7½	11/1/73
10 8 years or more ⁶	7¾	6/1/78	(3)	.....	8	6/1/78	(3)	.....
11 Issued to governmental units (all maturities) ⁸	8	6/1/78	7¾	12/23/74	8	6/1/78	7¾	12/23/74
12 Individual retirement accounts and Keogh (H.R. 10) plans (3 years or more) ^{8,9}	8	6/1/78	7¾	7/6/77	8	6/1/78	7¾	7/6/77
<i>Special variable ceiling rates by maturity</i>								
13 6-month money market time deposits ¹⁰	(11)	(11)	(11)	(11)	(11)	(11)	(11)	(11)
14 2½ years or more	(12)	(12)	(13)	(13)	(12)	(12)	(13)	(13)

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

2. For authorized states only, federally insured commercial banks, savings and loan associations, cooperative banks, and mutual savings banks in Massachusetts and New Hampshire were first permitted to offer negotiable order of withdrawal (NOW) accounts on Jan. 1, 1974. Authorization to issue NOW accounts was extended to similar institutions throughout New England on Feb. 27, 1976, and in New York State on Nov. 10, 1978, and in New Jersey on Dec. 28, 1979.

3. No separate account category.

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

5. No minimum denomination. Until July 1, 1979, a minimum of \$1,000 was required for savings and loan associations, except in areas where mutual savings banks permitted lower minimum denominations. This restriction was removed for deposits maturing in less than 1 year, effective Nov. 1, 1973.

6. No minimum denomination. Until July 1, 1979, minimum denomination was \$1,000 except for deposits representing funds contributed to an Individual Retirement Account (IRA) or a Keogh (H.R. 10) plan established pursuant to the Internal Revenue Code. The \$1,000 minimum requirement was removed for such accounts in December 1975 and November 1976 respectively.

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

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

8. Accounts subject to fixed rate ceilings. See footnote 6 for minimum denomination requirements.

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

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

11. Commercial banks, savings and loan associations, and mutual savings banks were authorized to offer money market time deposits effective June 1, 1978. The ceiling rate for commercial banks on money market time deposits entered into before June 5, 1980, is the discount rate (auction average) on most recently issued six-month U.S. Treasury bills. Until Mar. 15, 1979, the ceiling rate for savings and loan associations and mutual savings banks was ¼ percentage point higher than the rate for commercial banks. Beginning March 15, 1979, the ¼-percentage-point interest differential is removed when the six-month Treasury bill rate is 9 percent or more. The full differential is in effect when the six-month bill rate is 8¾ per cent or less. Thrift institutions may pay a maximum 9 percent when the six-month bill rate is between 8¾ and 9 percent. Also effective March 15, 1979, interest compounding was prohibited on six-month money market time deposits at all offering institutions. The maximum allowable rates in June for commercial banks were as follows: June 5, 8.415; June 12, 7.750; June 19, 7.750; June 26, 7.750. The maximum allowable rates in May for thrift institutions were as follows: June 5, 8.665; June 12, 7.750; June 19, 7.750; June 26, 7.750. Effective for all six-

month money market certificates issued beginning June 5, 1980, the interest rate ceilings will be determined by the discount rate (auction average) of most recently issued six-month U.S. Treasury bills as follows:

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

The prohibition against compounding interest in these certificates continues. In addition, during the period May 29, 1980, through Nov. 1, 1980, commercial banks may renew maturing six-month money market time deposits for the same depositor at the thrift institution ceiling interest rate.

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

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

Interest may be compounded on these time deposits. The ceiling rates of interest at which these accounts may be offered vary biweekly. Throughout June, the maximum allowable rate at commercial banks was 9.25, and at thrift institutions it was 9.50.

13. Between July 1, 1979, and Dec. 31, 1979, commercial banks, savings and loan associations, and mutual savings banks were authorized to offer variable ceiling accounts with no required minimum denomination and with maturities of 4 years or more. The maximum rate for commercial banks was 1¼ percentage points below the yield on 4-year U.S. Treasury securities; the ceiling rate for thrift institutions was ¾ percentage point higher than that for commercial banks.

NOTE: Before Mar. 31, 1980, the maximum rates that could be paid by federally insured commercial banks, mutual savings banks, and savings and loan associations were established by the Board of Governors of the Federal Reserve System, the Board of Directors of the Federal Deposit Insurance Corporation, and the Federal Home Loan Bank Board under the provisions of 12 CFR 217, 329, and 526, respectively. Title II of the Depository Institutions Deregulation and Monetary Control Act of 1980 (P.L. 96-221) transferred the authority of the agencies to establish maximum rates of interest payable on deposits to the Depository Institutions Deregulation Committee. The maximum rates on time deposits in denominations of \$100,000 or more with maturities of 30-89 days were suspended in June 1970; such deposits maturing in 90 days or more were suspended in May 1973. For information regarding previous interest rate ceilings on all types of accounts, see earlier issues of the FEDERAL RESERVE BULLETIN, the Federal Home Loan Bank Board Journal, and the Annual Report of the Federal Deposit Insurance Corporation.

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS

Millions of dollars

Type of transaction		1977	1978	1979	1979		1980				
					Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
U.S. GOVERNMENT SECURITIES											
Outright transactions (excluding matched sale-purchase transactions)											
Treasury bills											
1	Gross purchases	13,738	16,628	16,623	2,752	2,464	0	187	1,370	2,428	838
2	Gross sales	7,241	13,725	7,480	154	378	1,722	1,590	0	108	232
3	Exchange	0	0	0	0	0	0	0	0	0	0
4	Redemptions	2,136	2,033	2,900	300	0	790	400	0	0	0
Others within 1 year ¹											
5	Gross purchases	3,017	1,184	3,203	0	90	0	0	292	109	155
6	Gross sales	0	0	0	0	0	0	0	0	0	0
7	Maturity shift	4,499	-5,170	17,339	1,080	571	383	1,822	921	179	1,670
8	Exchange	2,500	0	-11,308	-2,016	-727	-403	-2,177	-809	-459	-5,276
9	Redemptions			2,600	0	0	0	0	0	0	0
1 to 5 years											
10	Gross purchases	2,833	4,188	2,148	0	398	0	0	355	373	405
11	Gross sales	0	0	0	0	0	0	0	0	0	0
12	Maturity shift	-6,649	-178	-12,693	-1,080	-571	-383	-374	-921	-179	-1,302
13	Exchange			7,508	1,302	727	403	1,377	809	459	3,000
5 to 10 years											
14	Gross purchases	758	1,526	523	0	81	0	0	107	62	133
15	Gross sales	0	0	0	0	0	0	0	0	0	0
16	Maturity shift	584	2,803	-4,646	0	0	0	-1,364	0	0	-25
17	Exchange			2,181	400	0	0	450	0	0	1,300
Over 10 years											
18	Gross purchases	553	1,063	454	0	51	0	0	81	64	216
19	Gross sales	0	0	0	0	0	0	0	0	0	0
20	Maturity shift	1,565	2,545	0	0	0	0	-84	0	0	-342
21	Exchange			1,619	314	0	0	350	0	0	976
All maturities ¹											
22	Gross purchases	20,898	24,591	22,950	2,752	3,084	0	187	2,206	3,036	1,747
23	Gross sales	7,241	13,725	7,480	154	378	1,722	1,590	0	108	232
24	Redemptions	4,636	2,033	5,500	300	0	790	400	0	0	0
Matched sale-purchase transactions											
25	Gross sales	425,214	511,126	626,403	45,204	53,681	53,025	54,541	55,658	57,316	49,934
26	Gross purchases	423,841	510,854	623,245	45,979	49,738	55,557	54,584	54,636	57,479	50,965
Repurchase agreements											
27	Gross purchases	178,683	151,618	107,374	4,303	7,251	5,704	5,407	6,682	3,029	7,717
28	Gross sales	180,535	152,436	107,291	3,869	6,643	6,872	4,787	6,379	3,952	4,811
29	Net change in U.S. government securities	5,798	7,743	6,896	3,507	-629	-1,148	-1,140	1,486	2,168	5,452
FEDERAL AGENCY OBLIGATIONS											
Outright transactions											
30	Gross purchases	1,433	301	853	0	0	0	0	0	668	0
31	Gross sales	0	173	399	0	0	0	0	0	0	0
32	Redemptions	223	235	134	*	5	0	*	5	2	0
Repurchase agreements											
33	Gross purchases	13,811	40,567	37,321	1,992	2,383	3,049	2,403	1,883	483	1,611
34	Gross sales	13,638	40,885	36,960	1,075	2,863	3,543	2,372	1,834	563	1,258
35	Net change in federal agency obligations	1,383	-426	681	917	-485	-494	31	45	586	353
BANKERS ACCEPTANCES											
36	Outright transactions, net	-196	0	0	0	0	0	0	0	0	0
37	Repurchase agreements, net	159	-366	116	-48	434	-704	205	-34	-171	366
38	Net change in bankers acceptances	-37	-366	116	-48	434	-704	205	-34	-171	366
39	Total net change in System Open Market Account	7,143	6,951	7,693	4,376	-679	-2,345	-903	1,497	2,582	6,171

1. Both gross purchases and redemptions include special certificates created when the Treasury borrows directly from the Federal Reserve, as follows (millions of dollars): September 1977, 2,500; March 1979, 2,600.

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

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements

Millions of dollars

Account	Wednesday					End of month		
	1980					1980		
	May 28 ^P	June 4 ^P	June 11 ^P	June 18 ^P	June 25 ^P	April ^P	May ^P	June ^P
Consolidated condition statement								
ASSETS								
1 Gold certificate account	11,172	11,172	11,172	11,172	11,172	11,172	11,172	11,172
2 Special drawing rights certificate account	2,968	2,968	2,968	2,968	3,018	2,968	2,968	3,018
3 Coin	383	384	390	397	394	387	401	408
Loans								
4 Member bank borrowings	2,400	252	329	798	364	4,770	602	215
5 Other	0	0	0	0	0	0	0	0
Acceptances								
6 Bought outright	0	0	0	0	0	0	0	0
7 Held under repurchase agreements	612	467	0	367	0	0	366	373
Federal agency obligations								
8 Bought outright	8,877	8,877	8,875	8,875	8,875	8,877	8,877	8,875
9 Held under repurchase agreements	924	393	0	61	0	0	353	37
U.S. government securities								
Bought outright								
10 Bills	47,801	47,174	48,786	48,143	45,564	46,335	47,972	49,781
11 Certificates—Special	0	0	0	0	0	0	0	0
12 Notes	57,425	57,425	57,425	57,425	58,174	57,707	57,425	58,174
13 Bonds	15,974	15,974	15,974	15,974	16,103	14,783	15,974	16,103
14 Total ¹	121,200	120,573	122,185	121,542	119,841	118,825	121,371	124,058
15 Held under repurchase agreements	3,002	936	0	437	0	0	2,906	457
16 Total U.S. government securities	124,202	121,509	122,185	121,979	119,841	118,825	124,277	124,515
17 Total loans and securities	137,015	131,498	131,389	132,080	129,080	132,472	134,475	134,015
18 Cash items in process of collection	11,586	11,850	9,553	11,401	10,660	10,595	8,386	9,375
19 Bank premises	445	450	444	451	441	433	448	441
Other assets								
20 Denominated in foreign currencies ²	2,252	2,304	2,291	2,286	2,298	2,236	2,304	2,339
21 All other	2,367	2,357	2,449	2,752	2,976	2,894	2,403	2,779
22 Total assets	168,188	162,983	160,656	163,507	160,039	163,157	162,557	163,547
LIABILITIES								
23 Federal Reserve notes	113,622	113,916	114,498	114,429	114,409	111,524	113,118	114,502
Deposits								
Reserve accounts								
24 Member banks	37,191	32,120	30,103	31,934	29,350	32,927	31,804	33,187
25 Edge Act corporations	445	307	438	430	436	315	376	397
26 U.S. agencies and branches of foreign banks	127	134	140	38	45	40	202	28
27 Total	37,763	32,561	30,681	32,402	29,831	33,282	32,382	33,612
28 Special Deposits—Credit Restraint Program	555	673	794	870	965	171	550	578
29 U.S. Treasury—General account	2,297	3,337	2,970	3,549	2,951	4,561	4,523	3,199
30 Foreign—Official accounts	383	517	315	254	295	648	380	691
31 Other	608	641	554	530	560	382	610	754
32 Total deposits	41,606	37,729	35,314	37,605	34,602	39,044	38,445	38,834
33 Deferred availability cash items	7,981	6,454	5,974	6,362	6,177	7,523	5,911	5,208
34 Other liabilities and accrued dividends ³	2,407	2,292	2,288	2,548	2,263	2,470	2,389	2,250
35 Total liabilities	165,616	160,391	158,074	160,944	157,451	160,561	159,863	160,794
CAPITAL ACCOUNTS								
36 Capital paid in	1,164	1,164	1,164	1,169	1,169	1,162	1,164	1,169
37 Surplus	1,145	1,145	1,145	1,145	1,145	1,145	1,145	1,145
38 Other capital accounts	263	283	273	249	274	289	385	439
39 Total liabilities and capital accounts	168,188	162,983	160,656	163,507	160,039	163,157	162,557	163,547
40 MEMO: Marketable U.S. government securities held in custody for foreign and international account	74,877	76,712	79,045	79,749	81,128	74,045	75,691	82,226
Federal Reserve note statement								
41 Federal Reserve notes outstanding (issued to Bank) ..	131,380	131,508	131,675	132,144	132,619	130,478	131,334	132,861
Collateral held against notes outstanding								
42 Gold certificate account	11,172	11,172	11,172	11,172	11,172	11,172	11,172	11,172
43 Special drawing rights certificate account	2,968	2,968	2,968	2,968	3,018	2,968	2,968	3,018
44 Eligible paper	435	29	9	578	79	1,613	42	29
45 U.S. government and agency securities	116,805	117,339	117,526	117,426	118,350	114,725	117,152	118,642
46 Total collateral	131,380	131,508	131,675	132,144	132,619	130,478	131,334	132,861

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

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

3. Includes exchange-translation account reflecting, beginning Dec. 29, 1978, the monthly revaluation at market exchange rates of foreign-exchange commitments.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings

Millions of dollars

Type and maturity groupings	Wednesday					End of month		
	1980					1980		
	May 28	June 4	June 11	June 18	June 25	Apr. 30	May 31	June 30
1 Loans—Total	2,400	252	329	798	364	4,770	602	215
2 Within 15 days	2,395	244	321	795	361	4,716	594	211
3 16 days to 90 days	5	8	8	3	3	54	8	4
4 91 days to 1 year	0	0	0	0	0	0	0	0
5 Acceptances—Total	612	467	0	367	0	0	366	373
6 Within 15 days	612	467	0	367	0	0	366	373
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	124,202	121,509	122,185	121,979	119,841	118,825	124,277	124,515
10 Within 15 days ¹	6,623	4,585	6,080	6,996	4,894	7,519	4,821	3,633
11 16 days to 90 days	26,543	26,123	25,342	25,275	23,600	22,179	28,363	28,039
12 91 days to 1 year	31,292	31,194	31,156	30,101	30,983	34,155	31,349	31,686
13 Over 1 year to 5 years	32,298	32,161	32,161	32,161	32,625	29,784	32,298	33,418
14 Over 5 years to 10 years	13,437	13,437	13,437	13,437	13,601	12,029	13,437	13,601
15 Over 10 years	14,009	14,009	14,009	14,009	14,138	13,159	14,009	14,138
16 Federal Agency obligations—Total	9,801	9,270	8,875	8,936	8,875	8,877	9,230	8,912
17 Within 15 days ¹	1,099	496	0	185	186	48	528	223
18 16 days to 90 days	417	513	514	581	518	409	417	518
19 91 days to 1 year	1,612	1,588	1,677	1,486	1,486	1,627	1,612	1,499
20 Over 1 year to 5 years	4,670	4,670	4,675	4,675	4,676	4,778	4,670	4,663
21 Over 5 years to 10 years	1,259	1,259	1,265	1,265	1,265	1,271	1,259	1,265
22 Over 10 years	744	744	744	744	744	744	744	744

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

1.20 BANK DEBITS AND DEPOSIT TURNOVER

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

Bank group, or type of customer	1977	1978	1979	1980				
				Jan.	Feb.	Mar.	Apr.	May
	Debits to demand deposits ¹ (seasonally adjusted)							
1 All commercial banks	34,322.8	40,297.8	49,786.9	59,086.2	59,948.9	58,795.9	57,837.6	61,448.2
2 Major New York City banks	13,860.6	15,008.7	18,511.9	23,678.0	23,636.7	22,417.8	23,792.5	25,508.8
3 Other banks	20,462.2	25,289.1	31,275.0	35,408.2	36,312.2	36,378.0	34,045.0	35,939.4
	Debits to savings deposits ² (not seasonally adjusted)							
4 All customers	174.0	417.7	672.2	856.2	760.4	826.8	888.6	746.5
5 Business ³	21.7	56.7	78.4	92.8	79.4	85.5	87.0	79.0
6 Others	152.3	361.0	593.7	763.4	681.0	741.4	801.6	667.5
	Demand deposit turnover ¹ (seasonally adjusted)							
7 All commercial banks	129.2	139.4	163.2	189.1	191.9	188.9	196.2	203.3
8 Major New York City banks	503.0	541.9	646.2	763.4	760.6	721.3	805.9	871.8
9 Other banks	85.9	96.8	113.2	125.8	129.1	129.8	128.3	131.6
	Savings deposit turnover ² (not seasonally adjusted)							
10 All customers	1.6	1.9	3.2	4.3	3.9	4.3	4.7	4.0
11 Business ³	4.1	5.1	7.2	9.3	8.2	9.4	10.1	8.9
12 Others	1.5	1.7	3.0	4.0	3.6	4.0	4.5	3.8

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

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

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

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

1.21 MONEY STOCK MEASURES AND COMPONENTS

Billions of dollars, averages of daily figures

Item	1976 Dec.	1977 Dec.	1978 Dec.	1979 Dec. ^r	1980					
					Jan. ^r	Feb. ^r	Mar. ^r	Apr. ^r	May	
MEASURES ¹	Seasonally adjusted									
	1 M-1A	305.0	328.4	351.6	369.7	370.8	373.7	373.1	367.6	367.8
	2 M-1B	307.7	332.5	359.9	386.4	388.1	391.3	391.2	386.6	386.2
	3 M-2	1,166.7	1,294.1	1,401.6 ^r	1,525.5	1,534.3	1,546.5	1,552.6	1,550.1	1,561.8
	4 M-3	1,299.7	1,460.3	1,623.6 ^r	1,775.4	1,786.7	1,804.4	1,809.8	1,810.5	1,823.4
	5 L ²	1,523.5	1,715.5	1,927.7 ^r	2,141.0	2,155.1	2,175.7	2,186.3	2,195.4	n.a.
COMPONENTS	6 Currency	80.7	88.7	97.6	106.3	107.3	108.1	108.9	109.0	110.1
	7 Demand deposits	224.4	239.7	253.9	263.4	263.5	265.6	264.2	258.6	257.7
	8 Savings deposits	447.7	486.5	476.1 ^r	416.6	411.7	403.1	391.8	377.3	372.9
	9 Small time deposits ³	396.6	454.9	533.8	656.5	661.7	671.3	687.5	708.3	718.4
	10 Large time deposits ⁴	118.0	145.2	194.7	219.4	222.5	228.6	230.0	233.5	234.8
	MEASURES ¹	Not seasonally adjusted								
11 M-1A		313.5	337.2	360.9	379.2	375.6	365.5	366.3	370.9	362.1
12 M-1B		316.1	341.3	369.3	396.0	392.9	383.0	384.4	389.9	380.5
13 M-2		1,169.1	1,295.9	1,403.7 ^r	1,527.2	1,537.7	1,538.4	1,549.5	1,558.3	1,558.9
14 M-3		1,303.8	1,464.5	1,629.2 ^r	1,780.7	1,792.0	1,796.4	1,807.6	1,816.7	1,819.4
15 L ²		1,527.1	1,718.5	1,931.1 ^r	2,143.5	2,161.7	2,173.2	2,186.9	2,203.4	n.a.
COMPONENTS	16 Currency	82.1	90.3	99.4	108.2	106.5	106.8	107.9	108.7	109.9
	17 Demand deposits	231.3	247.0	261.5	271.0	269.1	258.7	258.4	262.2	252.2
	18 Other checkable deposits ⁵	2.7	4.1	8.3	16.7	17.3	17.6	18.0	19.0	18.4
	19 Overnight RPs and Eurodollars ⁶	13.6	18.6	23.9 ^r	25.3	26.6	27.1	24.6	20.3	21.8
	20 Money market mutual funds	3.4	3.8	10.3	43.6	49.1	56.7	60.4	60.6	65.4
	21 Savings deposits	444.9	483.2	472.9 ^r	413.8	409.2	400.0	392.2	379.7	374.6
22 Small time deposits ³	393.5	451.3	529.8	651.5	662.8	674.5	690.9	710.9	719.5	
23 Large time deposits ⁴	119.7	147.7	198.2	223.0	224.4	228.8	230.9	231.5	233.6	

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

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

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

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

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

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

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

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

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

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

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

1.22 AGGREGATE RESERVES AND DEPOSITS Member Banks

Billions of dollars, averages of daily figures

Item	1977 Dec.	1978 Dec.	1979 Dec. ^r	1979 ^r			1980				
				Oct.	Nov.	Dec.	Jan. ^r	Feb. ^r	Mar. ^r	Apr. ^r	May
	Seasonally adjusted										
1 Reserves ¹	36.00	41.16	43.57	42.20	43.06	43.57	43.44	43.35	43.68	44.91	44.46
2 Nonborrowed	35.43	40.29	42.10	40.18	41.15	42.10	42.20	41.70	40.85	42.45	43.44
3 Required	35.81	40.93	43.13	41.93	42.81	43.13	43.19	43.14	43.47	44.64	44.28
4 Monetary base ²	127.6	142.2	153.8	151.5	152.8	153.8	154.7	155.6	156.6	157.9	158.5
5 Deposits subject to reserve requirements ³	567.6	616.1	644.4	638.2	641.9	644.4	643.7	647.2	649.1	655.4	656.8
6 Time and savings	385.6	428.8	451.1	446.6	450.1	451.1	451.9	454.4	457.9	464.2	467.7
7 Demand	178.5	185.1	191.5	189.8	190.0	191.5	189.5	190.9	189.4	188.7	187.3
8 U.S. government	3.5	2.2	1.8	1.7	1.9	1.8	2.3	1.9	1.8	2.4	1.8
	Not seasonally adjusted										
9 Monetary base ²	129.8	144.6	156.3	151.3	153.5	156.3	155.9	154.0	154.9	157.6	157.8
10 Deposits subject to reserve requirements ³	575.3	624.0	652.6	637.8	642.2	652.6	652.1	643.9	648.0	657.7	651.5
11 Time and savings	386.4	429.6	452.0	445.7	449.2	452.0	454.6	455.8	460.6	464.7	467.7
12 Demand	185.1	191.9	198.6	190.5	191.3	198.6	195.4	186.2	185.5	190.4	182.1
13 U.S. government	3.8	2.5	2.0	1.6	1.7	2.0	2.1	1.8	1.9	2.6	1.7

1. Member bank reserve series reflect actual reserves requirement percentages with no adjustment to eliminate the effect of changes in Regulations D and M. Effective Nov. 2, 1978, a supplementary reserve requirement of 2 percentage points was imposed on time deposits of \$100,000 or more. This action increased required reserves approximately \$3.0 billion in the week beginning Nov. 16, 1978. Effective Oct. 11, 1979, an 8 percentage point marginal reserve requirement was imposed on "managed liabilities" (liabilities that have been actively used to finance rapid expansion in bank credit). On Oct. 25, 1979, reserves of Edge Act corporations were included in member bank reserves. This action raised required reserves \$318 million. Effective Mar. 12, 1980, the marginal reserve requirement of 8 percentage points was raised to 10 percentage points. In addition the base upon which the marginal reserve requirement is calculated was reduced. This action increased required reserves about \$1,693 million in the week ending April 2, 1980.

2. Includes total reserves (member bank reserve balances in the current week plus vault cash held two weeks earlier); currency outside the U.S. Treasury, Federal Reserve Banks, and the vaults of commercial banks; and vault cash of nonmember banks.

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

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

1.23 LOANS AND SECURITIES All Commercial Banks¹

Billions of dollars; averages of Wednesday figures

Category	1977 Dec.	1978 Dec.	1979 Dec.	1980		1977 Dec.	1978 Dec.	1979 Dec.	1980	
				Apr.	May				Apr.'	May
	Seasonally adjusted					Not seasonally adjusted				
1 Total loans and securities ²	891.1	1,014.3 ³	1,132.5 ⁴	1,161.0	1,155.1	899.1	1,023.8 ³	1,143.0 ⁴	1,159.1 ^r	1152.1
2 U.S. Treasury securities	99.5	93.4	93.8	93.2	94.6	100.7	94.6	95.0	96.1	95.2
3 Other securities	159.6	173.1 ³	191.5	196.2	199.7	160.2	173.9 ³	192.3	196.6	200.1
4 Total loans and leases ²	632.1	747.8 ³	847.2 ⁴	871.6	860.7	638.3	755.4 ³	855.7 ⁴	866.4 ^r	856.8
5 Commercial and industrial loans	211.2 ⁵	246.5 ⁶	290.5 ⁴	301.3	297.8	212.6 ⁵	248.2 ⁶	292.4 ⁴	301.9	298.5
6 Real estate loans	175.2 ⁵	210.5	242.4 ⁴	250.1	250.6	175.5 ⁵	210.9	242.9 ⁴	248.9	249.6
7 Loans to individuals	138.2	164.9	182.7	182.2	178.3	139.0	165.9	183.8	179.9	177.3
8 Security loans	20.6	19.4	18.3	16.5	15.8	22.0	20.7	19.6	16.2	15.0
9 Loans to nonbank financial institutions	25.8 ⁵	27.1 ⁷	30.3 ⁴	31.3	29.1	26.3 ⁵	27.6 ⁷	30.8 ⁴	30.9	28.9
10 Agricultural loans	25.8	28.2	31.0	32.2	32.3	25.7	28.1	30.8	31.7	32.2
11 Lease financing receivables	5.8	7.4	9.5	10.2	10.3	5.8	7.4	9.5	10.2	10.3
12 All other loans	29.5	43.6 ³	42.6	47.9 ^r	46.4	31.5	46.6 ³	45.9	46.9 ^r	45.0
MEMO:										
13 Total loans and securities plus loans sold ^{2,9}	895.9	1,018.1 ³	1,135.3 ^{4,8}	1,163.6	1,157.7	903.9	1,027.6 ³	1,145.7 ^{4,8}	1,161.7 ^r	1154.8
14 Total loans plus loans sold ^{2,9}	636.9	751.6 ³	850.00 ^{4,8}	874.2	863.3	643.0	759.2 ³	858.4 ^{4,8}	869.0 ^r	859.4
15 Total loans sold to affiliates ⁹	4.8	3.8	2.8 ⁸	2.6	2.6	4.8	3.8	2.8 ⁸	2.6	2.6
16 Commercial and industrial loans plus loans sold ⁹	213.9 ⁵	248.5 ^{6,10}	292.3 ^{4,8}	303.0	299.5	215.3 ⁵	250.1 ^{6,10}	294.2 ^{4,8}	303.5	300.2
17 Commercial and industrial loans sold ⁹	2.7	1.9 ¹⁰	1.8 ⁸	1.7	1.7	2.7	1.9 ¹⁰	1.8 ⁸	1.7	1.7
18 Acceptances held	7.5	6.8	8.5	7.9 ^r	8.4	8.6	7.5	9.4	7.7 ^r	8.0
19 Other commercial and industrial loans	203.7 ⁵	239.7	282.0	293.4 ^r	289.4	203.9 ⁵	240.9	283.1	294.2 ^r	290.5
20 To U.S. addressees ¹¹	193.8 ⁵	226.6	263.2	273.2	269.4	193.7 ⁵	226.5	263.2	274.2 ^r	270.5
21 To non-U.S. addressees	9.9 ⁵	13.1	18.8	20.2 ^r	20.0	10.3 ⁵	14.4	19.8	20.0 ^r	19.9
22 Loans to foreign banks	13.5	21.2	18.7	20.4 ^r	21.1	14.6	23.0	20.1	19.8 ^r	20.3
23 Loans to commercial banks in the United States	54.1	57.3	77.8	83.7	92.4	56.9	60.3	81.9	86.8	88.2

1. Includes domestic chartered banks, U.S. branches, agencies, and New York investment company subsidiaries of foreign banks; and Edge Act corporations.

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

3. As of Dec. 31, 1978, total loans and securities were reduced by \$0.1 billion. "Other securities" were increased by \$1.5 billion and total loans were reduced by \$1.6 billion largely as the result of reclassifications of certain tax-exempt obligations. Most of the loan reduction was in "all other loans."

4. As of Jan. 3, 1979, as the result of reclassifications, total loans and securities and total loans were increased by \$0.6 billion. Business loans were increased by \$0.4 billion and real estate loans by \$0.5 billion. Nonbank financial loans were reduced by \$0.3 billion.

5. As of Dec. 31, 1977, as the result of loan reclassifications, business loans were reduced by \$0.2 billion and nonbank financial loans by \$0.1 billion; real estate loans were increased by \$0.3 billion.

6. As of Dec. 31, 1978, commercial and industrial loans were reduced \$0.1 billion as a result of reclassifications.

7. As of Dec. 1, 1978, nonbank financial loans were reduced \$0.1 billion as the result of reclassification.

8. As of Dec. 1, 1979, loans sold to affiliates were reduced \$800 million and commercial and industrial loans sold were reduced \$700 million due to corrections of two banks in New York City.

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

10. As of Dec. 31, 1978, commercial and industrial loans sold outright were increased \$0.7 billion as the result of reclassifications, but \$0.1 billion of this amount was offset by a balance sheet reduction of \$0.1 billion as noted above.

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

NOTE: Data are prorated averages of Wednesday data for domestic chartered banks, and averages of current and previous month-end data for foreign-related institutions.

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

Billions of dollars except for number of banks

Account	1979					1980					
	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May ¹	June
DOMESTICALLY CHARTERED COMMERCIAL BANKS¹											
1 Loans and investments	1,094.3	1,112.1	1,118.4	1,118.0	1,143.3	1,133.4	1,143.6	1,142.8	1,151.9	1,150.5	1,153.3
2 Loans, gross	819.4	833.8	839.0	836.7	860.1	849.7	857.0	854.6	861.2	857.1	857.1
3 Interbank	50.3	53.6	54.0	52.6	62.9	57.2	58.0	55.6	62.4	67.4	66.6
4 Commercial and industrial	244.1	249.4	249.8	248.0	253.4	252.6	256.2	258.3	259.2	256.0	256.7
5 Other	525.0	530.9	535.3	536.1	543.7	540.0	542.9	540.7	539.6	533.7	533.8
6 U.S. Treasury securities	90.6	91.9	91.5	92.1	92.5	92.4	93.6	94.2	93.5	93.9	95.1
7 Other securities	184.3	186.4	187.8	189.3	190.7	191.2	192.9	193.9	197.2	199.5	201.0
8 Cash assets, total	145.7	148.5	160.7	158.1	146.4	148.4	149.9	153.8	168.2	172.4	150.5
9 Currency and coin	16.8	16.7	16.6	18.2	17.9	17.3	17.1	16.8	16.8	17.8	17.4
10 Reserves with Federal Reserve Banks	33.7	31.6	34.1	34.7	28.4	28.3	30.7	34.2	33.2	37.9	29.5
11 Balances with depository institutions	41.1	40.7	45.5	43.7	37.7	43.7	43.4	43.1	49.7	47.9	45.5
12 Cash items in process of collection	54.1	59.5	64.6	61.5	62.4	59.0	58.7	59.8	68.6	68.9	58.0
13 Other assets	53.8	57.5	57.8	59.3	61.2	63.1	65.0	66.1	73.3	72.7	77.1
14 Total assets/total liabilities and capital	1,293.8	1,318.2	1,336.9	1,335.4	1,351.0	1,344.9	1,358.4	1,362.7	1,393.5	1,395.7	1,380.9
15 Deposits	982.9	996.6	1,023.6	1,017.6	1,030.6	1,022.5	1,028.9	1,032.1	1,060.0	1,057.3	1,044.7
16 Demand	352.4	358.7	376.6	365.1	377.6	362.4	358.7	354.5	377.4	370.2	358.1
17 Savings	216.6	213.4	207.6	205.0	203.4	200.6	199.9	196.5	189.3	192.3	197.8
18 Time	413.8	424.5	439.4	447.4	449.7	459.6	470.3	481.1	493.4	494.8	488.8
19 Borrowings	140.1	147.0	137.4	135.6	140.5	143.1	145.1	142.1	147.0	154.1	152.5
20 Other liabilities	69.7	71.2	74.0	78.5	74.1	77.5	81.6	84.2	81.2	78.5	76.6
21 Residual (assets less liabilities)	101.1	103.3	101.9	103.7	105.8	101.8	102.9	104.2	105.2	105.7	107.1
MEMO:											
22 U.S. Treasury note balances included in borrowing	8.6	17.8	8.4	5.0	12.8	15.0	8.1	9.4	14.3	5.1	13.1
23 Number of banks	14,607	14,616	14,605	14,608	14,610	14,594	14,609	14,626	14,629	14,639	14,646
ALL COMMERCIAL BANKING INSTITUTIONS²											
24 Loans and investments	1,169.8	1,197.7	1,200.3	1,200.9	1,229.8	1,217.7	1,230.8	1,231.8	1,240.9	1,239.2	
25 Loans, gross	892.1	915.9	917.6	916.2	943.1	930.7	941.0	940.2	946.8	942.4	
26 Interbank	63.8	69.2	71.6	71.8	80.5	75.4	78.3	75.2	82.1	88.0	
27 Commercial and industrial	280.5	288.1	288.3	287.9	295.0	295.1	298.5	301.7	302.0	298.1	
28 Other	547.8	558.6	557.7	556.6	567.6	560.1	564.2	563.4	562.7	556.2	
29 U.S. Treasury securities	91.9	93.5	93.1	93.7	94.5	94.3	95.5	96.2	95.5	95.9	
30 Other securities	185.8	188.3	189.5	190.9	192.2	192.7	194.4	195.4	198.6	201.0	
31 Cash assets, total	166.0	172.2	179.9	176.7	169.5	166.5	168.8	174.0	187.3	190.7	
32 Currency and coin	16.8	16.7	16.6	18.2	17.9	17.3	17.1	16.8	16.8	17.8	
33 Reserves with Federal Reserve Banks	34.5	32.5	34.9	35.6	29.0	28.9	31.3	35.0	33.9	38.7	
34 Balances with depository institutions	59.3	62.4	62.5	60.0	59.0	59.8	60.5	61.1	66.6	63.8	
35 Cash items in process of collection	55.3	60.6	65.9	62.9	63.7	60.4	60.0	61.2	69.9	70.4	
36 Other assets	70.9	76.7	76.5	78.5	81.0	83.7	86.8	91.6	99.0	98.1	
37 Total assets/total liabilities and capital	1,406.7	1,446.5	1,456.7	1,456.1	1,480.3	1,468.0	1,486.5	1,497.5	1,527.2	1,528.0	n.a.
38 Deposits	1,020.9	1,043.6	1,062.6	1,058.5	1,076.3	1,063.1	1,070.0	1,073.5	1,101.1	1,097.1	
39 Demand	369.1	383.2	394.2	384.9	400.5	380.5	376.8	373.6	396.6	387.7	
40 Savings	217.6	214.2	208.3	205.9	204.3	201.3	200.3	196.7	189.5	192.6	
41 Time	434.2	446.2	460.1	467.7	471.5	481.3	492.9	503.2	515.0	516.9	
42 Borrowings	169.5	182.1	171.6	169.5	180.5	179.5	182.9	186.5	190.8	196.3	
43 Other liabilities	113.1	115.2	118.5	122.2	115.4	121.1	128.4	130.9	127.8	126.6	
44 Residual (assets less liabilities)	103.2	105.6	104.0	105.8	108.1	104.2	105.2	106.5	107.4	108.1	
MEMO:											
45 U.S. Treasury note balances included in borrowing	8.6	17.8	8.4	5.0	12.8	15.0	8.1	9.4	14.3	5.1	
46 Number of banks	14,960	14,972	14,963	14,969	14,975	14,962	14,978	14,995	15,004	15,016	

1. Domestically chartered commercial banks include all commercial banks in the United States except branches of foreign banks; included are member and non-member banks, stock savings banks, and nondeposit trust companies.

2. Commercial banking institutions include domestically chartered commercial banks, branches and agencies of foreign banks, Edge Act and Agreement corporations, and New York state foreign investment corporations.

NOTE: Figures are partly estimated. They include all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries. Data for domestically chartered commercial banks are for the last Wednesday of the month; data for other banking institutions are for last Wednesday except at end of quarter, when they are for the last day of the month.

1.25 COMMERCIAL BANK ASSETS AND LIABILITIES Call Date Series

Millions of dollars, except for number of banks

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

1. Includes items not shown separately.

For Note see table 1.24.

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

Millions of dollars, except for number of banks

Asset account	Insured commercial banks	Member banks ¹					Non-member banks ¹
		Total	Large banks			All other	
			New York City	City of Chicago	Other large		
1 Cash bank balances, items in process	158,380	134,955	43,758	5,298	47,914	37,986	23,482
2 Currency and coin	12,135	8,866	867	180	2,918	4,901	3,268
3 Reserves with Federal Reserve Banks	28,043	28,041	3,621	1,152	12,200	11,067	3
4 Demand balances with banks in United States	41,104	25,982	12,821	543	3,672	8,945	15,177
5 Other balances with banks in United States	4,648	2,582	601	15	648	1,319	2,066
6 Balances with banks in foreign countries	3,295	2,832	331	288	1,507	705	466
7 Cash items in process of collection	69,156	66,652	25,516	3,119	26,969	11,049	2,504
8 Total securities held—Book value	262,199	179,877	20,808	7,918	58,271	92,881	82,336
9 U.S. Treasury	95,068	65,764	9,524	2,690	22,051	31,499	29,315
10 Other U.S. government agencies	40,078	25,457	1,828	1,284	7,730	14,616	14,622
11 States and political subdivisions	121,260	85,125	9,166	3,705	27,423	44,831	36,136
12 All other securities	5,698	3,465	291	240	1,048	1,887	2,234
13 Unclassified total	94	66	.....	.....	19	47	28
14 Trading-account securities	6,833	6,681	3,238	708	2,446	290	151
15 U.S. Treasury	4,125	4,103	2,407	408	1,210	78	23
16 Other U.S. government agencies	825	816	401	82	278	55	9
17 States and political subdivisions	1,395	1,381	363	117	794	107	14
18 All other trading account securities	394	316	67	101	145	3	78
19 Unclassified	94	66	.....	.....	19	47	28
20 Bank investment portfolios	255,366	173,196	17,570	7,210	55,825	92,591	82,185
21 U.S. Treasury	90,943	61,661	7,117	2,282	20,840	31,422	29,293
22 Other U.S. government agencies	39,253	24,641	1,426	1,201	7,452	14,561	14,613
23 States and political subdivisions	119,865	83,745	8,803	3,588	26,629	44,724	36,123
24 All other portfolio securities	5,305	3,149	224	138	903	1,884	2,156
25 Federal Reserve stock and corporate stock	1,656	1,403	311	111	507	475	253
26 Federal funds sold and securities resale agreement	41,258	31,999	3,290	1,784	16,498	10,427	9,365
27 Commercial banks	34,256	25,272	1,987	1,294	12,274	9,717	9,090
28 Brokers and dealers	4,259	4,119	821	396	2,361	541	140
29 Others	2,743	2,608	482	94	1,863	169	135
30 Other loans, gross	675,915	500,802	79,996	26,172	190,565	204,069	175,113
31 LESS: Unearned income on loans	17,019	11,355	675	107	3,765	6,809	5,664
32 Reserves for loan loss	7,431	5,894	1,347	341	2,256	1,949	1,537
33 Other loans, net	651,465	483,553	77,974	25,724	184,544	195,311	167,912
<i>Other loans, gross, by category</i>							
34 Real estate loans	203,386	138,730	10,241	2,938	52,687	72,863	64,656
35 Construction and land development	25,621	19,100	2,598	685	9,236	6,581	6,521
36 Secured by farmland	8,418	3,655	23	34	453	3,146	4,763
37 Secured by residential properties	117,176	81,370	5,362	1,559	31,212	43,236	35,806
38 1- to 4-family residences	111,674	77,422	4,617	1,460	29,774	41,570	34,252
39 FHA-insured or VA-guaranteed	7,503	6,500	508	44	3,446	2,502	1,003
40 Conventional	104,171	70,922	4,109	1,417	26,328	39,068	33,249
41 Multifamily residences	5,502	3,948	746	99	1,438	1,665	1,554
42 FHA-insured	399	340	132	27	88	92	59
43 Conventional	5,103	3,609	613	72	1,350	1,573	1,495
44 Secured by other properties	52,171	34,605	2,258	660	11,786	19,901	17,566
45 Loans to financial institutions	37,072	34,843	12,434	4,342	15,137	2,930	2,228
46 REITs and mortgage companies	8,574	8,162	2,066	801	4,616	680	412
47 Domestic commercial banks	3,362	2,618	966	165	1,206	281	744
48 Banks in foreign countries	7,359	7,187	3,464	268	2,820	635	171
49 Other depository institutions	1,579	1,411	290	76	785	261	167
50 Other financial institutions	16,198	15,465	5,649	3,033	5,710	1,073	733
51 Loans to security brokers and dealers	11,042	10,834	6,465	1,324	2,846	199	207
52 Other loans to purchase or carry securities	4,280	3,532	410	276	1,860	985	747
53 Loans to farmers except real estate	28,054	15,296	168	150	3,781	11,196	12,758
54 Commercial and industrial loans	213,123	171,815	39,633	13,290	67,833	51,059	41,309
55 Loans to individuals	161,599	110,974	7,100	2,562	40,320	60,993	50,624
56 Installment loans	131,571	90,568	5,405	1,711	33,640	49,811	41,003
57 Passenger automobiles	58,908	37,494	1,077	209	11,626	24,582	21,414
58 Residential repair and modernization	8,526	5,543	331	60	2,088	3,064	2,983
59 Credit cards and related plans	21,938	19,333	2,268	1,267	9,736	6,062	2,605
60 Charge-account credit cards	17,900	16,037	1,573	1,219	8,192	5,053	1,863
61 Check and revolving credit plans	4,038	3,296	695	47	1,545	1,009	742
62 Other retail consumer goods	19,689	13,296	427	57	5,242	7,570	6,393
63 Mobile homes	9,642	6,667	179	19	2,563	3,905	2,976
64 Other	10,047	6,629	249	38	2,678	3,664	3,417
65 Other installment loans	22,510	14,902	1,302	119	4,948	8,533	7,608
66 Single-payment loans to individuals	30,027	20,406	1,694	851	6,680	11,182	9,621
67 All other loans	17,360	14,778	3,545	1,290	6,100	3,844	2,582
68 Total loans and securities, net	956,579	696,833	102,383	35,536	259,820	299,094	259,867
69 Direct lease financing	6,717	6,212	1,145	96	3,931	1,041	505
70 Fixed assets—Buildings, furniture, real estate	22,448	16,529	2,332	795	6,268	7,133	5,926
71 Investment in unconsolidated subsidiaries	3,255	3,209	1,642	188	1,282	96	46
72 Customer acceptances outstanding	16,557	16,036	8,315	1,258	6,054	409	521
73 Other assets	34,559	30,408	11,323	1,000	12,810	5,275	4,249
74 Total assets	1,198,495	904,182	170,899	44,170	338,079	351,034	294,595

For notes see opposite page.

1.26 Continued

Liability or capital account	Insured commercial banks	Member banks ¹					Non- member banks ¹
		Total	Large banks			All other	
			New York City	City of Chicago	Other large		
75 Demand deposits	369,030	282,450	66,035	10,690	100,737	104,988	86,591
76 Mutual savings banks	1,282	1,089	527	1	256	305	194
77 Other individuals, partnerships, and corporations	279,651	205,591	31,422	7,864	79,429	86,876	74,061
78 U.S. government	7,942	5,720	569	188	1,987	2,977	2,222
79 States and political subdivisions	17,122	11,577	764	252	3,446	7,116	5,545
80 Foreign governments, central banks, etc	1,805	1,728	1,436	19	211	62	77
81 Commercial banks in United States	39,596	38,213	21,414	1,807	10,803	4,189	1,393
82 Banks in foreign countries	7,379	7,217	5,461	207	1,251	298	162
83 Certified and officers' checks, etc	14,253	11,315	4,443	352	3,354	3,166	2,937
84 Time deposits	368,562	266,496	38,086	15,954	98,525	113,931	102,066
85 Accumulated for personal loan payments	79	66	0	0	1	65	13
86 Mutual savings banks	399	392	177	40	148	27	7
87 Other individuals, partnerships, and corporations	292,120	210,439	29,209	12,074	76,333	92,824	81,680
88 U.S. government	864	689	61	40	356	232	175
89 States and political subdivisions	59,087	40,010	1,952	1,554	16,483	20,020	19,077
90 Foreign governments, central banks, etc	6,672	6,450	3,780	1,145	1,401	124	222
91 Commercial banks in United States	7,961	7,289	2,077	999	3,585	629	672
92 Banks in foreign countries	1,381	1,161	829	103	219	9	220
93 Savings deposits	223,326	152,249	10,632	2,604	54,825	84,188	71,077
94 Individuals and nonprofit organizations	207,701	141,803	9,878	2,448	51,161	78,316	65,897
95 Corporations and other profit organizations	11,216	7,672	519	148	3,195	3,809	3,544
96 U.S. government	82	65	2	3	24	35	17
97 States and political subdivisions	4,298	2,682	215	4	437	2,025	1,616
98 All other	30	27	18	*	8	2	3
99 Total deposits	960,918	701,195	114,753	29,248	254,087	303,107	259,733
100 Federal funds purchased and securities sold under agreements to repurchase	91,981	85,582	21,149	8,777	41,799	13,857	6,398
101 Commercial banks	42,174	39,607	6,991	5,235	21,609	5,773	2,566
102 Brokers and dealers	12,787	11,849	2,130	1,616	6,381	1,722	939
103 Others	37,020	34,126	12,028	1,926	13,809	6,362	2,894
104 Other liabilities for borrowed money	8,738	8,352	3,631	306	3,191	1,225	386
105 Mortgage indebtedness	1,767	1,455	234	27	701	491	316
106 Bank acceptances outstanding	16,661	16,140	8,398	1,260	6,070	412	521
107 Other liabilities	27,124	23,883	8,600	1,525	9,020	4,477	3,494
108 Total liabilities	1,107,188	836,607	157,026	41,144	314,868	323,569	270,849
109 Subordinated notes and debentures	5,767	4,401	1,001	79	2,033	1,287	1,366
110 Equity capital	85,540	63,174	12,871	2,947	21,177	26,178	22,380
111 Preferred stock	88	36	0	0	5	31	52
112 Common stock	17,875	12,816	2,645	570	4,007	5,594	5,064
113 Surplus	32,341	23,127	4,541	1,404	8,148	9,034	9,217
114 Undivided profits	33,517	26,013	5,554	921	8,680	10,858	7,509
115 Other capital reserves	1,719	1,182	132	52	337	661	538
116 Total liabilities and equity capital	1,198,495	904,182	170,899	44,170	338,079	351,034	294,595
MEMO:							
117 Demand deposits adjusted ²	252,337	171,864	18,537	5,576	60,978	86,774	80,472
Average for last 15 or 30 days							
118 Cash and due from bank	146,283	124,916	36,862	6,030	45,731	36,293	21,379
119 Federal funds sold and securities purchased under agreements to resell	43,873	33,682	4,272	1,887	16,007	11,517	10,307
120 Total loans	651,874	483,316	76,750	25,722	184,790	196,054	168,558
121 Time deposits of \$100,000 or more	183,614	150,160	32,196	13,216	65,776	38,972	33,454
122 Total deposits	944,593	687,543	107,028	28,922	250,804	300,789	257,062
123 Federal funds purchased and securities sold under agreements to repurchase	92,685	86,635	22,896	9,473	40,541	13,725	6,053
124 Other liabilities for borrowed money	8,716	8,326	3,679	370	3,211	1,067	390
125 Standby letters of credit outstanding	18,820	17,658	10,063	1,477	4,820	1,297	1,162
126 Time deposits of \$100,000 or more	186,837	152,553	32,654	13,486	66,684	39,728	34,284
127 Certificates of deposit	160,227	129,667	27,950	11,590	56,383	33,743	30,560
128 Other time deposits	26,610	22,886	4,704	1,896	10,301	5,985	3,724
129 Number of banks	14,390	5,593	12	9	153	5,419	8,810

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

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

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

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

Account	1980								
	Apr. 30	May 7	May 14	May 21	May 28	June 4	June 11	June 18	June 25
1 Cash items in process of collection	56,422	49,875	52,586	47,651	56,919	53,685	51,339	53,778	48,195
2 Demand deposits due from banks in the United States	20,855	20,136	17,205	17,565	18,660	17,641	17,855	18,834	17,957
3 All other cash and due from depository institutions	33,903	31,959	37,409	33,098	39,074	33,903	32,363	33,803	31,328
4 Total loans and securities	520,602	516,857	514,754	514,938	515,848	519,227	516,434	517,866	515,411
<i>Securities</i>									
5 U.S. Treasury securities	35,281	34,384	33,749	35,412	35,568	37,413	37,455	36,332	36,546
6 Trading account	5,921	4,953	4,600	5,090	4,813	6,240	5,382	4,045	4,194
7 Investment account, by maturity	29,360	29,430	29,149	30,322	30,755	31,173	32,072	32,287	32,352
8 One year or less	6,823	6,514	6,056	6,027	6,352	6,449	6,464	6,167	6,231
9 Over one through five years	18,056	18,318	18,476	19,546	19,545	20,092	20,747	21,132	21,098
10 Over five years	4,481	4,598	4,616	4,749	4,858	4,632	4,861	4,988	5,024
11 Other securities	74,543	74,420	75,999	75,235	75,355	75,053	75,894	74,973	75,358
12 Trading account	4,079	3,737	5,050	4,273	3,831	3,468	4,108	3,218	3,537
13 Investment account	70,465	70,683	70,948	70,962	71,524	71,584	71,786	71,755	71,822
14 U.S. government agencies	15,918	16,128	16,349	16,374	16,577	16,632	16,672	16,559	16,559
15 States and political subdivision, by maturity	51,968	51,959	52,005	52,010	52,369	52,460	52,612	52,594	52,647
16 One year or less	6,497	6,522	6,505	6,271	6,524	6,540	6,623	6,553	6,494
17 Over one year	45,471	45,436	45,500	45,739	45,845	45,920	45,989	46,042	46,154
18 Other bonds, corporate stocks and securities	2,578	2,596	2,594	2,577	2,578	2,493	2,501	2,533	2,615
<i>Loans</i>									
19 Federal funds sold ¹	24,655	25,385	23,495	24,595	25,110	26,800	24,898	26,688	23,646
20 To commercial banks	20,608	20,909	19,800	21,131	21,908	22,676	20,369	22,162	19,339
21 To nonbank brokers and dealers in securities	3,016	3,256	2,789	2,572	2,286	3,348	3,681	3,667	3,459
22 To others	1,032	1,220	905	891	916	775	848	859	848
23 Other loans, gross	398,905	395,501	394,391	392,588	392,697	392,787	391,056	392,760	392,682
24 Commercial and industrial	160,909	159,779	158,855	157,528	157,567	158,305	157,441	158,223	158,106
25 Bankers acceptances and commercial paper	4,354	4,597	4,728	4,616	4,910	5,519	5,186	5,056	5,047
26 All other	156,555	155,182	154,128	152,912	152,656	152,786	152,255	153,167	153,059
27 U.S. addressees	150,409	149,161	148,171	147,077	146,849	147,032	146,435	147,390	147,412
28 Non-U.S. addressees	6,146	6,021	5,956	5,835	5,807	5,754	5,820	5,777	5,647
29 Real estate	104,285	104,365	104,628	104,862	104,914	104,870	104,963	105,076	105,244
30 To individuals for personal expenditures	72,221	71,819	71,533	71,290	71,153	70,954	70,773	70,719	70,783
31 To financial institutions	3,563	3,509	3,400	3,390	3,418	3,632	3,335	3,608	4,014
32 Commercial banks in the United States	6,831	6,741	6,627	7,023	7,356	6,533	6,367	6,208	6,512
33 Banks in foreign countries	8,972	8,750	8,636	8,396	8,566	8,413	8,334	8,357	8,189
34 Sales finance, personal finance companies, etc.	16,061	15,882	15,320	15,218	14,932	14,776	14,619	14,555	14,364
35 Other financial institutions	6,678	5,622	6,724	6,067	5,562	6,034	6,768	6,788	6,357
36 To nonbank brokers and dealers in securities	2,060	2,039	2,050	2,061	2,091	2,057	2,070	2,041	2,045
37 To finance agricultural production	5,039	5,061	5,063	5,087	5,060	5,102	5,102	5,111	5,146
38 All other	12,287	11,933	11,554	11,667	12,077	12,110	11,283	12,075	11,922
39 LESS: Unearned income	7,340	7,342	7,361	7,374	7,358	7,241	7,262	7,282	7,257
40 Loan loss reserve	5,444	5,491	5,519	5,517	5,525	5,585	5,607	5,606	5,564
41 Other loans, net	386,122	382,668	381,512	379,696	379,814	379,961	378,187	379,872	379,861
42 Lease financing receivables	8,471	8,481	8,524	8,527	8,540	8,583	8,589	8,646	8,660
43 All other assets	69,849	69,594	71,326	71,643	71,348	74,005	75,637	75,304	75,032
44 Total assets	710,102	696,903	701,806	693,422	710,388	707,043	702,219	708,230	696,583
<i>Deposits</i>									
45 Demand deposits	201,144	188,583	189,250	185,913	194,911	196,122	191,550	194,984	187,079
46 Mutual savings banks	761	717	637	563	680	689	604	583	546
47 Individuals, partnerships, and corporations	134,331	128,111	130,962	125,838	132,409	133,359	132,367	134,437	129,307
48 States and political subdivisions	5,975	4,775	4,454	4,812	4,581	4,787	4,405	4,664	4,806
49 U.S. government	2,424	974	734	863	1,811	3,580	1,894	3,669	2,461
50 Commercial banks in the United States	37,598	34,968	32,885	34,589	35,489	33,745	32,970	33,558	32,518
51 Banks in foreign countries	8,745	8,911	8,672	9,649	9,951	8,378	8,723	7,927	8,334
52 Foreign governments and official institutions	2,837	2,306	1,778	1,963	1,616	1,557	1,461	1,426	1,452
53 Certified and officers' checks	8,474	7,821	9,127	7,636	8,374	10,027	9,125	8,759	7,655
54 Time and savings deposits	278,011	278,926	279,122	278,742	278,736	278,177	278,396	277,894	277,454
55 Savings	68,456	68,726	68,829	69,230	69,686	70,796	71,162	71,760	71,867
56 Individuals and nonprofit organizations	64,583	64,823	64,865	65,219	65,546	66,595	66,842	67,374	67,398
57 Partnerships and corporations operated for profit	3,230	3,278	3,320	3,380	3,492	3,532	3,641	3,641	3,724
58 Domestic governmental units	63	616	631	620	639	658	669	729	730
59 All other	10	10	13	11	9	12	11	16	14
60 Time	209,554	210,200	210,293	209,511	209,050	207,381	207,233	206,135	205,587
61 Individuals, partnerships, and corporations	176,018	176,521	176,991	176,483	175,623	174,832	175,254	174,456	174,148
62 States and political subdivisions	21,511	21,647	21,404	21,228	21,045	20,370	19,991	19,703	19,551
63 U.S. government	402	384	360	357	343	336	307	297	286
64 Commercial banks in the United States	6,322	6,295	6,215	6,122	5,952	5,805	5,718	5,699	5,642
65 Foreign governments, official institutions, and banks	5,301	5,352	5,323	5,322	6,086	6,038	5,962	5,980	5,960
<i>Liabilities for borrowed money</i>									
66 Borrowings from Federal Reserve Banks	3,596	713	1,487	810	2,265	221	315	758	336
67 Treasury tax-and-loan notes	103,276	111,633	116,501	110,143	120,568	121,337	120,393	117,994	113,781
68 All other liabilities for borrowed money ³	66,268	66,283	65,794	66,387	63,600	63,039	62,944	61,973	61,579
69 Other liabilities and subordinated note and debentures	66,268	66,283	65,794	66,387	63,600	63,039	62,944	61,973	61,579
70 Total liabilities	662,944	649,700	654,548	646,306	663,165	659,663	654,580	660,843	649,168
71 Residual (total assets minus total liabilities) ⁴	47,158	47,202	47,258	47,116	47,223	47,380	47,638	47,387	47,415

1. Includes securities purchased under agreements to resell.

2. Other than financial institutions and brokers and dealers.

3. Includes federal funds purchased and securities sold under agreements to repurchase; for information on these liabilities at banks with assets of \$1 billion or more on Dec. 31, 1977, see table 1.13.

4. This is not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.

1.28 LARGE WEEKLY REPORTING COMMERCIAL BANK with Domestic Assets of \$1 Billion or More on
December 31, 1977 Assets and Liabilities
 Millions of dollars, Wednesday figures

Account	1980								
	April 30	May 7	May 14	May 21	May 28	June 4	June 11	June 18	June 25
1 Cash items in process of collection	53,396	47,178	50,142	45,376	54,079	51,061	48,950	51,158	45,713
2 Demand deposits due from banks in the United States	20,177	19,499	16,600	16,887	17,882	16,933	17,172	18,204	17,348
3 All other cash and due from depository institutions	31,732	30,100	35,128	31,237	37,064	31,936	30,490	31,529	29,309
4 Total loans and securities	486,263	482,318	480,639	480,631	481,572	484,539	481,681	483,167	481,167
<i>Securities</i>									
5 U.S. Treasury securities	32,856	31,978	31,312	32,948	33,098	34,943	34,968	33,848	34,083
6 Trading account	5,858	4,892	4,527	5,020	4,757	6,170	5,310	3,988	4,155
7 Investment account, by maturity	26,997	27,086	26,785	27,928	28,341	28,773	29,659	29,859	29,928
8 One year or less	6,366	6,056	5,602	5,602	5,913	6,027	6,048	5,762	5,832
9 Over one through five years	16,523	16,805	16,940	17,987	17,990	18,502	19,146	19,550	19,514
10 Over five years	4,108	4,224	4,243	4,340	4,438	4,244	4,465	4,547	4,582
11 Other securities	68,572	68,456	70,006	69,265	69,388	69,097	69,902	69,001	69,380
12 Trading account	3,939	3,599	4,917	4,137	3,694	3,337	3,969	3,079	3,392
13 Investment account	64,633	64,856	65,089	65,128	65,694	65,760	65,933	65,922	65,988
14 U.S. government agencies	14,753	14,965	15,166	15,230	15,442	15,493	15,525	15,504	15,446
15 States and political subdivisions, by maturity	47,467	47,461	47,497	47,488	47,841	47,940	48,074	48,054	48,096
16 One year or less	5,898	5,926	5,919	5,680	5,893	5,924	6,003	5,937	5,878
17 Over one year	41,568	41,535	41,577	41,807	41,948	42,016	42,070	42,117	42,218
18 Other bonds, corporate stocks and securities	2,413	2,430	2,427	2,410	2,410	2,326	2,335	2,364	2,446
<i>Loans</i>									
19 Federal funds sold ¹	22,461	22,872	21,430	22,266	22,756	23,976	22,087	23,940	21,307
20 To commercial banks	18,766	18,782	18,056	18,995	19,771	20,173	17,876	19,692	17,385
21 To nonbank brokers and dealers in securities	2,688	2,921	2,502	2,399	2,084	3,044	3,377	3,404	3,092
22 To others	1,007	1,169	872	872	900	759	834	844	829
23 Other loans, gross	374,200	370,888	369,819	368,090	368,256	368,399	366,641	368,314	368,265
24 Commercial and industrial	152,629	151,559	150,642	149,377	149,441	150,211	149,351	150,086	149,986
25 Bankers' acceptances and commercial paper	4,273	4,530	4,658	4,538	4,809	5,412	5,085	4,952	4,938
26 All other	148,355	147,028	145,984	144,839	144,632	144,798	144,266	145,134	145,048
27 U.S. addressees	142,260	141,058	140,078	139,056	138,876	139,096	138,497	139,410	139,455
28 Non-U.S. addressees	6,095	5,970	5,906	5,783	5,755	5,702	5,769	5,723	5,593
29 Real estate	98,055	98,131	98,397	98,623	98,654	98,621	98,725	98,808	98,984
30 To individuals for personal expenditures	63,812	63,421	63,170	62,945	62,814	62,634	62,467	62,424	62,491
To financial institutions									
31 Commercial banks in the United States	3,485	3,432	3,324	3,312	3,339	3,542	3,248	3,514	3,918
32 Banks in foreign countries	6,763	6,672	6,564	6,944	7,290	6,476	6,270	6,106	6,423
33 Sales finance, personal finance companies, etc.	8,792	8,564	8,453	8,222	8,405	8,249	8,177	8,194	8,022
34 Other financial institutions	15,686	15,502	14,948	14,851	14,564	14,430	14,268	14,208	14,017
35 To nonbank brokers and dealers in securities	6,617	5,560	6,646	5,995	5,511	5,984	6,716	6,737	6,299
36 To others for purchasing and carrying securities ²	1,845	1,828	1,834	1,838	1,872	1,832	1,836	1,818	1,816
37 To finance agricultural production	4,878	4,900	4,910	4,928	4,901	4,943	4,946	4,949	4,984
38 All other	11,639	11,320	10,923	11,052	11,465	11,476	10,636	11,469	11,325
39 Less: Unearned income	6,706	6,709	6,726	6,740	6,726	6,619	6,637	6,656	6,630
40 Loan loss reserve	5,120	5,166	5,194	5,198	5,200	5,258	5,281	5,280	5,239
41 Other loans, net	362,374	359,012	357,890	356,152	356,330	356,522	354,723	356,378	356,397
42 Lease financing receivables	8,236	8,244	8,287	8,288	8,299	8,342	8,349	8,403	8,418
43 All other assets	67,784	67,557	69,298	69,647	69,313	71,997	73,638	73,281	72,976
44 Total assets	667,589	654,896	660,095	652,066	668,210	664,808	660,280	665,742	654,930
<i>Deposits</i>									
45 Demand deposits	188,817	176,977	177,909	174,598	182,835	184,063	179,913	182,962	175,651
46 Mutual savings banks	725	684	608	537	654	659	581	559	525
47 Individuals, partnerships, and corporations	124,830	118,999	121,769	116,880	123,089	123,868	123,052	125,141	120,379
48 States and political subdivisions	5,357	4,140	3,932	4,214	3,997	4,217	3,911	3,976	4,222
49 U.S. government	1,914	718	666	766	1,660	3,328	1,700	3,289	2,071
50 Commercial banks in the United States	36,311	33,745	31,674	33,284	34,003	32,392	31,689	32,254	31,331
51 Banks in foreign countries	8,691	8,854	8,616	9,586	9,891	8,320	8,668	7,864	8,279
52 Foreign governments and official institutions	2,836	2,294	1,778	1,962	1,609	1,554	1,460	1,425	1,444
53 Certified and officer's checks	8,153	7,542	8,866	7,368	7,932	9,725	8,851	8,454	7,400
54 Time and savings deposits	258,676	259,523	259,682	259,295	259,290	258,633	258,911	258,434	258,049
55 Savings	63,298	63,526	63,625	64,000	64,422	65,450	65,784	66,345	66,460
56 Individuals and nonprofit organizations	59,712	59,930	59,970	60,290	60,596	61,562	61,793	62,282	62,328
57 Partnerships and corporations operated for profit	2,992	3,034	3,076	3,132	3,234	3,274	3,378	3,378	3,449
58 Domestic governmental units	583	552	567	566	582	603	602	669	668
59 All other	10	10	13	11	9	12	11	16	14
60 Time	195,379	195,996	196,057	195,295	194,869	193,182	193,127	192,089	191,589
61 Individuals, partnerships, and corporations	164,038	164,471	164,933	164,440	163,615	162,752	163,258	162,509	162,219
62 States and political subdivisions	19,617	19,792	19,530	19,366	19,190	18,561	18,184	17,906	17,778
63 U.S. government	388	370	345	343	329	323	293	283	272
64 Commercial banks in the United States	6,035	6,011	5,925	5,824	5,649	5,509	5,430	5,411	5,360
65 Foreign governments, official institutions, and banks	5,301	5,352	5,323	5,322	6,086	6,038	5,962	5,980	5,960
<i>Liabilities for borrowed money</i>									
66 Borrowings from Federal Reserve Banks	3,504	713	1,487	810	2,255	221	315	758	336
67 Treasury tax-and-loan notes	9,973	3,296	2,207	4,025	2,850	690	888	6,820	8,449
68 All other liabilities for borrowed money ³	97,746	105,430	110,370	104,362	114,710	115,304	114,244	111,926	107,969
69 Other liabilities and subordinated note and debentures	64,874	64,919	64,362	65,012	62,204	61,670	61,532	60,612	60,222
70 Total liabilities	623,590	610,858	616,016	608,102	624,144	620,581	615,803	621,513	610,676
71 Residual (total assets minus total liabilities) ⁴	43,999	44,038	44,078	43,964	44,065	44,227	44,476	44,229	44,254

1. Includes securities purchased under agreements to resell.

2. Other than financial institutions and brokers and dealers.

3. Includes federal funds purchased and securities sold under agreement to repurchase; for information on these liabilities at banks with assets of \$1 billion or more on Dec. 31, 1977, see table 1.13.

This is not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.

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

Millions of dollars, Wednesday figures

Account	1980								
	Apr.30	May 7	May 14	May 21	May 28	June 4	June 11	June 18	June 25
1 Cash items in process of collection	20,987	18,546	20,568	17,570	21,118	20,722	20,339	21,232	19,238
2 Demand deposits due from banks in the United States	15,445	14,676	12,308	12,380	13,073	12,114	12,935	13,851	13,039
3 All other cash and due from depository institutions	10,030	8,274	10,078	8,236	10,431	10,934	10,031	8,970	6,718
4 Total loans and securities¹	112,551	111,869	111,598	115,124	112,816	113,967	111,880	113,489	113,036
<i>Securities</i>									
5 U.S. Treasury securities ²									
6 Trading account ²									
7 Investment account, by maturity	5,752	5,716	5,504	6,647	6,827	6,892	7,066	7,280	7,282
8 One year or less	866	772	466	704	760	703	657	531	472
9 Over one through five years	4,268	4,307	4,412	5,216	5,269	5,410	5,532	5,790	5,795
10 Over five years	617	638	626	727	798	779	877	959	1,014
11 Other securities ²									
12 Trading account ²									
13 Investment account	12,571	12,758	12,958	12,991	13,284	13,317	13,419	13,368	13,374
14 U.S. government agencies	2,496	2,502	2,610	2,670	2,742	2,803	2,821	2,749	2,698
15 States and political subdivision, by maturity	9,459	9,637	9,727	9,697	9,914	9,926	10,003	10,042	10,049
16 One year or less	1,467	1,605	1,612	1,449	1,640	1,651	1,667	1,700	1,685
17 Over one year	7,993	8,032	8,115	8,248	8,274	8,275	8,336	8,342	8,364
18 Other bonds, corporate stocks and securities	615	620	621	623	628	588	595	576	627
<i>Loans</i>									
19 Federal funds sold ³	6,381	7,219	6,572	9,726	6,145	6,731	5,211	6,160	6,550
20 To commercial banks	4,836	5,660	4,993	8,218	4,530	5,005	3,393	4,246	5,054
21 To nonbank brokers and dealers in securities	1,226	1,130	1,291	1,257	1,222	1,466	1,547	1,744	1,288
22 To others	319	430	288	251	393	261	271	171	208
23 Other loans, gross	90,576	88,935	89,340	88,548	89,347	89,812	88,981	89,480	88,609
24 Commercial and industrial	47,144	46,794	46,899	46,230	46,451	47,228	46,557	46,941	46,398
25 Bankers' acceptances and commercial paper	1,874	2,171	2,007	2,068	1,949	2,527	2,195	2,174	2,010
26 All other	45,271	44,623	44,892	44,163	44,501	44,701	44,362	44,767	44,388
27 U.S. addressees	43,258	42,671	42,943	42,318	42,625	42,842	42,481	42,872	42,551
28 Non-U.S. addressees	2,012	1,952	1,950	1,845	1,876	1,859	1,882	1,894	1,836
29 Real estate	12,997	12,972	13,085	13,167	13,176	13,175	13,214	13,276	13,328
30 To individuals for personal expenditures	8,870	8,856	8,847	8,840	8,838	8,828	8,825	8,832	8,832
To financial institutions									
31 Commercial banks in the United States	1,578	1,520	1,465	1,451	1,596	1,738	1,541	1,432	1,540
32 Banks in foreign countries	3,050	2,911	2,977	3,443	3,816	3,037	2,917	2,670	2,857
33 Sales finance, personal finance companies, etc.	3,667	3,619	3,565	3,504	3,648	3,525	3,466	3,519	3,452
34 Other financial institutions	5,126	5,095	4,877	4,955	4,789	4,781	4,708	4,686	4,468
35 To nonbank brokers and dealers in securities	4,018	3,227	3,925	3,362	3,193	3,344	4,220	4,104	3,800
36 To others for purchasing and carrying securities ⁴	375	361	372	373	371	346	346	338	343
37 To finance agricultural production	286	293	293	288	285	284	273	253	256
38 All other	3,464	3,286	3,035	2,933	3,184	3,525	2,913	3,429	3,334
39 LESS: Unearned income	1,057	1,073	1,071	1,081	1,084	1,052	1,053	1,058	1,065
40 Loan loss reserve	1,672	1,686	1,705	1,706	1,704	1,734	1,743	1,742	1,713
41 Other loans, net	87,847	86,175	86,564	85,761	86,559	87,026	86,185	86,681	85,831
42 Lease financing receivables	1,624	1,631	1,638	1,637	1,638	1,661	1,658	1,662	1,653
43 All other assets ⁵	30,645	30,102	31,445	31,762	31,017	32,768	33,004	31,768	31,461
44 Total assets	191,282	185,099	187,634	186,710	190,092	192,166	189,848	190,972	185,146
<i>Deposits</i>									
45 Demand deposits	69,669	64,894	64,474	64,405	66,993	66,334	65,321	65,806	64,029
46 Mutual savings banks	353	365	296	267	342	339	302	263	265
47 Individuals, partnerships, and corporations	32,026	30,168	30,457	29,700	31,730	31,789	30,887	32,195	31,491
48 States and political subdivisions	527	398	416	545	427	512	455	501	613
49 U.S. government	411	135	127	153	390	860	417	1,054	507
50 Commercial banks in the United States	23,691	21,327	20,056	21,092	20,574	19,146	20,071	20,043	19,828
51 Banks in foreign countries	6,593	6,951	6,787	7,612	7,897	6,550	6,766	5,859	6,523
52 Foreign governments and official institutions	2,068	1,534	1,022	1,188	1,323	1,314	1,226	1,174	1,122
53 Certified and officers' checks	4,000	4,014	5,313	3,846	4,311	5,824	5,196	4,717	3,678
54 Time and savings deposits	48,352	48,863	49,147	48,904	48,837	48,838	49,159	49,067	48,592
55 Savings	9,013	8,976	8,923	8,991	9,088	9,210	9,339	9,496	9,454
56 Individuals and nonprofit organizations	8,587	8,567	8,517	8,564	8,644	8,776	8,886	8,986	8,959
57 Partnerships and corporations operated for profit	277	280	282	290	298	302	314	323	323
58 Domestic governmental units	143	125	177	131	142	127	135	179	166
59 All other	5	4	6	6	4	5	4	7	5
60 Time	39,340	39,887	40,224	39,913	39,749	39,629	39,820	39,571	39,138
61 Individuals, partnerships, and corporations	33,234	33,645	34,044	33,712	33,542	33,550	33,900	33,693	33,314
62 States and political subdivisions	1,611	1,674	1,635	1,640	1,637	1,616	1,531	1,482	1,405
63 U.S. government	73	69	73	73	70	66	35	35	34
64 Commercial banks in the United States	1,519	1,598	1,570	1,598	1,513	1,471	1,460	1,465	1,512
65 Foreign governments, official institutions, and banks	2,901	2,901	2,903	2,889	2,987	2,926	2,895	2,896	2,873
<i>Liabilities for borrowed money</i>									
66 Borrowings from Federal Reserve Banks	640		625		335			549	
67 Treasury tax-and-loan notes	2,481	823	549	1,036	675	72	151	2,410	2,671
68 All other liabilities for borrowed money ⁶	32,225	31,609	34,834	33,087	35,988	39,610	37,252	35,446	33,446
69 Other liabilities and subordinated note and debentures	23,450	24,479	23,560	24,860	22,740	22,730	23,320	23,126	21,894
70 Total liabilities	176,818	170,668	173,190	172,293	175,569	177,585	175,203	176,405	170,632
71 Residual (total assets minus total liabilities) ⁷	14,464	14,431	14,444	14,417	14,524	14,581	14,646	14,568	14,514

1. Excludes trading account securities.

2. Not available due to confidentiality.

3. Includes securities purchased under agreements to resell.

4. Other than financial institutions and brokers and dealers.

5. Includes trading account securities.

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

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

1.30 LARGE WEEKLY REPORTING COMMERCIAL BANKS Balance Sheet Memoranda

Millions of dollars, Wednesday figures

Account	1980								
	Apr. 30	May 7	May 14	May 21	May 28	June 4	June 11	June 18	June 25
BANKS WITH ASSETS OF \$750 MILLION OR MORE									
1 Total loans (gross) and securities adjusted ¹	509,214	505,272	504,433	503,308	503,405	505,744	505,599	504,984	504,879
2 Total loans (gross) adjusted ¹	399,389	396,468	394,686	392,661	392,482	393,279	392,250	393,679	392,976
3 Demand deposits adjusted ²	104,700	102,766	103,044	102,810	100,692	105,113	105,347	104,019	103,905
4 Time deposits in accounts of \$100,000 or more	134,670	134,941	135,007	134,220	133,847	132,152	131,952	130,682	130,432
5 Negotiable CDs	95,624	95,499	95,775	95,138	94,572	93,590	93,877	93,010	93,109
6 Other time deposits	39,046	39,442	39,232	39,082	39,275	38,562	38,075	37,671	37,323
7 Loans sold outright to affiliates ³	2,630	2,552	2,591	2,733	2,700	2,738	2,774	2,871	2,843
8 Commercial and industrial	1,645	1,614	1,696	1,834	1,788	1,780	1,813	1,899	1,903
9 Other	985	939	895	900	911	957	961	972	940
BANKS WITH ASSETS OF \$1 BILLION OR MORE									
10 Total loans (gross) and securities adjusted ¹	475,838	471,979	471,179	470,261	470,388	472,700	472,475	471,897	471,732
11 Total loans (gross) adjusted ¹	374,410	371,545	369,861	368,048	367,901	368,660	367,604	369,048	368,268
12 Demand deposits adjusted ²	97,196	95,336	95,427	95,172	93,093	97,282	97,574	96,262	96,536
13 Time deposits in accounts of \$100,000 or more	126,411	126,662	126,721	125,940	125,596	123,896	123,778	122,572	122,369
14 Negotiable CDs	89,403	89,292	89,578	89,122	88,585	87,568	87,932	87,143	87,274
15 Other time deposits	37,008	37,370	37,142	36,818	37,010	36,328	35,846	35,429	35,095
16 Loans sold outright to affiliates ³	2,589	2,512	2,553	2,695	2,659	2,699	2,734	2,831	2,806
17 Commercial and industrial	1,618	1,586	1,672	1,809	1,761	1,755	1,786	1,876	1,881
18 Other	971	926	881	886	898	944	947	955	924
BANKS IN NEW YORK CITY									
19 Total loans (gross) and securities adjusted ^{1,4}	108,867	107,450	107,916	108,242	109,477	110,010	109,743	110,610	109,221
20 Total loans (gross) adjusted ¹	90,544	88,975	89,454	88,604	89,366	89,801	89,258	89,963	88,566
21 Demand deposits adjusted ²	24,580	24,885	23,723	25,588	24,912	25,606	24,494	23,477	24,455
22 Time deposits in accounts of \$100,000 or more	30,221	30,665	31,007	30,663	30,562	30,467	30,609	30,248	29,868
23 Negotiable CDs	21,805	22,156	22,527	22,277	22,312	22,258	22,488	22,324	22,116
24 Other time deposits	8,416	8,509	8,480	8,386	8,250	8,209	8,121	7,924	7,752

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

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

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

4. Excludes trading account securities.

NOTES TO TABLE 1.311.

1. Commercial banks are those in the 50 states and the District of Columbia with national or state charters plus U.S. branches, agencies, and New York investment company subsidiaries of foreign banks and Edge Act corporations.

2. Includes seasonally adjusted federal funds, RPs, and other borrowings from nonbanks and not seasonally adjusted net Eurodollars and loans to affiliates. Includes averages of Wednesday data for domestic chartered banks and averages of current and previous month-end data for foreign-related institutions.

3. Other borrowings are borrowings on any instrument, such as a promissory note or due bill, given for the purpose of borrowing money for the banking business. This includes borrowings from Federal Reserve Banks and from foreign banks, term federal funds, overdrawn due from bank balances, loan RPs, and participations in pooled loans. Includes averages of daily figures for member banks and averages of current and previous month-end data for foreign-related institutions.

4. Loans initially booked by the bank and later sold to affiliates that are still held by affiliates. Averages of Wednesday data.

5. As of Dec. 1, 1979, loans sold to affiliates were reduced \$800 million due to corrections of two New York City banks.

6. Includes averages of daily figures for member banks and quarterly call report figures for nonmember banks.

7. Includes averages of current and previous month-end data until August 1979; beginning September 1979 averages of daily data.

8. Based on daily average data reported by 122 large banks beginning February 1980 and 46 banks before February 1980.

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

10. U.S. Treasury demand balances and time deposits in denomination of \$100,000 or more have been benchmarked to the June and December 1979 call reports.

11. Averages of Wednesday figures.

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

Millions of dollars

Industry classification	Outstanding					Net change during					Adjust- ment bank
	1980					1979	1980				
	Feb. 27	Mar. 26	Apr. 30	May 28	June 25	Q1	Q2	Apr.	May	June	
1 Durable goods manufacturing	24,237	24,961	24,081	22,939	22,727	1,322	- 2,234	- 880	- 1,142	- 212	46
2 Nondurable goods manufacturing	19,302	19,824	18,683	18,075	18,345	580	- 1,479	- 1,141	- 608	269	39
3 Food, liquor, and tobacco	4,885	4,923	4,176	3,859	3,701	- 302	- 1,222	- 747	- 317	- 158	6
4 Textiles, apparel, and leather	4,331	4,480	4,614	4,668	4,934	132	454	134	53	266	6
5 Petroleum refining	3,111	3,139	2,611	2,490	2,715	461	- 424	- 528	- 122	225	1
6 Chemicals and rubber	3,714	3,911	3,903	3,761	3,712	61	- 199	- 8	- 142	- 48	14
7 Other nondurable goods	3,260	3,370	3,379	3,299	3,282	229	- 87	9	- 80	- 16	12
8 Mining (including crude petroleum and natural gas)	12,479	12,596	13,272	13,588	13,758	585	1,162	676	316	170	14
9 Trade	25,184	25,456	25,406	24,833	24,624	450	- 832	- 50	- 572	- 209	121
10 Commodity dealers	2,171	1,816	1,784	1,639	1,531	- 323	- 285	- 32	- 144	- 108	6
11 Other wholesale	11,938	12,097	12,050	11,645	11,672	71	- 424	- 47	- 405	28	34
12 Retail	11,076	11,543	11,572	11,549	11,421	702	- 122	29	- 23	- 128	82
13 Transportation, communication, and other public utilities	17,884	18,292	18,832	18,507	18,735	448	443	540	- 325	228	14
14 Transportation	7,238	7,516	7,692	7,543	7,599	376	83	176	- 150	56	7
15 Communication	2,630	2,747	2,846	2,800	2,839	224	92	99	- 46	39	1
16 Other public utilities	8,016	8,028	8,293	8,164	8,296	- 152	268	265	- 130	132	5
17 Construction	5,772	5,874	5,902	5,832	5,973	73	99	28	- 70	140	23
18 Services	19,964	20,211	20,444	19,977	20,295	715	84	234	- 468	318	96
19 All other ¹	15,220	15,028	15,640	15,125	14,999	- 77	- 29	612	- 515	- 126	288
20 Total domestic loans	140,043	142,242	142,260	138,876	139,455	4,096	- 2,787	18	- 3,384	579	641
21 MEMO: Term loans (original maturity more than 1 year) included in do- mestic loans	74,780	76,026	76,199	74,868	74,316	3,544	- 1,709	173	- 1,330	- 552	33

1. Includes commercial and industrial loans at a few banks with assets of \$1 billion or more that do not classify their loans.

NOTE. New series. The 134 large weekly reporting commercial banks with domestic assets of \$1 billion or more as of December 31, 1977, are included in this series. The revised series is on a last-Wednesday-of-the-month basis.

1.311 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS¹

Monthly averages, billions of dollars

Source	December outstanding			Outstanding in 1979 and 1980							
	1976	1977	1978	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
Total nondeposit funds											
1 Seasonally adjusted ²	54.7	61.8	85.4	129.9	124.0	118.8	122.5	129.2	133.4	124.2	120.1
2 Not seasonally adjusted	53.3	60.4	84.4	130.6	126.8	117.4	121.2	125.9	130.4	121.2	123.2
Federal funds, RPs, and other borrowings from nonbanks											
3 Seasonally adjusted ³	47.1	58.4	74.8	91.9	85.9	88.0	92.0	97.2	97.9	94.8	94.2
4 Not seasonally adjusted	45.8	57.0	73.8	92.6	88.6	86.5	90.6	93.9	94.8	91.7	97.4
5 Net Eurodollar borrowings, not seasonally adjusted	3.7	-1.3	6.8	34.4	34.6	28.1	27.9	29.4	32.9	26.9	23.2
6 Loans sold to affiliates, not seasonally adjusted ^{4,5}	3.8	4.8	3.8	3.6	3.6	2.8	2.7	2.6	2.6	2.6	2.6
MEMO											
7 Domestic chartered banks net positions with own foreign branches, not seasonally adjusted ⁶	-6.0	-12.5	-10.2	9.1	11.4	6.4	5.9	6.6	9.3	5.9	2.7
8 Gross due from balances	12.8	21.1	24.9	22.1	21.7	22.9	23.0	23.4	23.6	24.4	27.3
9 Gross due to balances	6.8	8.6	14.7	31.2	33.0	29.3	28.9	29.8	32.9	30.4	30.0
10 Foreign-related institutions net positions with directly related institutions, not seasonally adjusted ⁷	9.7	11.1	17.0	25.3	23.2	21.7	22.0	22.8	23.6	20.9	20.5
11 Gross due from balances	8.3	10.3	14.2	25.7	26.5	28.9	29.6	30.4	32.0	28.5	27.9
12 Gross due to balances	18.1	21.4	31.2	51.0	49.7	50.5	51.6	53.2	55.6	49.4	48.3
13 Security RP borrowings, seasonally adjusted ⁸	27.9	36.3	44.8	52.7	46.5	49.2	51.0	49.5	44.9	41.5	39.9
14 Not seasonally adjusted	27.0	35.1	43.6	52.5	48.1	47.9	48.3	48.2	44.0	40.5	41.9
15 U.S. Treasury demand balances, seasonally adjusted ^{9,10}	3.9	4.4	8.7	12.9	5.8	8.1	12.7	11.3	7.5	8.6	9.4
16 Not seasonally adjusted	4.4	5.1	3.3	11.7	5.6	9.6	12.7	11.7	7.8	9.0	8.4
17 Time deposits, \$100,000 or more, seasonally adjusted ^{10,11}	137.7	162.0	213.0	226.4	228.5	227.7	229.1	235.6	237.1	240.3	242.0
18 Not seasonally adjusted	140.0	165.4	217.9	226.0	229.9	233.0	233.0	236.8	239.2	238.4	240.1

For notes see bottom of page A23.

1.32 GROSS DEMAND DEPOSITS of Individuals, Partnerships, and Corporations¹

Billions of dollars, estimated daily-average balances

Type of holder				Commercial banks						
	1975 Dec.	1976 Dec.	1977 Dec.	1978		1979 ²				1980
				Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.
1 All holders—Individuals, partnerships, and corporations	236.9	250.1	274.4	278.8	294.6	270.4	285.6	292.4	302.2	288.4
2 Financial business	20.1	22.3	25.0	25.9	27.8	24.4	25.4	26.7	27.1	28.4
3 Nonfinancial business	125.1	130.2	142.9	142.5	152.7	135.9	145.1	148.8	157.7	144.9
4 Consumer	78.0	82.6	91.0	95.0	97.4	93.9	98.6	99.2	99.2	97.6
5 Foreign	2.4	2.7	2.5	2.5	2.7	2.7	2.8	2.8	3.1	3.1
6 Other	11.3	12.4	12.9	13.1	14.1	13.5	13.7	14.9	15.1	14.4
Weekly reporting banks										
	1975 Dec.	1976 Dec.	1977 Dec.	1978		1979 ³				1980
				Nov.	Dec.	Mar.	June	Sept.	Dec.	Mar.
7 All holders—Individuals, partnerships, and corporations	124.4	128.5	139.1	142.7	147.0	121.9	128.8	132.7	139.3	133.6
8 Financial business	15.6	17.5	18.5	19.3	19.8	16.9	18.4	19.7	20.1	20.1
9 Nonfinancial business	69.9	69.7	76.3	75.7	79.0	64.6	68.1	69.1	74.1	69.1
10 Consumer	29.9	31.7	34.6	37.7	38.2	31.1	33.0	33.7	34.3	34.2
11 Foreign	2.3	2.6	2.4	2.5	2.5	2.6	2.7	2.8	3.0	3.0
12 Other	6.6	7.1	7.4	7.5	7.5	6.7	6.6	7.4	7.8	7.2

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

2. Beginning with the March 1979 survey, the demand deposit ownership survey sample was reduced to 232 banks from 349 banks, and the estimation procedure was modified slightly. To aid in comparing estimates based on the old and new reporting sample, the following estimates in billions of dollars for December 1978 have been constructed using the new smaller sample: financial business, 27.0; nonfinancial business, 146.9; consumer, 98.3; foreign, 2.8; and other, 15.1.

After the end of 1978 the large weekly reporting bank panel was changed to 17 large commercial banks, each of which had total assets in domestic offices exceeding \$750 million as of Dec. 31, 1977. See "Announcements," p. 408 in the May 1978 BULLETIN. Beginning in March 1979, demand deposit ownership estimates for these large banks are constructed quarterly on the basis of 97 sample banks and are not comparable with earlier data. The following estimates in billions of dollars for December 1978 have been constructed for the new large-bank panel: financial business, 18.2; nonfinancial business, 67.2; consumer, 32.8; foreign, 2.5; other, 6.8.

1.33 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1976 Dec.	1977 Dec.	1978 Dec.	1979 ¹		1980				
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
	Commercial paper (seasonally adjusted)									
1 All issuers	53,010	65,036	83,420	109,395	112,803	116,718	116,446	119,893	120,865	121,011
Financial companies ²										
Dealer-placed paper ³										
2 Total	7,263	8,888	12,300	16,765	17,579	17,768	17,308	18,254	18,881	18,526
3 Bank-related	1,900	2,132	3,521	2,958	2,784	3,034	3,010	3,142	3,467	3,591
Directly placed paper ⁴										
4 Total	32,622	40,612	51,755	64,640	64,931	66,342	65,368	64,440	66,088	63,792
5 Bank-related	5,959	7,102	12,314	18,339	17,598	19,221	19,922	19,338	19,143	18,824
6 Nonfinancial companies ⁵	13,125	15,536	19,365	27,990	30,293	32,608	33,770	37,199	35,896	38,693
	Bankers dollar acceptances (not seasonally adjusted)									
7 Total	22,523	25,450	33,700	43,599	45,321	47,780	50,269	49,317	50,177	52,636
Holder										
8 Accepting banks	10,442	10,434	8,579	8,297	9,865	8,578	9,343	8,159	8,159	9,262
9 Own bills	8,769	8,915	7,653	7,514	8,327	7,692	8,565	7,560	7,488	8,768
10 Bills bought	1,673	1,519	927	782	1,538	886	778	598	670	493
Federal Reserve Banks										
11 Own account	991	954	1	269	704	0	205	171	0	366
12 Foreign correspondents	375	362	664	1,465	1,382	1,431	1,417	1,373	1,555	1,718
13 Others	10,715	13,700	24,456	33,569	33,370 ^r	37,771	39,303 ^r	39,614	40,463	41,290
Basis										
14 Imports into United States	4,992	6,378	8,574	10,354	10,270	11,217	11,393	10,926	10,946	11,651
15 Exports from United States	4,818	5,863	7,586	9,271	9,640	10,248	11,102	11,001	11,221	11,347
16 All other	12,713	13,209	17,540	23,974	25,411	26,315	27,774	27,389	28,010	29,637

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

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

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

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

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

1.35 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
1979—Dec. 7	15¼	1980—Apr. 2	20	1979—Jan.	11.75	1979—Oct.	14.39
1980—Feb. 19	15¾	18	19½	Feb.	11.75	Nov.	15.55
22	16¼–16½	May 1	18½–19	Mar.	11.75	Dec.	15.30
29	16¾	2	18½	Apr.	11.75	1980—Jan.	15.25
Mar. 4	17¼	7	17½	May	11.75	Feb.	15.63
7	17¾	16	16½	June	11.65	Mar.	18.31
14	18½	23	14½	July	11.54	Apr.	19.77
19	19	30	14	Aug.	11.91	May	16.57
28	19½			Sept.	12.90	June	12.23

1.35 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, May 5–10, 1980

Item	All sizes	Size of loan (in thousands of dollars)					
		1-24	25-49	50-99	100-499	500-999	1,000 and over
SHORT-TERM COMMERCIAL AND INDUSTRIAL LOANS							
1 Amount of loans (thousands of dollars)	11,316,521	885,614	518,102	697,310	2,159,297	720,502	6,335,696
2 Number of loans	164,331	123,866	15,129	10,596	11,950	1,134	1,656
3 Weighted-average maturity (months)	2.8	3.2	4.0	3.4	2.7	3.0	2.6
4 Weighted-average interest rate (percent per annum)	17.75	17.90	18.78	18.95	18.49	19.13	17.10
5 Interquartile range ¹	15.62-19.82	15.12-20.23	17.72-20.28	17.50-20.99	17.50-19.82	18.50-20.39	14.09-19.59
Percentage of amount of loans							
6 With floating rate	43.8	23.0	33.2	44.2	33.4	64.5	48.8
7 Made under commitment	50.3	26.0	34.7	48.5	47.9	60.6	54.9
8 With no stated maturity	19.0	13.9	10.7	32.2	14.1	34.5	18.8
LONG-TERM COMMERCIAL AND INDUSTRIAL LOANS							
9 Amount of loans (thousands of dollars)	1,339,749	171,216			181,145	105,761	881,627
10 Number of loans	15,243	13,992			845	152	254
11 Weighted-average maturity (months)	42.8	33.9			44.6	42.4	44.2
12 Weighted-average interest rate (percent per annum)	18.37	18.26			18.64	18.62	18.30
13 Interquartile range ¹	17.50-20.00	15.00-21.34			17.75-20.50	18.00-20.06	17.51-19.75
Percentage of amount of loans							
14 With floating rate	74.0	30.1			76.7	69.4	82.5
15 Made under commitment	71.1	29.4			68.6	71.8	79.7
CONSTRUCTION AND LAND DEVELOPMENT LOANS							
16 Amount of loans (thousands of dollars)	1,110,511	91,724	114,305	199,312	494,589	210,581	
17 Number of loans	16,924	8,317	3,208	2,904	2,292	203	
18 Weighted-average maturity (months)	7.4	3.7	4.3	7.3	8.0	9.5	
19 Weighted-average interest rate (percent per annum)	18.32	17.14	15.68	18.69	19.56	16.99	
20 Interquartile range ¹	17.50-20.40	14.75-19.56	13.10-18.00	18.00-20.48	20.00-20.32	13.00-19.66	
Percentage of amount of loans							
21 With floating rate	71.0	23.2	35.8	48.3	92.4	82.3	
22 Secured by real estate	94.4	82.0	96.9	97.9	97.5	87.7	
23 Made under commitment	45.1	74.3	64.4	39.7	25.9	72.2	
24 With no stated maturity	11.9	11.0	10.0	7.2	7.8	27.1	
Type of construction							
25 1- to 4-family	35.5	77.0	86.0	70.9	8.7	19.5	
26 Multifamily	5.5	1.9	3.3	4.4	5.5	9.5	
27 Nonresidential	58.9	21.1	10.7	24.7	85.8	70.9	
LOANS TO FARMERS							
28 Amount of loans (thousands of dollars)	1,211,479	163,850	168,002	168,990	133,979	241,236	335,423
29 Number of loans	64,652	44,177	11,340	5,257	1,931	1,600	347
30 Weighted-average maturity (months)	6.6	6.4	6.1	7.0	5.7	5.2	8.7
31 Weighted-average interest rate (percent per annum)	17.38	16.46	16.98	17.10	17.38	17.40	18.14
32 Interquartile range ¹	16.64-18.50	14.84-17.81	15.79-18.67	15.56-18.40	16.54-18.68	16.60-18.27	17.24-18.64
By purpose of loan							
33 Feeder livestock	17.67	16.35	17.01	17.63	17.74	17.56	17.98
34 Other livestock	16.64	16.54	14.89	16.62	17.37	2	2
35 Other current operating expenses	17.49	16.54	17.20	17.45	18.48	17.27	18.61
36 Farm machinery and equipment	16.44	16.23	16.41	16.64	2	2	2
37 Other	17.15	16.36	17.28	15.31	15.35	17.36	18.02

1. Interest rate range that covers the middle 50 percent of the total dollar amount of loans made.

2. Fewer than 10 sample loans.

NOTE. For more detail, see the Board's E.2(416) statistical release.

1.36 INTEREST RATES Money and Capital Markets

Averages, percent per annum

Instrument	1977	1978	1979	1980				1980, week ending				
				Mar.	Apr.	May	June	June 6	June 13	June 20	June 27	July 4
Money market rates												
1 Federal funds ¹	5.54	7.94	11.20	17.19	17.61	10.98	9.47	10.74	9.68	8.99	9.08	9.41
2 Commercial paper ^{2,3}												
3 1-month	5.42	7.76	10.86	16.55	16.10	9.60	8.56	9.09	8.32	8.39	8.39	8.75
4 3-month	5.54	7.94	10.97	16.81	15.78	9.49	8.27	8.82	8.11	8.04	8.06	8.44
5 6-month	5.60	7.99	10.91	16.50	14.93	9.29	8.03	8.50	7.93	7.78	7.89	8.26
6 Finance paper, directly placed ^{2,3}												
7 1-month	5.38	7.73	10.78	16.30	15.70	9.30	8.01	8.40	8.03	7.81	7.79	8.12
8 3-month	5.49	7.80	10.47	15.36	14.05	9.09	7.59	7.90	7.70	7.42	7.38	7.60
9 6-month	5.50	7.78	10.25	14.70	13.68	9.01	7.42	7.88	7.41	7.13	7.25	7.60
10 Prime bankers acceptances, 90-day ^{3,4}	5.59	8.11	11.04	17.10	15.63	9.60	8.31	8.68	8.06	8.08	8.33	8.66
11 Certificates of deposit, secondary market ⁵												
12 1-month	5.48	7.88	11.03	16.81	16.23	9.77	8.53	8.96	8.36	8.31	8.43	8.69
13 3-month	5.64	8.22	11.22	17.57	16.14	9.79	8.49	8.92	8.34	8.25	8.41	8.70
14 6-month	5.92	8.61	11.44	17.74	15.80	9.78	8.33	8.69	8.07	8.16	8.31	8.85
15 Eurodollar deposits, 3-month ⁶	6.05	8.74	11.96	18.72	17.81	11.20	9.41	10.08	9.45	8.99	9.25	9.61
U.S. Treasury bills ^{3,7}												
Secondary market												
16 3-month	5.27	7.19	10.07	15.20	13.20	8.58	7.07	7.51	6.44	6.76	7.42	7.92
17 6-month	5.53	7.58	10.06	15.03	12.88	8.65	7.30	7.77	6.91	6.93	7.48	7.88
18 1-year	5.71	7.74	9.75	14.03	11.97	8.66	7.54	7.91	7.23	7.30	7.65	7.86
Auction average ⁸												
19 3-month	5.265	7.221	10.041	15.526	14.003	9.150	6.995	8.035	6.500	6.369	7.077	8.149
20 6-month	5.510	7.572	10.017	15.100	13.618	9.149	7.218	8.165	6.935	6.662	7.108	8.097
Capital market rates												
U.S. TREASURY NOTES AND BONDS												
Constant maturities ⁹												
21 1-year	6.09	8.34	10.67	15.82	13.30	9.39	8.16	8.56	7.89	7.87	8.23	8.51
22 2-year	6.45	8.34	10.12	14.88	12.50	9.45	8.73	9.06	8.58	8.49	8.74	8.94
23 2½-year ¹⁰				14.65	11.25	9.05		9.00		8.60		9.05
24 3-year	6.69	8.29	9.71	14.05	12.02	9.44	8.91	9.23	8.78	8.64	8.96	9.15
25 5-year	6.99	8.32	9.52	13.47	11.84	9.95	9.21	9.58	9.08	8.90	9.23	9.47
26 7-year	7.23	8.36	9.48	13.00	11.49	10.09	9.45	9.80	9.32	9.16	9.47	9.74
27 10-year	7.42	8.41	9.44	12.75	11.47	10.18	9.78	10.07	9.66	9.51	9.80	10.11
28 20-year	7.67	8.48	9.33	12.49	11.42	10.44	9.89	10.29	9.78	9.59	9.86	10.15
29 30-year		8.49	9.29	12.34	11.40	10.36	9.81	10.17	9.70	9.54	9.81	10.06
Composite ¹¹												
30 3 to 5 years ¹²	6.85	8.30	9.58	13.41								
31 Over 10 years (long-term)	7.06	7.89	8.74	11.87	10.83	9.82	9.40	9.73	9.31	9.13	9.40	9.69
STATE AND LOCAL NOTES AND BONDS												
Moody's series ¹³												
32 Aaa	5.20	5.52	5.92	8.16	7.95	6.80	7.11	7.40	7.25	6.80	7.00	7.00
33 Baa	6.12	6.27	6.73	10.30	9.19	8.02	7.98	8.00	8.00	7.80	8.10	8.25
34 Bond Buyer series ¹⁴	5.68	6.03	6.52	9.17	8.63	7.59	7.63	7.67	7.53	7.55	7.76	7.88
CORPORATE BONDS												
35 Seasoned issues, all industries ¹⁵	8.43	9.07	10.12	13.73	13.21	12.11	11.64	11.95	11.69	11.47	11.47	11.67
By rating group												
36 Aaa	8.02	8.73	9.63	12.96	12.04	10.99	10.58	10.88	10.53	10.34	10.53	10.84
37 Aa	8.24	8.92	9.94	13.51	13.06	11.91	11.39	11.86	11.46	11.11	11.14	11.29
38 A	8.49	9.12	10.20	13.97	13.55	12.35	11.89	12.13	11.92	11.81	11.72	11.90
39 Baa	8.97	9.45	10.69	14.45	14.19	13.17	12.71	12.92	12.82	12.60	12.48	12.66
Aaa utility bonds ¹⁶												
40 New issue	8.19	8.96	10.03	14.00	12.90	11.53	10.96	11.45	10.91	10.53	10.90	11.50
41 Recently offered issues	8.19	8.97	10.02	13.90	12.91	11.64	11.00	11.28	10.85	10.79	11.08	11.18
MEMO: Dividend/price ratio ¹⁷												
42 Preferred stocks	7.60	8.25	9.07	11.26	11.06	10.20	9.78	10.06	9.85	9.65	9.57	9.79
43 Common stocks	4.56	5.28	5.46	5.77	6.05	5.77	5.39	5.56	5.41	5.31	5.29	5.36

1. Weekly figures are seven-day averages of daily effective rates for the week ending Wednesday; the daily effective rate is an average of the rates on a given day weighted by the volume of transactions at these rates.

2. Beginning November 1977, unweighted average of offering rates quoted by at least five dealers (in the case of commercial paper), or finance companies (in the case of finance paper). Previously, most representative rate quoted by those dealers and finance companies. 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.

3. Yields are quoted on a bank-discount basis.

4. Average of the midpoint of the range of daily dealer closing rates offered for domestic issues.

5. Five-day average of rates quoted by five dealers (three-month series was previously a seven-day average).

6. Averages of daily quotations for the week ending Wednesday.

7. Except for auction averages, yields are computed from daily closing bid prices.

8. Rates are recorded in the week in which bills are issued.

9. Yield on the more actively traded issues adjusted to constant maturities by the U.S. Treasury, based on daily closing bid prices.

10. Each monthly figure is an average of only five business days near the end of the month. The rate for each month was used to determine the maximum interest rate payable in the following month on small saver certificates, until June

2, 1980. Each weekly figure shown is calculated on a biweekly basis and is the average of five business days ending on the Monday following the calendar week. Beginning June 2, the biweekly rate is used to determine the maximum interest rate payable in the following two-week period on small saver certificates. (See table 1.16.)

11. Unweighted averages for all outstanding notes and bonds in maturity ranges shown, based on daily closing bid prices. "Long-term" includes all bonds neither due nor callable in less than 10 years, including several very low yielding "flower" bonds.

12. The three- to five-year series has been discontinued.

13. General obligations only, based on figures for Thursday, from Moody's Investors Service.

14. Twenty issues of mixed quality.

15. Averages of daily figures from Moody's Investors Service.

16. Compilation of the Board of Governors of the Federal Reserve System. Issues included are long-term (20 years or more). New-issue yields are based on quotations on date of offering; those on recently offered issues (included only for first 4 weeks after termination of underwriter price restrictions), on Friday close-of-business quotations.

17. Standard and Poor's corporate series. Preferred stock ratio based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation. Common stock ratios on the 500 stocks in the price index.

1.37 STOCK MARKET Selected Statistics

Indicator	1977	1978	1979 ^r	1979	1980							
				Dec.	Jan. ^r	Feb. ^r	Mar. ^r	Apr. ^r	May ^r	June		
	Prices and trading (averages of daily figures)											
<i>Common stock prices</i>												
1 New York Stock Exchange (Dec. 31, 1965 = 50) .	53.67	53.76	55.67	61.75	63.74	66.05	59.52	58.47	61.38	65.43		
2 Industrial	57.84	58.30	61.82	69.82	72.67	76.42	68.71	66.31	69.39	74.47		
3 Transportation	41.07	43.25	45.20	50.59	52.61	57.92	51.77	48.62	51.07	54.04		
4 Utility	40.91	39.23	36.46	37.29	37.08	36.22	33.38	35.29	37.31	38.50		
5 Finance	55.23	56.74	58.65	63.21	64.22	61.84	54.71	57.32	61.47	65.16		
6 Standard & Poor's Corporation (1941-43 = 10) ¹ .	98.18	96.11	98.34	107.78	110.87	115.34	104.69	102.97	107.69	114.55		
7 American Stock Exchange (Aug. 31, 1973 = 100)	116.18	144.56	186.56	238.83	259.54	288.99	259.79	242.60	258.45	286.21		
<i>Volume of trading (thousands of shares)</i>												
8 New York Stock Exchange	20,936	28,591	32,233	35,510	52,647	47,827	41,736	32,102	36,425	39,518		
9 American Stock Exchange	2,514	3,622	4,182	5,389	9,363	6,903	5,947	3,428	3,799	5,240		
	Customer financing (end-of-period balances, in millions of dollars)											
10 Regulated margin credit at brokers/dealers ²	9,993	11,035	11,615	11,619 ^r	11,987 ^r	12,638	11,914	11,309	11,441	↕		
11 Margin stock ³	9,740	10,830	11,450	11,450	11,820	12,460	11,740	11,140	11,270	n.a.		
12 Convertible bonds	250	205	164	167 ^r	165 ^r	175	171	167	167	↕		
13 Subscription issues	3	1	1	2 ^r	2 ^r	3	3	2	4	↕		
<i>Free credit balances at brokers⁴</i>												
14 Margin-account	640	835	1,050	1,105	1,180	1,320	1,365	1,290	1,270	↕		
15 Cash-account	2,060	2,510	4,060	4,060	4,680	4,755	5,000	4,790	4,750	↕		
	Margin-account debt at brokers (percentage distribution, end of period)											
16 Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	↕		
<i>By equity class (in percent)⁵</i>												
17 Under 40	18.0	33.0	16.0	16.0	13.0	16.0	45.0	28.0	19.0	↕		
18 40-49	36.0	28.0	26.0	31.0	29.0	29.0	22.0	31.0	32.0	↕		
19 50-59	23.0	18.0	24.0	24.0	25.0	25.0	13.0	18.0	22.0	↕		
20 60-69	11.0	10.0	14.0	14.0	16.0	14.0	9.0	10.0	12.0	↕		
21 70-79	6.0	6.0	8.0	8.0	9.0	9.0	6.0	7.0	7.0	↕		
22 80 or more	5.0	5.0	7.0	7.0	8.0	7.0	5.0	6.0	7.0	↕		
	Special miscellaneous-account balances at brokers (end of period)											
23 Total balances (millions of dollars) ⁶	9,910	13,092	16,150	16,150 ^r	16,303	16,498	16,687	16,339	16,543	↕		
<i>Distribution by equity status (percent)</i>												
24 Net credit status	43.4	41.3	44.2	44.2	42.8	44.1	45.7	44.3	45.8	n.a.		
25 Debt status, equity of	44.9	45.1	47.0	47.0	49.0	47.4	41.9	44.0	43.6	↕		
26 Less than 60 percent	11.7	13.6	8.8	8.8	8.2	8.4	12.4	11.7	10.6	↕		
	Margin requirements (percent of market value and effective date) ⁷											
	Mar. 11, 1968		June 8, 1968		May 6, 1970		Dec. 6, 1971		Nov. 24, 1972		Jan. 3, 1974	
27 Margin stocks	70		80		65		55		65		50	
28 Convertible bonds	50		60		50		50		50		50	
29 Short sales	70		80		65		55		65		50	

1. Effective July 1976, includes a new financial group, banks and insurance companies. With this change the index includes 400 industrial stocks (formerly 425); 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.

2. Margin credit includes all credit extended to purchase or carry stocks or related equity instruments and secured at least in part by stock. Credit extended is end-of-month data for member firms of the New York Stock Exchange.

In addition to assigning a current loan value to margin stock generally, Regulations T and U permit special loan values for convertible bonds and stock acquired through exercise of subscription rights.

3. A distribution of this total by equity class is shown on lines 17-22.

4. Free credit balances are in accounts with no unfulfilled commitments to the brokers and are subject to withdrawal by customers on demand.

5. Each customer's equity in his collateral (market value of collateral less net debit balance) is expressed as a percentage of current collateral values.

6. Balances that may be used by customers as the margin deposit required for additional purchases. Balances may arise as transfers based on loan values of other collateral in the customer's margin account or deposits of cash (usually sales proceeds) occur.

7. Regulations G, T, and U of the Federal Reserve Board of Governors, prescribed in accordance with the Securities Exchange Act of 1934, limit the amount of credit to purchase and carry margin stocks that may be extended on securities as collateral by prescribing a maximum loan value, which is a specified percentage of the market value of the collateral at the time the credit is extended. Margin requirements are the difference between the market value (100 percent) and the maximum loan value. The term "margin stocks" is defined in the corresponding regulation.

1.38 SAVINGS INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1977	1978	1979					1980				
			Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May ^p
Savings and loan associations												
1 Assets	459,241	523,542	566,493	570,479	576,251	578,922	579,307	582,252	585,685	589,498	591,108	593,225
2 Mortgages	381,163	432,808	464,609	468,307	472,198	474,678	475,797	476,448	477,303	479,078	480,165	480,026
3 Cash and investment securities ¹	39,150	44,884	50,007	49,3013	49,220	48,180	46,541	48,473	50,168	50,899	50,576	52,636
4 Other	38,928	45,850	51,877	52,871	54,833	56,064	56,969	57,331	58,214	59,521	60,367	60,563
5 Liabilities and net worth	459,241	523,542	570,479	566,493	576,251	578,922	579,307	582,252	585,685	589,498	591,108	593,225
6 Savings capital	386,800	430,953	457,856	462,626	464,489	465,646	470,171	472,236	473,862	478,265	478,591	481,661
7 Borrowed money	27,840	42,907	50,437	52,738	54,268	54,433	55,375	55,233	55,276	57,346	57,407	55,265
8 FHLBB	19,945	31,990	36,009	37,620	39,223	39,638	40,441	40,364	40,337	42,413	42,724	41,542
9 Other	7,895	10,917	14,428	15,118	15,045	14,795	14,934	14,869	14,939	14,933	14,683	13,723
10 Loans in process	9,911	10,721	11,047	10,909	10,766	10,159	9,511	8,735	8,269	8,079	7,660	7,122
11 Other	9,506	9,904	15,712	12,497	14,673	16,324	11,684	13,315	15,385	12,683	14,260	16,192
12 Net worth ²	25,184	29,057	31,441	31,709	32,055	32,360	32,566	32,733	32,893	33,125	33,190	32,985
13 MEMO: Mortgage loan commitments outstanding ³	19,875	18,911	22,282	22,397	20,930	18,029	16,007	15,559	16,744	15,844	14,193	13,881
Mutual savings banks ⁴												
14 Assets	14,287	158,174	163,388	163,431	163,133	163,205	163,405	163,252	164,270	165,107	165,366	↑
Loans												
15 Mortgage	88,195	95,157	97,637	97,973	98,304	98,610	98,908	98,940	99,220	99,151	99,045	
16 Other	6,210	7,195	10,430	9,982	9,510	9,449	9,253	9,804	10,044	10,131	10,187	
Securities												
17 U.S. government ⁵	5,895	4,959	7,921	7,891	7,750	7,754	7,658	7,387	7,436	7,629	7,548	
18 State and local government	2,828	3,333	3,149	3,150	3,100	3,003	2,930	2,887	2,853	2,824	2,791	
19 Corporate and other ⁶	37,918	39,732	37,125	37,076	37,210	37,036	37,086	37,114	37,223	37,493	37,801	
20 Cash	2,401	3,665	2,866	3,020	2,909	3,010	3,156	2,703	3,012	3,361	3,405	
21 Other assets	3,839	4,131	4,260	4,339	4,351	4,343	4,412	4,417	4,481	4,518	4,588	
22 Liabilities	147,287	158,174	163,388	163,431	163,133	163,205	163,405	163,252	164,270	165,107	165,366	n.a.
23 Deposits	134,017	142,701	145,713	146,252	145,096	144,828	146,006	145,044	145,171	146,328	145,821	
24 Regular ⁷	132,744	141,170	143,731	144,258	143,263	143,064	144,070	143,143	143,284	144,214	143,765	
25 Ordinary savings	78,005	71,816	66,733	65,676	62,672	61,156	61,123	59,252	58,234	56,948	54,247	
26 Time and other	54,739	69,354	76,998	78,572	80,591	81,908	82,947	83,891	85,050	87,266	89,517	
27 Other	1,272	1,531	1,982	2,003	1,834	1,764	1,936	1,901	1,887	2,115	2,056	
28 Other liabilities	3,292	4,565	6,350	5,790	6,600	6,872	2,220	2,557	3,127	2,607	2,867	
29 General reserve accounts	9,978	10,907	11,324	11,388	11,437	11,504	163,405	11,544	11,615	11,643	11,629	
30 MEMO: Mortgage loan commitments outstanding ⁸	4,066	4,400	4,071	4,123	3,749	3,619	3,182	2,919	2,618	2,397	2,097	↓
Life insurance companies												
31 Assets	351,722	389,924	418,350	421,660	423,760	427,496	431,453	436,378	439,119	440,181	443,101	↑
Securities												
32 Government	19,553	20,009	20,472	20,379	20,429	20,486	20,294	20,281	20,317	20,686	20,612	
33 United States ⁹	5,315	4,822	5,229	5,067	5,075	5,122	4,984	4,896	4,953	5,164	5,202	
34 State and local	6,051	6,402	6,258	6,295	6,339	6,354	6,392	6,417	6,516	6,496	6,404	
35 Foreign ¹⁰	8,187	8,785	8,985	9,017	9,015	9,010	8,918	8,968	8,850	9,026	9,006	n.a.
36 Business	175,654	198,105	215,252	216,500	216,183	217,856	218,284	222,475	223,998	221,466	222,345	
37 Bonds	141,891	162,587	176,920	177,698	178,633	179,158	178,828	182,305	183,383	183,088	183,251	
38 Stocks	33,763	35,518	38,332	38,802	37,550	38,698	39,456	40,170	40,615	38,378	39,094	
39 Mortgages	96,848	106,167	113,102	114,368	115,991	117,253	118,784	120,083	121,100	122,471	123,533	
40 Real estate	11,060	11,764	12,738	12,740	12,816	12,906	13,047	13,076	13,241	13,480	13,672	
41 Policy loans	27,556	30,146	32,713	33,046	33,574	34,220	34,761	35,261	35,784	36,839	38,107	
42 Other assets	21,051	23,733	24,073	24,627	24,767	24,775	26,283	25,202	24,677	25,239	24,832	↓
Credit unions												
43 Total assets/liabilities and capital	53,755	62,348	65,547	66,280	65,063	65,419	65,854	64,506	64,857	65,678	65,190	66,103
44 Federal	29,564	34,760	35,724	36,151	35,537	35,670	35,934	35,228	35,425	36,091	35,834	36,341
45 State	21,191	27,588	29,823	30,129	29,526	29,749	29,920	29,278	29,432	29,587	29,356	29,762
46 Loans outstanding	41,845	50,269	52,970	53,545	53,533	56,267	53,125	52,089	51,626	51,337	50,344	49,469
47 Federal	22,634	27,687	28,848	29,129	29,020	30,613	28,698	28,053	27,783	27,685	27,119	26,550
48 State	19,211	22,582	24,122	24,416	24,513	25,654	24,426	24,036	23,843	23,652	23,225	22,919
49 Savings	46,516	53,517	56,583	57,255	55,739	55,797	56,232	55,447	55,790	56,743	56,338	57,197
50 Federal (shares)	25,576	29,802	30,761	31,097	30,366	30,399	35,530	30,040	32,256	30,948	30,851	31,403
51 State (shares and deposits)	20,940	23,715	25,822	26,158	25,373	25,398	25,702	25,407	25,534	25,795	25,487	25,794

For notes see bottom of page A30.

1.39 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1977	Fiscal year 1978	Fiscal year 1979	Calendar year					
				1978	1979		1980		
				H2	H1	H2	Mar.	Apr.	May
<i>U.S. budget</i>									
1 Receipts ¹	357,762	401,997	465,940	206,275	246,574	233,952	33,351	61,097	36,071
2 Outlays ¹	402,725	450,836	493,673	238,186	245,616	263,044	46,566	51,237	50,198
3 Surplus, or deficit(-)	-44,963	-48,839	-27,733	-31,912	958	-29,093	-13,215	9,860	-14,127
4 Trust funds	9,497	12,693	18,335	11,754	4,041	9,679	-1,590	-153	6,463
5 Federal funds ²	-54,460	-61,532	-46,069	-43,666	-4,999	-38,773	-11,625	10,013	-20,590
<i>Off-budget entities (surplus, or deficit (-))</i>									
6 Federal Financing Bank outlays	-8,415	-10,661	-13,261	-5,082	-7,712	-5,909	-2,016	1,848	1,827
7 Other ³	-269	334	832	1,843	-447	805	-118	24	364
<i>U.S. budget plus off-budget, including Federal Financing Bank</i>									
8 Surplus, or deficit (-)	-53,647	-59,166	-40,162	-35,151	-7,201	-34,197	-15,349	8,036	-11,936
9 Source or financing									
10 Cash and monetary assets (decrease, or increase (-)) ⁴	-2,247	-3,023	-408	3,381	-8,878	3,059	3,231	-13,542	9,841
11 Other ⁵	2,378	3,083	6,929	1,456	10,040	-182	315	875	-3,255
MEMO:									
12 Treasury operating balance (level, end of period)	19,104	22,444	24,176	16,291	17,485	15,924	8,154	18,430	10,662
13 Federal Reserve Banks	15,740	16,647	6,489	4,196	3,290	4,075	2,334	4,561	4,523
14 Tax and loan accounts	3,364	5,797	17,687	12,095	14,195	11,849	5,820	13,869	6,139

1. Effective June 1978, earned income credit payments in excess of an individual's tax liability, formerly treated as income tax refunds, are classified as outlays retroactive to January 1976.

2. Half-year figures are calculated as a residual (total surplus/deficit less trust fund surplus/deficit).

3. Includes Pension Benefit Guaranty Corporation; Postal Service Fund; Rural Electrification and Telephone Revolving Fund; and Rural Telephone Bank.

4. Includes U.S. Treasury operating cash accounts; special drawing rights; gold tranche drawing rights; loans to International Monetary Fund; and other cash and monetary assets.

5. Includes accrued interest payable to the public; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seignorage; increment on gold; net gain/loss for U.S. currency valuation adjustment; net gain/loss for IMF valuation adjustment; and profit on the sale of gold.

SOURCE: "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government," *Treasury Bulletin*, and the *Budget of the United States Government, Fiscal Year 1981*.

NOTES TO TABLE 1.38

1. Holdings of stock of the Federal Home Loan Banks are included in "other assets."

2. Includes net undistributed income, which is accrued by most, but not all, associations.

3. Excludes figures for loans in process, which are shown as a liability.

4. The NAMS reports that, effective April 1979, balance sheet data are not strictly comparable with previous months. Beginning April 1979, data are reported on a net-of-valuation-reserves basis. Prior to that date, data were reported on a gross-of-valuation-reserves basis.

5. Beginning April 1979, includes obligations of U.S. government agencies. Before that date, this item was included in "Corporate and other."

6. Includes securities of foreign governments and international organizations and, prior to April 1979, nonguaranteed issues of U.S. government agencies.

7. Excludes checking, club, and school accounts.

8. Commitments outstanding (including loans in process) of banks in New York State as reported to the Savings Banks Association of the state of New York.

9. Direct and guaranteed obligations. Excludes federal agency issues not guaranteed, which are shown in the table under "Business" securities.

10. Issues of foreign governments and their subdivisions and bonds of the International Bank for Reconstruction and Development.

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

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

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

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

1.40 U.S. BUDGET RECEIPTS AND OUTLAYS

Millions of dollars

Source or type	Fiscal year 1977	Fiscal year 1978	Fiscal year 1979	Calendar year					
				1978	1979		1980		
				H2	H1	H2	Mar.	Apr.	May
RECEIPTS									
1 All sources ¹	357,762	401,997	465,940	206,275	246,574	233,952	33,351	61,097	36,071
2 Individual income taxes, net	157,626	180,988	217,841	98,854	111,603	115,488	9,056	31,488	9,275
3 Withheld	144,820	165,215	195,295	90,148	98,683	105,764	18,077	17,136	18,104
4 Presidential Election Campaign Fund	37	39	36	3	32	3	9	7	7
5 Nonwithheld	42,062	47,804	56,215	10,777	44,116	12,355	2,998	24,937	2,101
6 Refunds ¹	29,293	32,070	33,705	2,075	31,228	2,634	12,027	10,592	10,937
Corporation income taxes									
7 Gross receipts	60,057	65,380	71,448	28,536	42,427	29,169	10,255	10,244	1,866
8 Refunds	5,164	5,428	5,771	2,757	2,889	3,306	747	1,073	635
9 Social insurance taxes and contributions, net	108,683	123,410	141,591	61,064	75,609	71,031	11,499	15,886	20,787
10 Payroll employment taxes and contributions ²	88,196	99,626	115,041	51,052	59,298	60,562	10,346	10,122	15,376
11 Self-employment taxes and contributions ³	4,014	4,267	5,034	369	4,616	417	401	3,545	376
12 Unemployment insurance	11,312	13,850	15,387	6,727	8,623	6,899	208	1,646	4,495
13 Other net receipts ⁴	5,162	5,668	6,130	2,917	3,072	3,149	544	573	540
14 Excise taxes	17,548	18,376	18,745	9,879	8,984	9,675	1,289	2,269	2,502
15 Customs deposits	5,150	6,573	7,439	3,748	3,682	3,741	584	559	557
16 Estate and gift taxes	7,327	5,285	5,411	2,691	2,657	2,900	494	459	623
17 Miscellaneous receipts ⁵	6,536	7,413	9,237	4,260	4,501	5,254	920	1,265	1,098
OUTLAYS									
18 All types ¹	402,725	450,836	493,673	238,186	245,616	263,044	46,566	51,237	50,198
19 National defense	97,501	105,186	117,681	55,124	57,643	62,002	11,742	11,593	11,543
20 International affairs	4,813	5,922	6,091	2,060	3,538	4,617	1,048	837	648
21 General science, space, and technology	4,677	4,742	5,041	2,383	2,461	3,299	526	508	516
22 Energy	4,172	5,861	6,856	4,279	4,417	3,281	311	625	624
23 Natural resources and environment	10,000	10,925	12,091	6,020	5,672	7,350	970	1,123	1,130
24 Agriculture	5,532	7,731	6,238	4,967	3,020	1,709	340	156	478
25 Commerce and housing credit	-44	3,324	2,565	3,292	60	3,002	579	696	1,133
26 Transportation	14,636	15,445	17,459	8,740	7,688	10,298	1,469	1,655	1,419
27 Community and regional development	6,348	11,039	9,482	5,844	4,499	4,855	611	718	836
28 Education, training, employment, social services	20,985	26,463	29,685	14,247	14,467	14,579	2,727	2,861	2,521
29 Health	38,785	43,676	49,614	23,830	24,860	26,492	4,745	5,094	4,970
30 Income security ¹	137,915	146,212	160,198	73,127	81,173	86,007	15,792	16,456	16,115
31 Veterans benefits and services	18,038	18,974	19,928	9,532	10,127	10,113	746	2,006	2,795
32 Administration of justice	3,600	3,802	4,153	1,989	2,096	2,174	367	417	397
33 General government	3,312	3,737	4,153	2,304	2,291	2,103	616	229	382
34 General-purpose fiscal assistance	9,499	9,601	8,372	4,610	3,890	4,286	61	1,739	238
35 Interest ⁶	38,009	43,966	52,556	24,036	26,934	29,045	4,630	5,177	5,299
36 Undistributed offsetting receipts ^{6,7}	-15,053	-15,772	-18,489	-8,199	-8,999	-12,164	-714	-654	845

1. Effective June 1978, earned income credit payments in excess of an individual's tax liability, formerly treated as income tax refunds, are classified as outlays retroactive to January 1976.

2. Old-age, disability, and hospital insurance, and railroad retirement accounts.

3. Old-age, disability, and hospital insurance.

4. Supplementary medical insurance premiums, federal employee retirement contributions, and Civil Service retirement and disability fund.

5. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.

6. Effective September 1976, "Interest" and "Undistributed offsetting receipts" reflect the accounting conversion for the interest on special issues for U.S. government accounts from an accrual basis to a cash basis.

7. Consists of interest received by trust funds, rents and royalties on the Outer Continental Shelf, and U.S. government contributions for employee retirement.

SOURCE: "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government" and the *Budget of the U.S. Government, Fiscal Year 1981*.

1.41 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1977	1978			1979				1980
	Dec. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31
1 Federal debt outstanding	729.2	758.8	780.4	797.7	804.6	812.2	833.8	852.2	870.4
2 Public debt securities	718.9	749.0	771.5	789.2	796.8	804.9	826.5	845.1	863.5
3 Held by public	564.1	587.9	603.6	619.2	630.5	626.4	638.8	658.0	677.1
4 Held by agencies	154.8	161.1	168.0	170.0	166.3	178.5	187.7	187.1	186.3
5 Agency securities	10.2	9.8	8.9	8.5	7.8	7.3	7.2	7.1	7.0
6 Held by public	8.4	8.0	7.4	7.0	6.3	5.9	5.8	5.6	5.5
7 Held by agencies	1.8	1.8	1.5	1.5	1.5	1.5	1.5	1.5	1.5
8 Debt subject to statutory limit	720.1	750.2	772.7	790.3	797.9	806.0	827.6	846.2	864.5
9 Public debt securities	718.3	748.4	770.9	788.6	796.2	804.3	825.9	844.5	862.8
10 Other debt ¹	1.7	1.8	1.8	1.7	1.7	1.7	1.7	1.7	1.7
11 MEMO. Statutory debt limit	752.0	752.0	798.0	798.0	798.0	830.0	830.0	879.0	879.0

1. Includes guaranteed debt of government agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds.

NOTE. Data from *Treasury Bulletin* (U.S. Treasury Department).

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

Billions of dollars, end of period

Type and holder	1976	1977	1978	1979	1980				
					Feb.	Mar.	Apr.	May	June
1 Total gross public debt	653.5	718.9	789.2	845.1	854.6	863.5	870.0	877.9	877.6
<i>By type</i>									
2 Interest-bearing debt	652.5	715.2	782.4	844.0	853.4	862.2	868.9	873.5	876.3
3 Marketable	363.2	459.9	487.5	530.7	540.6	557.5	564.9	567.6	566.7
4 Bills	164.0	161.1	161.7	172.6	177.4	190.8	195.3	195.4	184.7
5 Notes	216.7	251.8	265.8	283.4	286.8	290.4	291.8	291.5	301.5
6 Bonds	40.6	47.0	60.0	74.7	76.4	76.3	77.7	80.6	80.6
7 Nonmarketable ¹	231.2	255.3	294.8	313.2	312.7	304.7	304.0	306.0	309.5
8 Convertible bonds ²	2.3	2.2	2.2	2.2	2.2	2.2	—	—	—
9 State and local government series	4.5	13.9	24.3	24.6	24.5	23.9	23.7	23.6	23.6
10 Foreign issues ³	22.3	22.2	29.6	28.8	29.6	26.9	26.3	25.9	25.2
11 Government	22.3	22.2	28.0	23.6	23.2	20.5	19.8	19.5	21.0
12 Public	0	0	1.6	5.3	6.4	6.4	6.4	6.4	4.2
13 Savings bonds and notes	72.3	77.0	80.9	79.9	77.7	76.0	74.2	73.6	73.4
14 Government account series ⁴	129.7	139.8	157.5	177.5	178.4	175.5	179.7	182.6	186.8
15 Non-interest-bearing debt	1.1	3.7	6.8	1.2	1.2	1.2	1.1	4.4	1.3
<i>By holder⁵</i>									
16 U.S. government agencies and trust funds	147.1	154.8	170.0	187.1	189.3 ^r	186.2 ^r	188.2		
17 Federal Reserve Banks	97.0	102.5	109.6	117.5	115.2	116.7	118.8		
18 Private investors	409.5	461.3	508.6	540.5	551.6	560.5 ^r	563.0		
19 Commercial banks	103.8	101.4	93.4	97.0	97.8	99.3	99.2		
20 Mutual savings banks	5.9	5.9	5.2	4.2	4.0	4.2	4.1		
21 Insurance companies	12.7	15.1	15.0	14.4	14.3	14.5	14.2		
22 Other companies	27.7	22.7	20.6	23.9	23.6	25.7	25.7	n.a.	
23 State and local governments	41.6	55.2	68.6	68.2	72.1	74.6	73.9		
<i>Individuals</i>									
24 Savings bonds	72.0	76.7	80.1	79.9	77.7 ^r	76.0	74.2		
25 Other securities	28.8	28.6	33.7	34.2	36.7	40.7	43.8		
26 Foreign and international ⁶	78.1	109.6	120.6	123.8	124.8	119.8	116.4		
27 Other miscellaneous investors ⁷	38.9	46.1	88.3	94.8	100.5	105.7 ^r	111.5		

1. Includes (not shown separately): Securities issued to the Rural Electrification Administration, depository bonds, retirement plan bonds, and individual retirement bonds.

2. These nonmarketable bonds, also known as Investment Series B Bonds, may be exchanged (or converted) at the owner's option for 1½ percent, 5-year marketable Treasury notes. Convertible bonds that have been so exchanged are removed from this category and recorded in the notes category (line 5).

3. Nonmarketable dollar-denominated and foreign currency-denominated series held by foreigners.

4. Held almost entirely by U.S. government agencies and trust funds.

5. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.

6. Consists of the investments of foreign balances and international accounts in the United States. Beginning with July 1974, the figures exclude non-interest-bearing notes issued to the International Monetary Fund.

7. Includes savings and loan associations, nonprofit institutions, corporate pension trust funds, dealers and brokers, certain government deposit accounts, and government sponsored agencies.

NOTE. Gross public debt excludes guaranteed agency securities and, beginning in July 1974, includes Federal Financing Bank security issues.

Data by type of security from *Monthly Statement of the Public Debt of the United States* (U.S. Treasury Department); data by holder from *Treasury Bulletin*.

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

Par value; millions of dollars, end of period

Type of holder	1978	1979	1980		1978	1979	1980	
			Mar.	Apr.			Mar.	Apr.
	All maturities				1 to 5 years			
1 All holders	487,546	530,731	557,493	564,869	162,886	164,198	169,599	178,231
2 U.S. government agencies and trust funds	12,695	11,047	10,800	10,760	3,310	2,555	2,281	2,241
3 Federal Reserve Banks	109,616	117,458	116,657	118,825	31,283	28,469	29,803	31,036
4 Private investors	365,235	402,226	430,036	435,284	128,293	133,173	137,515	144,954
5 Commercial banks	68,890	69,076	69,266	67,715	38,390	38,346	39,149	39,019
6 Mutual savings banks	3,499	3,204	3,172	3,121	1,918	1,668	1,603	1,609
7 Insurance companies	11,635	11,496	11,666	11,425	4,664	4,518	4,296	4,340
8 Nonfinancial corporations	8,272	8,433	8,328	8,327	3,635	2,844	2,173	2,880
9 Savings and loan associations	3,835	3,209	3,057	3,049	2,255	1,763	1,728	1,770
10 State and local governments	18,815	15,735	18,747	17,695	3,997	3,487	4,434	4,181
11 All others	250,288	291,072	315,799	323,950	73,433	80,546	84,131	91,154
	Total, within 1 year				5 to 10 years			
12 All holders	228,516	255,252	271,642	268,964	50,400	50,440	53,822	53,790
13 U.S. government agencies and trust funds	1,488	1,629	1,363	1,363	1,989	871	1,650	1,650
14 Federal Reserve Banks	52,801	63,219	61,737	62,601	14,809	12,977	12,021	12,029
15 Private investors	174,227	190,403	208,542	205,000	33,601	36,592	40,151	40,111
16 Commercial banks	20,608	20,171	20,108	18,752	7,490	8,086	7,583	7,451
17 Mutual savings banks	817	836	839	786	496	459	473	485
18 Insurance companies	1,838	2,016	1,976	1,730	2,899	2,815	3,197	3,170
19 Nonfinancial corporations	4,048	4,933	4,905	4,126	369	308	387	393
20 Savings and loan associations	1,414	1,301	1,178	1,051	89	69	93	160
21 State and local governments	8,194	5,607	7,060	6,145	1,588	1,540	1,953	1,959
22 All others	137,309	155,539	172,472	172,409	20,671	23,314	26,464	26,493
	Bills, within 1 year				10 to 20 years			
23 All holders	161,747	172,644	190,780	195,296	19,800	27,588	29,300	30,754
24 U.S. government agencies and trust funds	2	0	*	1	3,876	4,520	3,772	3,772
25 Federal Reserve Banks	42,397	45,337	43,939	46,335	2,088	3,272	3,803	3,842
26 Private investors	119,348	127,306	146,841	148,960	13,836	19,796	21,725	23,140
27 Commercial banks	5,707	5,938	6,576	6,693	956	993	1,077	1,139
28 Mutual savings banks	150	262	207	182	127	172	172	172
29 Insurance companies	753	473	584	379	1,460	1,305	1,242	1,259
30 Nonfinancial corporations	12	2,793	3,053	2,294	86	218	348	380
31 Savings and loan associations	262	219	269	211	60	58	44	54
32 State and local governments	5,524	3,100	4,110	4,007	1,420	1,762	2,007	2,231
33 All others	105,161	114,522	132,041	135,195	9,711	15,332	16,834	17,907
	Other, within 1 year				Over 20 years			
34 All holders	66,769	82,608	80,862	73,668	25,944	33,254	33,130	33,130
35 U.S. government agencies and trust funds	1,487	1,629	1,363	1,362	2,031	1,472	1,734	1,734
36 Federal Reserve Banks	10,404	17,882	17,799	16,266	8,635	9,520	9,293	9,318
37 Private investors	54,879	63,097	61,701	56,040	15,278	22,262	22,104	22,079
38 Commercial banks	14,901	14,233	13,532	12,059	1,446	1,470	1,350	1,354
39 Mutual savings banks	667	574	631	604	126	113	85	69
40 Insurance companies	1,084	1,543	1,392	1,351	774	842	954	927
41 Nonfinancial corporations	2,256	2,140	1,852	1,833	135	130	515	548
42 Savings and loan associations	1,152	1,081	909	841	17	19	14	13
43 State and local governments	2,670	2,508	2,950	2,138	3,616	3,339	3,293	3,180
44 All others	32,149	41,017	40,435	37,214	9,164	16,340	15,893	15,988

NOTE: Direct public issues only. Based on Treasury Survey of Ownership from *Treasury Bulletin* (U.S. Treasury Department).

Data complete for U.S. government agencies and trust funds and Federal Reserve Banks, but data for other groups include only holdings of those institutions that report. The following figures show, for each category, the number and proportion reporting as of Apr. 30, 1980: (1) 5,368 commercial banks,

460 mutual savings banks, and 723 insurance companies, each about 80 percent; (2) 416 nonfinancial corporations and 481 savings and loan associations, each about 50 percent; and (3) 492 state and local governments, about 40 percent.

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

1.44 U.S. GOVERNMENT SECURITIES DEALERS Transactions

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

Item	1977	1978	1979	1980			1980, week ending Wednesday					
				Feb.	Mar.	Apr.	Feb. 27	Mar. 5	Mar. 12	Mar. 19	Mar. 26	Apr. 2
1 U.S. government securities	10,838	10,285	13,183	17,508	17,352	19,725	17,427	17,997	15,430	15,267	19,629	20,826
<i>By maturity</i>												
2 Bills	6,746	6,173	7,915	9,714	11,723	12,885	9,214	11,499	10,082	10,524	12,927	15,264
3 Other within 1 year	237	392	454	357	380	372	288	352	376	305	422	493
4 1-5 years	2,320	1,889	2,417	3,678	2,780	3,610	4,018	2,768	2,072	2,111	3,977	3,059
5 5-10 years	1,148	965	1,121	2,006	1,339	1,138	2,433	2,030	1,635	1,330	1,211	899
6 Over 10 years	388	867	1,276	1,753	1,130	1,720	1,474	1,348	1,265	997	1,092	1,112
<i>By type of customer</i>												
7 U.S. government securities dealers	1,268	1,135	1,448	1,363	1,492	1,607	1,384	1,140	1,492	1,502	1,917	1,637
8 U.S. government securities brokers	3,709	3,838	5,170	7,399	6,934	8,128	6,965	7,133	6,213	6,055	7,971	7,949
9 Commercial banks	2,294	1,804	1,905	2,243	2,313	2,875	1,934	2,220	1,807	2,077	2,637	3,052
10 All others ¹	3,567	3,508	4,660	6,504	6,614	7,115	7,144	7,504	5,918	5,633	7,105	8,190
11 Federal agency securities	1,644	1,685	2,724	3,049	2,923	4,415	2,773	3,474	2,638	3,490	2,617	3,357

1. Includes, among others, all other dealers and brokers in commodities and securities, foreign banking agencies, and the Federal Reserve System.

NOTE. Averages for transactions are based on number of trading days in the period.

Transactions are market purchases and sales of U.S. government securities dealers reporting to the Federal Reserve Bank of New York. The figures exclude allotments of, and exchanges for, new U.S. government securities, redemptions of called or matured securities, or purchases or sales of securities under repurchase, reverse repurchase (resale), or similar contracts.

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

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

Item	1977	1978	1979	1980			1979 and 1980, week ending Wednesday					
				Feb.	Mar.	Apr.	Feb. 6	Feb. 13	Feb. 20	Feb. 27	Mar. 5	Mar. 12
	Positions ¹											
1 U.S. government securities	5,172	2,656	3,223	2,729	2,341	8,036	4,128	3,327	1,742	2,481	2,453	2,794
2 Bills	4,772	2,452	3,813	2,939	3,000	7,870	5,009	3,200	2,175	2,327	2,743	3,778
3 Other within 1 year	99	260	-325	-792	-764	-108	-924	-829	-693	-735	-689	-672
4 1-5 years	60	-92	-455	28	-518	683	83	5	-355	428	-532	-995
5 5-10 years	92	40	160	327	336	61	-1135	658	320	271	623	390
6 Over 10 years	149	-4	30	226	286	505	94	292	295	191	307	292
7 Federal agency securities	693	606	1,471	236	284	1,207	785	396	77	-23	44	-36
	Financing ²											
8 All sources	9,877	10,204	16,003	15,997	14,236	19,829	17,378	16,447	15,769	15,055	15,068	16,953
Commercial banks												
9 New York City	1,313	599	1,396	749	-297	574	1,254	987	428	555	580	520
10 Outside New York City	1,987	2,174	2,868	3,661	3,414	4,215	4,225	3,530	3,631	3,563	3,332	3,752
11 Corporations ³	2,358	2,379	3,373	3,731	3,205	4,387	3,901	4,134	3,840	3,289	3,168	3,690
12 All others	4,158	5,052	4,104	7,856	7,913	10,653	7,918	7,797	7,870	7,648	7,988	8,991

1. Net amounts (in terms of par values) of securities owned by nonbank dealer firms and dealer departments of commercial banks on a commitment, that is, trade-date basis, including any such securities that have been sold under agreements to repurchase. The maturities of some repurchase agreements are sufficiently long, however, to suggest that the securities involved are not available for trading purposes. Securities owned, and hence dealer positions, do not include securities purchased under agreement to resell.

2. Total amounts outstanding of funds borrowed by nonbank dealer firms and dealer departments of commercial banks against U.S. government and federal

agency securities (through both collateral loans and sales under agreements to repurchase), plus internal funds used by bank dealer departments to finance positions in such securities. Borrowings against securities held under agreement to resell are excluded when the borrowing contract and the agreement to resell are equal in amount and maturity, that is, a matched agreement.

3. All business corporations except commercial banks and insurance companies.

NOTE. Averages for positions are based on number of trading days in the period; those for financing, on the number of calendar days in the period.

1.46 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt outstanding

Millions of dollars, end of period

Agency	1976	1977	1978	1979		1980			
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
1 Federal and federally sponsored agencies¹	103,848	112,472	137,063	161,653	163,290	165,819	167,813	173,216	176,880
2 Federal agencies	22,419	22,760	23,488	24,224	24,715	24,883	25,013	25,583	25,776
3 Defense Department ²	1,113	983	968	748	738	729	719	709	688
4 Export-Import Bank ^{3,4}	8,574	8,671	8,711	8,812	9,191	9,176	9,144	9,627	9,615
5 Federal Housing Administration ⁵	575	581	588	545	537	539	546	550	537
6 Government National Mortgage Association participation certificates ⁶	4,120	3,743	3,141	3,004	2,979	2,979	2,979	2,979	2,937
7 Postal Service ⁷	2,998	2,431	2,364	1,837	1,837	1,837	1,837	1,837	1,837
8 Tennessee Valley Authority	4,935	6,015	7,460	8,825	8,997	9,182	9,347	9,440	9,695
9 United States Railway Association ⁷	104	336	356	453	436	441	441	441	467
10 Federally sponsored agencies ¹	81,429	89,712	113,575	137,429	138,575	140,936	142,800	147,633	151,104
11 Federal Home Loan Banks	16,811	18,345	27,563	33,296	33,330	33,122	33,102	35,309	36,352
12 Federal Home Loan Mortgage Corporation	1,690	1,686	2,262	2,621	2,771	2,769	2,764	2,644	2,643
13 Federal National Mortgage Association	30,565	31,890	41,080	47,278	48,486	49,031	50,139	51,614	52,456
14 Federal Land Banks	17,127	19,118	20,360	16,006	16,006	15,106	15,106	15,106	13,940
15 Federal Intermediate Credit Banks	10,494	11,174	11,469	2,676	2,676	2,144	2,144	2,144	2,144
16 Banks for Cooperatives	4,330	4,434	4,843	584	584	584	584	584	584
17 Farm Credit Banks ¹	2,548	5,081	5,081	33,547	33,216	36,584	37,240	38,446	41,039
18 Student Loan Marketing Association ⁸	410	515	915	1,420	1,505	1,595	1,720	1,785	1,945
19 Other	2	2	2	1	1	1	1	1	1
MEMO:									
20 Federal Financing Bank debt^{7,9}	28,711	38,580	51,298	66,281	67,383	68,294	69,268	71,885	74,009
<i>Lending to federal and federally sponsored agencies</i>									
21 Export-Import Bank ⁴	5,208	5,834	6,898	7,953	8,353	8,353	8,353	8,849	8,849
22 Postal Service ⁷	2,748	2,181	2,114	1,587	1,587	1,587	1,587	1,587	1,587
23 Student Loan Marketing Association ⁸	410	515	915	1,420	1,505	1,595	1,720	1,785	1,945
24 Tennessee Valley Authority	3,110	4,190	5,635	7,100	7,272	7,457	7,622	7,715	7,970
25 United States Railway Association ⁷	104	336	356	453	436	441	441	441	467
<i>Other Lending¹⁰</i>									
26 Farmers Home Administration	10,750	16,095	23,825	31,950	32,050	32,145	32,565	33,410	34,755
27 Rural Electrification Administration	1,415	2,647	4,604	6,272	6,484	6,701	6,874	7,039	7,155
28 Other	4,966	6,782	6,951	9,546	9,696	10,015	10,106	11,059	11,281

1. In September 1977 the Farm Credit Banks issued their first consolidated bonds, and in January 1979 they began issuing these bonds on a regular basis to replace the financing activities of the Federal Land Banks, the Federal Intermediate Credit Banks, and the Banks for Cooperatives. Line 17 represents those consolidated bonds outstanding, as well as any discount notes that have been issued. Lines 1 and 10 reflect the addition of this item.

2. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.

3. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.

4. Off-budget Aug. 17, 1974, through Sept. 30, 1976; on-budget thereafter.

5. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.

6. Certificates of participation issued prior to fiscal 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration; Department of Health, Education, and Welfare; Department

of Housing and Urban Development; Small Business Administration; and the Veterans Administration.

7. Off-budget.

8. Unlike other federally sponsored agencies, the Student Loan Marketing Association may borrow from the Federal Financing Bank (FFB) since its obligations are guaranteed by the Department of Health, Education, and Welfare.

9. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Since FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table in order to avoid double counting.

10. Includes FFB purchases of agency assets and guaranteed loans; the latter contain loans guaranteed by numerous agencies with the guarantees of any particular agency being generally small. The Farmers Home Administration item consists exclusively of agency assets, while the Rural Electrification Administration entry contains both agency assets and guaranteed loans.

1.47 NEW SECURITY ISSUES of State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1977	1978	1979	1979				1980	
				Sept.	Oct.	Nov.	Dec.	Jan. ^p	Feb. ^p
1 All issues, new and refunding¹	46,769	48,607	43,490	2,479	4,229	4,172	3,583	3,013	2,350
<i>Type of issue</i>									
2 General obligation	18,042	17,854	12,109	699	1,037	805	855	1,151	987
3 Revenue	28,655	30,658	31,256	1,773	3,180	3,355	2,712	1,856	1,353
4 Housing Assistance Administration ²									
5 U.S. government loans	72	95	125	7	12	12	16	6	10
<i>Type of issuer</i>									
6 State	6,354	6,632	4,314	113	294	274	569	699	327
7 Special district and statutory authority	21,717	24,156	23,434	1,404	2,749	2,697	2,102	1,379	1,202
8 Municipalities, counties, townships, school districts	18,623	17,718	15,617	955	1,174	1,189	896	929	811
9 Issues for new capital, total	36,189	37,629	41,505	2,436	4,171	3,702	3,186	3,000	2,340
<i>Use of proceeds</i>									
10 Education	5,076	5,003	5,130	218	311	298	408	220	366
11 Transportation	2,951	3,460	2,441	38	562	97	214	172	176
12 Utilities and conservation	8,119	9,026	8,594	336	1,426	515	409	547	326
13 Social welfare	8,274	10,494	15,968	1,082	1,191	2,042	1,724	1,285	1,050
14 Industrial aid	4,676	3,526	3,836	382	427	369	157	51	68
15 Other purposes	7,093	6,120	5,536	380	254	381	274	725	354

1. Par amounts of long-term issues based on date of sale.

SOURCE: Public Securities Association.

2. Only bonds sold pursuant to the 1949 Housing Act, which are secured by contract requiring the Housing Assistance Administration to make annual contributions to the local authority.

1.48 NEW SECURITY ISSUES of Corporations

Millions of dollars

Type of issue or issuer, or use	1977	1978	1979 ^r	1979 ^r				1980		
				Sept.	Oct.	Nov.	Dec.	Jan. ^r	Feb. ^r	Mar.
1 All issues¹	53,792	47,230	51,464	4,587	4,601	3,831	3,801	6,210	4,452	4,353
2 Bonds	42,015	36,872	40,139	3,300	3,572	2,612	2,475	4,834	2,856	2,771
<i>Type of offering</i>										
3 Public	24,072	19,815	25,814	2,167	2,669	1,583	1,500	2,450	1,426	1,985
4 Private placement	17,943	17,057	14,325	1,133	903	1,029	975	2,384	1,430	786
<i>Industry group</i>										
5 Manufacturing	12,204	9,572	9,667	1,147	1,336	319	308	943	960	693
6 Commercial and miscellaneous	6,234	5,246	3,941	412	221	207	375	634	262	215
7 Transportation	1,996	2,007	3,102	213	295	289	194	431	227	94
8 Public utility	8,262	7,092	8,118	670	1,124	658	763	1,338	635	1,423
9 Communication	3,063	3,373	4,219	418	435	854	74	483	533	196
10 Real estate and financial	10,258	9,586	11,095	440	161	287	762	1,006	238	152
11 Stocks	11,777	10,358	11,325	1,287	1,029	1,219	1,326	1,376	1,596	1,582
<i>Type</i>										
12 Preferred	3,916	2,832	3,574	698	195	443	282	287	88	525
13 Common	7,861	7,526	7,751	589	834	776	1,044	1,089	1,508	1,057
<i>Industry group</i>										
14 Manufacturing	1,189	1,241	1,679	394	151	158	224	333	380	598
15 Commercial and miscellaneous	1,834	1,816	2,623	218	98	286	430	313	426	404
16 Transportation	456	263	255	4		2		59	58	36
17 Public utility	5,865	5,140	5,171	527	662	607	365	535	627	408
18 Communication	1,379	264	303	83	47	2	1		39	27
19 Real estate and financial	1,049	1,631	1,293	61	70	165	306	135	65	109

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, intra-corporate transactions, and sales to foreigners.

SOURCE: Securities and Exchange Commission.

1.49 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

Item	1978	1979	1979		1980				
			Nov.	Dec.	Jan.	Feb.	Mar.	Apr. ⁷	May
INVESTMENT COMPANIES ¹									
1 Sales of own shares ²	6,645	7,495	690	748	957	773	723	1,010	1,175
2 Redemptions of own shares ³	7,231	8,393	579	743	776	882	892	762	647
3 Net sales	- 586	- 898	111	5	181	- 109	- 169	248	528
4 Assets ⁴	44,980	49,493	48,613	49,277	51,278	49,512	44,581	47,270	50,539
5 Cash position ⁵	4,507	4,983	4,984	4,983	5,702	5,895	5,644	5,862	6,200
6 Other	40,473	44,510	43,629	44,294	45,576	43,617	38,937	41,708	44,339

1. Excluding money market funds.

2. Includes reinvestment of investment income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.

3. Excludes share redemption resulting from conversions from one fund to another in the same group.

4. Market value at end of period, less current liabilities.

5. Also includes all U.S. government securities and other short-term debt securities.

NOTE: Investment Company Institute data based on reports of members, which comprise substantially all open-end investment companies registered with the Securities and Exchange Commission. Data reflect newly formed companies after their initial offering of securities.

1.50 CORPORATE PROFITS AND THEIR DISTRIBUTION

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

Account	1977	1978	1979	1978		1979				1980
				Q3	Q4	Q1	Q2	Q3	Q4	Q1
1 Profits before tax	177.1	206.0	236.6	212.0	227.4	233.3	227.9	242.3	243.0	257.1
2 Profits tax liability	72.6	84.5	92.5	87.5	95.1	91.3	88.7	94.0	96.1	101.7
3 Profits after tax	104.5	121.5	144.1	124.5	132.3	142.0	139.3	148.3	146.9	155.4
4 Dividends	42.1	47.2	52.7	47.8	49.7	51.5	52.3	52.8	54.4	56.7
5 Undistributed profits	62.4	74.3	91.4	76.8	82.6	90.5	87.0	95.5	92.5	98.7
6 Capital consumption allowances	109.3	119.8	131.0	120.6	123.1	125.5	130.4	132.8	135.2	137.4
7 Net cash flow	171.7	194.1	222.4	197.3	205.7	216.0	217.3	228.3	227.7	236.1

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

A38 Domestic Financial Statistics □ July 1980

1.51 NONFINANCIAL CORPORATIONS Current Assets and Liabilities

Billions of dollars, except for ratio

Account	1975	1976	1977	1978			1979			
				Q2	Q3	Q4	Q1	Q2	Q3	Q4
1 Current assets	759.0	826.3	900.9	954.2	992.6	1,028.1	1,078.6	1,110.6	1,169.6	1,199.9
2 Cash	82.1	87.3	94.3	91.3	91.7	103.7	102.4	100.1	103.6	116.2
3 U.S. government securities	19.0	23.6	18.7	17.3	16.1	17.8	19.2	20.8	17.8	17.8
4 Notes and accounts receivable	272.1	293.3	325.0	356.0	376.4	381.9	405.3	419.0	448.9	451.7
5 Inventories	315.9	342.9	375.6	399.3	415.5	428.3	452.6	469.2	492.7	503.9
6 Other	69.9	79.2	87.3	90.3	92.9	96.3	99.1	101.5	106.7	110.3
7 Current liabilities	451.6	492.7	546.8	593.5	626.0	661.9	701.6	723.9	773.7	803.7
8 Notes and accounts payable	264.2	282.0	313.7	338.0	356.2	375.1	392.6	410.8	443.1	460.8
9 Other	187.4	210.6	233.1	255.6	269.7	286.8	309.0	313.2	330.6	342.8
10 Net working capital	307.4	333.6	354.1	360.6	366.6	366.2	377.0	386.7	395.9	396.3
11 MEMO: Current ratio ¹	1.681	1.677	1.648	1.608	1.586	1.553	1.537	1.534	1.512	1.493

1. Ratio of total current assets to total current liabilities.

NOTE: For a description of this series, see "Working Capital of Nonfinancial Corporations" in the July 1978 BULLETIN, pp. 533-37.

All data in this table reflect the most current benchmarks. Complete data are available upon request from the Flow of Funds Section, Division of Research and Statistics.

SOURCE: Federal Trade Commission.

1.52 BUSINESS EXPENDITURES on New Plant and Equipment

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

Industry	1978	1979	1979				1980			
			Q1	Q2	Q3	Q4	Q1	Q2 ²	Q3 ²	Q4 ²
1 All industries	153.82	177.09	165.94	173.48	179.33	186.95	191.36	191.00	195.54	199.41
<i>Manufacturing</i>										
2 Durable goods industries	31.66	38.23	34.00	36.86	39.72	41.30	42.30	42.18	43.70	44.06
3 Nondurable goods industries	35.96	40.69	37.56	39.56	40.50	43.88	45.01	44.64	47.28	48.07
<i>Nonmanufacturing</i>										
4 Mining	4.78	5.56	5.46	5.31	5.42	6.06	6.02	6.72	5.88	6.14
5 Transportation										
6 Railroad	3.32	3.93	4.02	3.66	4.03	4.20	4.40	3.80	3.58	4.16
7 Air	2.30	3.24	3.35	3.26	3.10	3.39	2.98	4.33	4.23	3.47
8 Other	2.43	2.95	2.71	2.79	3.16	3.15	2.94	3.03	3.17	3.58
Public utilities										
9 Electric	29.48	32.56	27.70	28.06	28.32	26.02	28.78	27.43	27.02	25.98
10 Gas and other	4.70	5.07	4.66	5.18	5.01	5.50	5.57	5.44	5.69	6.19
11 Communication	18.16	20.56	18.75	20.29	20.41	22.71	22.48	53.43	55.00	57.76
12 Commercial and other ¹	25.71	29.35	27.73	28.51	29.66	30.72	30.86			

1. Includes trade, service, construction, finance, and insurance.

2. Anticipated by business.

ture; real estate operators; medical, legal, educational, and cultural service; and nonprofit organizations.

NOTE: Estimates for corporate and noncorporate business, excluding agricul-

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

1.53 DOMESTIC FINANCE COMPANIES Assets and Liabilities

Billions of dollars, end of period

Account	1974	1975	1976	1977	1978	1979				1980
						Q1	Q2	Q3	Q4	Q1
ASSETS										
Accounts receivable, gross										
1 Consumer	36.1	36.0	38.6	44.0	52.6	54.9	58.7	62.3	65.7	67.7
2 Business	37.2	39.3	44.7	55.2	63.3	66.7	70.1	68.1	70.3	70.6
3 Total	73.3	75.3	83.4	99.2	116.0	121.6	128.8	130.4	136.0	138.4
4 Less: Reserves for unearned income and losses ...	9.0	9.4	10.5	12.7	15.6	16.5	17.7	18.7	20.0	20.4
5 Accounts receivable, net	64.2	65.9	72.9	86.5	100.4	105.1	111.1	111.7	116.0	118.0
6 Cash and bank deposits	3.0	2.9	2.6	2.6	3.5					
7 Securities .....	.4	1.0	1.1	.9	1.3	23.8 ¹	24.6	25.8	24.9	23.7
8 All other	12.0	11.8	12.6	14.3	17.3					
9 Total assets	79.6	81.6	89.2	104.3	122.4	128.9	135.8	137.4	140.9	141.7
LIABILITIES										
10 Bank loans	9.7	8.0	6.3	5.9	6.5	6.5	7.3	7.8	8.5	9.7
11 Commercial paper	20.7	22.2	23.7	29.6	34.5	38.1	41.0	39.2	43.3	40.8
Debt										
12 Short-term, n.e.c.	4.9	4.5	5.4	6.2	8.1	6.7	8.8	9.1	8.2	7.4
13 Long-term n.e.c.	26.5	27.6	32.3	36.0	43.6	44.5	46.0	47.5	46.7	48.9
14 Other	5.5	6.8	8.1	11.5	12.6	15.1	14.4	15.4	14.2	15.7
15 Capital, surplus, and undivided profits	12.4	12.5	13.4	15.1	17.2	18.0	18.2	18.4	19.9	19.2
16 Total liabilities and capital	79.6	81.6	89.2	104.3	122.4	128.9	135.8	137.4	140.9	141.7

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

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

1.54 DOMESTIC FINANCE COMPANIES Business Credit

Millions of dollars, seasonally adjusted except as noted

Type	Accounts receivable outstanding Apr. 30, 1980 ¹	Changes in accounts receivable			Extensions			Repayments		
		1980			1980			1980		
		Feb.	Mar.	Apr.	Feb.	Mar.	Apr.	Feb.	Mar.	Apr.
1 Total	70,921	302	-5	277	17,843	17,370	14,754	17,541	17,375	14,477
2 Retail automotive (commercial vehicles)	14,586	24	-250	-364	1,172	952	844	1,148	1,202	1,208
3 Wholesale automotive	12,831	-315	-415	39	5,339	4,917	4,502	5,654	5,332	4,463
4 Retail paper on business, industrial and farm equipment	19,823	419	680	403	1,529	1,614	1,304	1,110	934	901
5 Loans on commercial accounts receivable and factored commercial accounts receivable	7,366	111	153	-233	7,782	7,908	6,269	7,671	7,755	6,502
6 All other business credit	16,315	63	-173	432	2,021	1,979	1,835	1,958	2,152	1,403

1. Not seasonally adjusted.

1.55 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

Item	1976	1977	1978	1979	1980				
				Dec.	Jan.	Feb.	Mar.	Apr.	May
	Terms and yields in primary and secondary markets								
PRIMARY MARKETS									
Conventional mortgages on new homes									
Terms ¹									
1 Purchase price (thousands of dollars)	48.4	54.3	62.6	79.4	76.9	79.8	77.7	83.1	88.0
2 Amount of loan (thousands of dollars)	35.9	40.5	45.9	56.0	54.4	56.6	55.1	59.4	61.3
3 Loan/price ratio (percent)	74.2	76.3	75.3	72.9	73.0	72.5	72.0	73.6	72.4
4 Maturity (years)	27.2	27.9	28.0	28.8	28.1	28.8	27.4	28.3	28.8
5 Fees and charges (percent of loan amount) ²	1.44	1.33	1.39	1.85	2.11	1.79	1.98	2.04	2.17
6 Contract rate (percent per annum)	8.76	8.80	9.30	11.30	11.48	11.60	12.25	12.64	13.26
Yield (percent per annum)									
7 FHLBB series ³	8.99	9.01	9.54	11.64	11.87	11.93	12.62	13.03	13.68
8 HUD series ⁴	8.99	8.95	9.68	12.50	12.80	14.10	16.05	15.55	13.20
SECONDARY MARKETS									
Yield (percent per annum)									
9 FHA mortgages (HUD series) ⁵	8.82	8.68	9.70	12.24	12.60	n.a.	14.63	13.45	11.99
10 GNMA securities ⁶	8.17	8.04	8.98	11.35	11.94	13.16	13.79	12.55	11.30
FNMA auctions ⁷									
11 Government-underwritten loans	8.99	8.73	9.77	12.48	12.90	14.48	15.64	14.61	12.87
12 Conventional loans	9.11	8.98	10.01	12.98	13.20	14.12	16.62	16.29	13.54
	Activity in secondary markets								
FEDERAL NATIONAL MORTGAGE ASSOCIATION									
Mortgage holdings (end of period)									
13 Total	32,904	34,370	43,311	51,091	52,106	53,063	53,990	54,843	55,328
14 FHA-insured	18,916	18,457	21,243	24,489	24,906	25,146	n.a.	n.a.	n.a.
15 VA-guaranteed	9,212	9,315	10,544	10,496	10,653	10,885	n.a.	n.a.	n.a.
16 Conventional	4,776	6,597	11,524	16,106	16,546	16,853	17,079	17,453	17,858
Mortgage transactions (during period)									
17 Purchases	3,606	4,780	12,303	893	1,163	1,087 ^r	1,063	1,021	589
18 Sales	86	67	5	0	0	0	0	0	0
Mortgage commitments ⁸									
19 Contracted (during period)	6,247	9,729	18,960	402	508	999	825	507	391
20 Outstanding (end of period)	3,398	4,698	9,201	6,409	5,671	5,504	5,078	4,371	4,064
Auction of 4-month commitments to buy									
Government-underwritten loans									
21 Offered ⁹	4,929.8	7,974.1	12,978	649.2	516.0	1,169.4	1,267.3	493.7	608.7
22 Accepted	2,787.2	4,846.2	6,747.2	249.3	213.8	563.7	426.1	199.4	214.1
Conventional loans									
23 Offered ⁹	2,595.7	5,675.2	9,933.0	413.2	443.1	412.1	918.6	135.2	279.7
24 Accepted	1,879.2	3,917.8	5,110.9	152.4	247.2	147.8	239.9	65.8	109.1
FEDERAL HOME LOAN MORTGAGE CORPORATION									
Mortgage holdings (end of period) ¹⁰									
25 Total	4,269	3,276	3,064	4,035	4,124	4,145	4,235	4,255	4,031
26 FHA/VA	1,618	1,395	1,243	1,102	1,098	1,092	1,086	1,080	1,076
27 Conventional	2,651	1,881	1,822	2,933	3,026	3,052	3,149	3,175	2,955
Mortgage transactions (during period)									
28 Purchases	1,175	3,900	6,524	403	280	248	193	231	176
29 Sales	1,396	4,131	6,211	361	180	207	106	199	391
Mortgage commitments ¹¹									
30 Contracted (during period)	1,477	5,546	7,451	199	296	197	186	189	491
31 Outstanding (end of period)	333	1,063	1,410	797	779	726	700	643	932

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups. Compiled by the Federal Home Loan Bank Board in cooperation with the Federal Deposit Insurance Corporation.

2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) in order to obtain a loan.

3. Average effective interest rates on loans closed, assuming prepayment at the end of 10 years.

4. Average contract rates on new commitments for conventional first mortgages, rounded to the nearest 5 basis points; from Department of Housing and Urban Development.

5. Average gross yields on 30-year, minimum-downpayment, Federal Housing Administration-insured first mortgages for immediate delivery in the private secondary market. Any gaps in data are due to periods of adjustment to changes in maximum permissible contract rates.

6. Average net yields to investors on Government National Mortgage Association guaranteed, mortgage-backed, fully modified pass-through

securities, assuming prepayment in 12 years on pools of 30-year FHA/VA mortgages carrying the prevailing ceiling rate. Monthly figures are unweighted averages of Monday quotations for the month.

7. Average gross yields (before deduction of 38 basis points for mortgage servicing) on accepted bids in Federal National Mortgage Association's auctions of 4-month commitments to purchase home mortgages, assuming prepayment in 12 years for 30-year mortgages. No adjustments are made for FNMA commitment fees or stock related requirements. Monthly figures are unweighted averages for auctions conducted within the month.

8. Includes some multifamily and nonprofit hospital loan commitments in addition to 1- to 4-family loan commitments accepted in FNMA's free market auction system, and through the FNMA-GNMA tandem plans.

9. Mortgage amounts offered by bidders are total bids received.

10. Includes participation as well as whole loans.

11. Includes conventional and government-underwritten loans.

1.56 MORTGAGE DEBT OUTSTANDING

Millions of dollars, end of period

Type of holder, and type of property	1977	1978	1979	1979				1980
				Q1	Q2	Q3	Q4	
1 All holders	1,023,505	1,172,754	1,333,550^r	1,206,213	1,252,426	1,295,935^r	1,333,550^r	1,362,802
2 1- to 4-family	656,566	761,843	872,068 ^r	784,546	816,940	846,287 ^r	872,068 ^r	890,189
3 Multifamily	111,841	121,972	130,713 ^r	123,965	125,916	128,270 ^r	130,713 ^r	132,795
4 Commercial	189,274	212,746	238,412 ^r	217,495	224,499	232,208 ^r	238,412 ^r	243,839
5 Farm	65,824	76,193	92,357 ^r	80,207	85,071	89,170 ^r	92,357 ^r	95,979
6 Major financial institutions	745,011	848,095	939,487 ^r	865,974	894,385	920,231 ^r	939,487 ^r	951,898
7 Commercial banks ¹	178,979	213,963	245,998 ^r	220,063	229,564	239,627 ^r	245,998 ^r	251,198
8 1- to 4-family	105,115	126,966	145,975 ^r	130,585	136,223	142,195 ^r	145,975 ^r	149,061
9 Multifamily	9,215	10,912	12,546 ^r	11,223	11,708	12,221 ^r	12,546 ^r	12,811
10 Commercial	56,898	67,056	77,096 ^r	68,968	71,945	75,099 ^r	77,096 ^r	78,725
11 Farm	7,751	9,029	10,381 ^r	9,287	9,688	10,112 ^r	10,381 ^r	10,601
12 Mutual savings banks	88,104	95,157	98,908 ^r	96,136	97,155	97,929	98,908 ^r	99,151
13 1- to 4-family	57,637	62,252	64,706 ^r	62,892	63,559	64,065	64,706 ^r	64,865
14 Multifamily	15,304	16,529	17,180 ^r	16,699	16,876	17,010	17,180 ^r	17,223
15 Commercial	15,110	16,319	16,963 ^r	16,488	16,662	16,795	16,963 ^r	17,004
16 Farm	53	57	59	57	58	59	59	59
17 Savings and loan associations	381,163	432,808	475,797	441,358	456,543	468,307	475,797	479,078
18 1- to 4-family	310,686	356,114	394,436	363,723	377,516	387,992	394,436	397,156
19 Multifamily	32,513	36,053	37,588	36,677	37,071	37,277	37,588	37,847
20 Commercial	37,964	40,641	43,773	40,958	41,956	43,038	43,773	44,075
21 Life insurance companies	96,765	106,167	118,784	108,417	111,123	114,368	118,784	122,471
22 1- to 4-family	14,727	14,436	16,193	14,507	14,489	14,884	16,193	16,850
23 Multifamily	18,807	19,000	19,274	19,080	19,102	19,107	19,274	19,590
24 Commercial	54,388	62,232	71,137	63,908	66,055	68,513	71,137	73,618
25 Farm	8,843	10,499	12,180	10,922	11,477	11,864	12,180	12,413
26 Federal and related agencies	70,006	81,853	97,293	86,689	90,095	93,143	97,293	104,045
27 Government National Mortgage Association	3,660	3,509	3,852	3,448	3,425	3,382	3,852	3,919
28 1- to 4-family	1,548	877	763	821	800	780	763	749
29 Multifamily	2,112	2,632	3,089	2,627	2,625	2,602	3,089	3,170
30 Farmers Home Administration	1,353	926	1,274	956	1,200	1,383	1,274	2,757
31 1- to 4-family	626	288	417	302	363	417	417	1,139
32 Multifamily	275	320	71	180	75	299	71	408
33 Commercial	149	101	174	283	278	262	174	409
34 Farm	303	217	612	191	484	659	612	801
35 Federal Housing and Veterans Administration	5,212	5,419	5,764	5,522	5,597	5,672	5,764	5,833
36 1- to 4-family	1,627	1,641	1,863	1,693	1,744	1,863	1,863	1,908
37 Multifamily	3,585	3,778	3,901	3,829	3,853	3,877	3,901	3,925
38 Federal National Mortgage Association	34,369	43,311	51,091	46,410	48,206	49,173	51,091	53,990
39 1- to 4-family	28,504	37,579	45,488	40,702	42,543	43,534	45,488	48,394
40 Multifamily	5,865	5,732	5,603	5,708	5,663	5,639	5,603	5,596
41 Federal Land Banks	22,136	25,624	31,277	26,893	28,459	29,804	31,277	33,311
42 1- to 4-family	670	927	1,552	1,042	1,198	1,374	1,552	1,708
43 Farm	21,466	24,697	29,725	25,851	27,261	28,430	29,725	31,603
44 Federal Home Loan Mortgage Corporation	3,276	3,064	4,035	3,460	3,208	3,729	4,035	4,235
45 1- to 4-family	2,738	2,407	3,059	2,685	2,489	2,850	3,059	3,210
46 Multifamily	538	657	976	775	719	879	976	1,025
47 Mortgage pools or trusts ²	70,289	88,633	119,278	94,551	102,259	110,648	119,278	124,097
48 Government National Mortgage Association	44,896	54,347	76,401	57,955	63,000	69,357	76,401	80,905
49 1- to 4-family	43,555	52,732	74,546	56,269	61,246	67,535	74,546	78,934
50 Multifamily	1,341	1,615	1,855	1,686	1,754	1,822	1,855	1,971
51 Federal Home Loan Mortgage Corporation	6,610	11,892	15,180	12,467	13,708	14,421	15,180	15,454
52 1- to 4-family	5,621	9,657	12,149	10,088	11,096	11,568	12,149	12,359
53 Multifamily	989	2,235	3,031	2,379	2,612	2,853	3,031	3,095
54 Farmers Home Administration	18,783	22,394	27,697	24,129	25,551	26,870	27,697	27,738
55 1- to 4-family	11,397	13,400	14,884	13,883	14,329	14,972	14,884	14,926
56 Multifamily	759	1,116	2,163	1,465	1,764	1,763	2,163	2,159
57 Commercial	2,945	3,560	4,328	3,660	3,833	4,054	4,328	4,495
58 Farm	3,682	4,318	6,322	5,121	5,625	6,081	6,322	6,158
59 Individual and others ³	138,199	154,173	177,492 ^r	158,999	165,687	171,913 ^r	177,492 ^r	182,762
60 1- to 4-family	72,115	82,567	96,037 ^r	85,354	89,345	92,580 ^r	96,037 ^r	98,930
61 Multifamily	20,538	21,393	23,436 ^r	21,637	22,094	22,921 ^r	23,436 ^r	23,975
62 Commercial	21,820	22,837	24,941 ^r	23,230	23,770	24,447 ^r	24,941 ^r	25,513
63 Farm	23,726	27,376	33,078 ^r	28,778	30,478	31,965 ^r	33,078 ^r	34,344

1. Includes loans held by nondeposit trust companies but not bank trust departments.

2. Outstanding principal balances of mortgages backing securities insured or guaranteed by the agency indicated.

3. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and U.S. agencies for which amounts are small or separate data are not readily available.

NOTE. Based on data from various institutional and governmental sources, with some quarters estimated in part by the Federal Reserve in conjunction with the Federal Home Loan Bank Board and the Department of Commerce. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations when required, are estimated mainly by the Federal Reserve. Multifamily debt refers to loans on structures of five or more units.

1.57 CONSUMER INSTALLMENT CREDIT¹ Total Outstanding, and Net Change

Millions of dollars

Holder, and type of credit	1977	1978	1979	1979		1980				
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
Amounts outstanding (end of period)										
1 Total	230,829	275,629	311,122	307,641	311,122	308,984	308,190	307,621	306,131	303,759
By major holder										
2 Commercial banks	112,373	136,189	149,604	149,057	149,604	148,868	148,249	147,315	145,405	143,174
3 Finance companies	44,868	54,298	68,318	67,164	68,318	68,724	69,545	70,421	71,545	72,101
4 Credit unions	37,605	45,939	48,186	48,673	48,186	47,270	46,707	46,521	45,731	44,907
5 Retailers ²	23,490	24,876	27,916	25,732	27,916	26,985	26,309	25,841	25,746	25,792
6 Savings and loans	7,354	8,394	10,361	10,241	10,361	10,320	10,543	10,755	10,887	10,930
7 Gasoline companies	2,963	3,240	4,316	4,281	4,316	4,433	4,467	4,421	4,503	4,581
8 Mutual savings banks	2,176	2,693	2,421	2,493	2,421	2,384	2,370	2,347	2,314	2,274
By major type of credit										
9 Automobile	82,911	102,468	115,022	115,121	115,022	114,761	115,007	115,281	115,014	114,318
10 Commercial banks	49,577	60,564	65,229	65,646	65,229	64,824	64,544	64,047	62,978	61,928
11 Indirect paper	27,379	33,850	37,209	37,334	37,209	37,020	36,949	36,821	36,325	35,791
12 Direct loans	22,198	26,714	28,020	28,312	28,020	27,804	27,595	27,226	26,653	26,137
13 Credit unions	18,099	21,967	23,042	23,275	23,042	22,604	22,335	22,246	21,868	21,474
14 Finance companies	15,235	19,937	26,751	26,200	26,751	27,333	28,128	28,988	30,168	30,916
15 Revolving	39,274	47,051	55,330	52,060	55,330	54,420	53,522	52,662	52,217	51,823
16 Commercial banks	18,374	24,434	28,954	27,827	28,954	28,841	28,575	28,241	27,889	27,456
17 Retailers	17,937	19,377	22,060	19,952	22,060	21,146	20,480	20,000	19,825	19,786
18 Gasoline companies	2,963	3,240	4,316	4,281	4,316	4,433	4,467	4,421	4,503	4,581
19 Mobile home	15,141	16,042	17,409	17,349	17,409	17,387	17,476	17,596	17,668	17,642
20 Commercial banks	9,124	9,553	9,991	10,036	9,991	9,968	9,974	9,978	9,965	9,927
21 Finance companies	3,077	3,152	3,390	3,321	3,390	3,415	3,428	3,475	3,523	3,529
22 Savings and loans	2,538	2,848	3,516	3,475	3,516	3,502	3,578	3,650	3,694	3,709
23 Credit unions	402	489	512	517	512	502	496	494	486	477
24 Other	93,503	110,068	123,361	123,111	123,361	122,416	122,185	122,082	121,232	119,976
25 Commercial banks	35,298	41,638	45,430	45,548	45,430	45,235	45,156	45,049	44,573	43,863
26 Finance companies	26,556	31,209	38,177	37,643	38,177	37,976	37,989	37,958	37,854	37,656
27 Credit unions	19,104	23,483	24,632	24,881	24,632	24,164	23,876	23,781	23,377	22,956
28 Retailers	5,553	5,499	5,856	5,780	5,856	5,839	5,829	5,841	5,921	6,006
29 Savings and loans	4,816	5,546	6,845	6,766	6,845	6,818	6,965	7,106	7,193	7,221
30 Mutual savings banks	2,176	2,693	2,421	2,493	2,421	2,384	2,370	2,347	2,314	2,274
Net change (during period) ³										
31 Total	35,278	44,810	35,491	2,407	1,349	1,372	2,295	1,437	-1,985	-3,434
By major holder										
32 Commercial banks	18,645	23,813	13,414	283	218	433	783	17	-2,237	-2,495
33 Finance companies	5,948	9,430	14,020	1,340	1,087	1,096	1,376	1,174	984	105
34 Credit unions	6,436	8,334	2,247	-44	-455	-324	-373	-215	-743	-977
35 Retailers ²	2,654	1,386	3,040	477	282	120	53	243	-65	-58
36 Savings and loans	1,111	1,041	1,967	143	165	7	306	204	83	75
37 Gasoline companies	132	276	1,076	218	115	50	166	48	14	-42
38 Mutual savings banks	352	530	-273	-10	-63	-10	-16	-34	-21	-42
By major type of credit										
39 Automobile	15,204	19,557	12,554	533	682	972	881	395	-645	-1,343
40 Commercial banks	9,956	10,987	4,665	-76	122	83	22	-412	-1,335	-1,246
41 Indirect paper	5,307	6,471	3,359	40	260	72	48	-86	-698	-626
42 Direct loans	4,649	4,516	1,306	-116	-138	11	-26	-326	-637	-620
43 Credit unions	2,861	3,868	1,075	-24	-213	-134	-177	-82	-373	-482
44 Finance companies	2,387	4,702	6,814	633	773	1,023	1,036	889	1,063	385
45 Revolving	6,248	7,776	8,279	799	432	289	575	611	-388	-488
46 Commercial banks	4,015	6,060	4,520	136	24	109	383	395	-260	-308
47 Retailers	2,101	1,440	2,683	445	293	130	26	168	-142	-138
48 Gasoline companies	132	276	1,076	218	115	50	166	48	14	-42
49 Mobile home	565	897	1,366	103	108	120	198	128	36	-33
50 Commercial banks	387	426	437	33	-22	68	57	17	-30	-54
51 Finance companies	-189	74	238	19	84	48	32	57	41	5
52 Savings and loans	297	310	668	52	51	10	115	57	33	23
53 Credit unions	70	87	23	-1	-5	-6	-6	-3	-8	-7
54 Other	13,261	16,580	13,292	972	127	-9	641	303	-988	-1,570
55 Commercial banks	4,287	6,340	3,792	190	94	173	321	17	-612	-887
56 Finance companies	3,750	4,654	6,968	688	230	25	308	228	-120	-285
57 Credit unions	3,505	4,379	1,149	-19	-237	-184	-190	-130	-362	-488
58 Retailers	553	-54	357	32	-11	-10	27	75	77	80
59 Savings and loans	814	731	1,299	91	114	-3	191	147	50	52
60 Mutual savings banks	352	530	-273	-10	-63	-10	-16	-34	-21	-42

1. The Board's series cover most short- and intermediate-term credit extended to individuals through regular business channels, usually to finance the purchase of consumer goods and services or to refinance debts incurred for such purposes, and scheduled to be repaid (or with the option of repayment) in two or more installments.

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

3. Net change equals extensions minus liquidations (repayments, charge-offs, and other credit); figures for all months are seasonally adjusted.

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 \$70.9 billion at the end of 1979, \$64.7 billion at the end of 1978, \$58.6 billion at the end of 1977, and \$55.4 billion at the end of 1976.

1.58 CONSUMER INSTALLMENT CREDIT Extensions and Liquidations

Millions of dollars: monthly data are seasonally adjusted.

Holder, and type of credit	1977	1978	1979	1979		1980				
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
	Extensions									
1 Total	254,071	298,351	322,558	26,464	25,671	26,702	27,076	26,620	22,548	21,239
By major holder										
2 Commercial banks	117,896	142,720	149,599	11,738	11,370	12,126	12,004	11,315	9,338	8,812
3 Finance companies	41,989	50,505	61,518	5,105	5,249	5,540	5,639	5,700	4,841	4,304
4 Credit unions	34,028	40,023	36,778	2,808	2,396	2,527	2,495	2,501	1,865	1,615
5 Retailers ¹	39,133	41,619	46,092	4,161	4,054	4,010	4,042	4,358	3,870	3,880
6 Savings and loans	4,485	5,050	7,333	606	632	485	775	665	555	536
7 Gasoline companies	14,617	16,125	19,607	1,913	1,895	1,889	2,004	1,987	1,978	2,011
8 Mutual savings banks	1,923	2,309	1,631	133	75	125	117	94	101	81
By major type of credit										
9 Automobile	75,641	88,987	91,847	7,066	7,131	7,780	7,659	7,240	5,725	5,192
10 Commercial banks	46,363	53,028	50,596	3,640	3,808	4,026	3,936	3,394	2,398	2,354
11 Indirect paper	25,149	29,336	28,183	2,009	2,181	2,154	2,096	1,978	1,433	1,353
12 Direct loans	21,214	23,692	22,413	1,631	1,627	1,872	1,840	1,416	965	1,001
13 Credit unions	16,616	19,486	18,301	1,399	1,223	1,348	1,338	1,306	962	838
14 Finance companies	12,662	16,473	22,950	2,027	2,100	2,406	2,385	2,540	2,365	2,000
15 Revolving	86,756	104,587	120,728	10,613	10,196	10,475	10,458	11,038	10,293	10,089
16 Commercial banks	38,256	51,531	60,406	5,014	4,683	5,030	4,920	5,200	4,929	4,745
17 Retailers	33,883	36,931	40,715	3,686	3,618	3,556	3,534	3,851	3,386	3,333
18 Gasoline companies	14,617	16,125	19,607	1,913	1,895	1,889	2,004	1,987	1,978	2,011
19 Mobile home	5,425	6,067	6,395	515	490	558	597	506	436	324
20 Commercial banks	3,466	3,704	3,720	294	245	351	304	263	220	166
21 Finance companies	643	886	797	69	97	87	80	90	84	52
22 Savings and loans	1,120	1,239	1,687	139	140	112	207	143	128	103
23 Credit unions	196	238	191	13	8	8	6	10	4	3
24 Other	86,249	98,710	103,588	8,270	7,854	7,889	8,362	7,836	6,094	5,634
25 Commercial banks	29,811	34,457	34,877	2,790	2,634	2,719	2,844	2,458	1,791	1,547
26 Finance companies	28,684	33,146	37,771	3,009	3,052	3,047	3,174	3,070	2,392	2,252
27 Credit unions	17,216	20,299	18,286	1,396	1,165	1,171	1,151	1,185	899	774
28 Retailers	5,250	4,688	5,377	475	436	454	508	507	484	547
29 Savings and loans	3,365	3,811	5,646	467	492	373	568	522	427	433
30 Mutual savings banks	1,923	2,309	1,631	133	75	125	117	94	101	81
	Liquidations									
31 Total	218,793	253,541	287,067	24,057	24,322	25,330	24,781	25,183	24,533	24,673
By major holder										
32 Commercial banks	99,251	118,907	136,185	11,455	11,152	11,693	11,221	11,298	11,575	11,307
33 Finance companies	36,041	41,075	47,498	3,765	4,162	4,444	4,263	4,526	3,857	4,199
34 Credit unions	27,592	31,689	34,531	2,852	2,851	2,851	2,868	2,716	2,608	2,592
35 Retailers ¹	36,479	40,233	43,052	3,684	3,772	3,890	3,989	4,115	3,935	3,938
36 Savings and loans	3,374	4,009	5,366	463	467	478	469	461	472	461
37 Gasoline companies	14,485	15,849	18,531	1,695	1,780	1,839	1,838	1,939	1,964	2,053
38 Mutual savings banks	1,571	1,779	1,904	143	138	135	133	128	122	123
By major type of credit										
39 Automobile	60,437	69,430	79,293	6,533	6,449	6,808	6,778	6,845	6,370	6,535
40 Commercial banks	36,407	42,041	45,931	3,716	3,686	3,943	3,914	3,806	3,733	3,600
41 Indirect paper	19,842	22,865	24,824	1,969	1,921	2,082	2,048	2,064	2,131	1,979
42 Direct loans	16,565	19,176	21,107	1,747	1,765	1,861	1,866	1,742	1,602	1,621
43 Credit unions	13,755	15,618	17,226	1,423	1,436	1,482	1,515	1,388	1,335	1,320
44 Finance companies	10,275	11,771	16,136	1,394	1,327	1,383	1,349	1,651	1,302	1,615
45 Revolving	80,508	96,811	112,449	9,814	9,764	10,186	9,883	10,427	10,681	10,577
46 Commercial banks	34,241	45,471	55,886	4,878	4,659	4,921	4,537	4,805	5,189	5,053
47 Retailers	31,782	35,491	38,032	3,241	3,325	3,426	3,508	3,683	3,528	3,471
48 Gasoline companies	14,485	15,849	18,531	1,695	1,780	1,839	1,838	1,939	1,964	2,053
49 Mobile home	4,860	5,170	5,029	412	382	438	399	378	400	357
50 Commercial banks	3,079	3,278	3,283	261	267	283	247	246	250	220
51 Finance companies	832	812	559	50	13	39	48	33	43	47
52 Savings and loans	823	929	1,019	87	89	102	92	86	95	80
53 Credit unions	126	151	168	14	13	14	12	13	12	10
54 Other	72,988	82,130	90,296	7,298	7,727	7,898	7,721	7,533	7,082	7,204
55 Commercial banks	25,524	28,117	31,085	2,600	2,540	2,546	2,523	2,441	2,403	2,434
56 Finance companies	24,934	28,492	30,803	2,321	2,822	3,022	2,866	2,842	2,512	2,537
57 Credit unions	13,711	15,920	17,137	1,415	1,402	1,355	1,341	1,315	1,261	1,262
58 Retailers	4,697	4,742	5,020	443	447	464	481	432	407	467
59 Savings and loans	2,551	3,080	4,347	376	378	376	377	375	377	381
60 Mutual savings banks	1,571	1,779	1,904	143	138	135	133	128	122	123

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

1.59 FUNDS RAISED IN U.S. CREDIT MARKETS

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

Transaction category, sector	1974	1975	1976	1977	1978	1979	1977		1978		1979	
							H1	H2	H1	H2	H1	H2
Nonfinancial sectors												
1 Total funds raised	191.3	210.8	271.9	338.5	400.3	395.2	298.1	378.9	384.5	416.1	383.2	408.5
2 Excluding equities	187.4	200.7	261.1	335.4	398.2	390.9	296.9	373.8	387.1	409.3	380.5	402.5
By sector and instrument												
3 U.S. government	11.8	85.4	69.0	56.8	53.7	37.4	46.1	67.4	61.4	46.0	27.3	47.4
4 Treasury securities	12.0	85.8	69.1	57.6	55.1	38.8	46.7	68.6	62.3	47.9	29.6	47.9
5 Agency issues and mortgages	-2	-4	-1	-9	-1.4	-1.4	-6	-1.2	-9	-1.9	-2.3	-
6 All other nonfinancial sectors	179.5	125.4	202.9	281.8	346.6	357.9	252.0	311.5	323.1	370.2	355.9	361.2
7 Corporate equities	3.8	10.1	10.8	3.1	2.1	4.4	1.2	5.1	-2.6	6.8	2.7	6.0
8 Debt instruments	175.6	115.3	192.0	278.6	344.5	353.5	250.8	306.4	325.7	363.4	353.2	355.2
9 Private domestic nonfinancial sectors	164.1	112.1	182.0	267.9	314.4	335.9	241.5	294.2	302.5	326.3	340.2	333.1
10 Corporate equities	4.1	9.9	10.5	2.7	2.6	3.5	5	4.9	-1.8	7.0	2.8	4.1
11 Debt instruments	160.0	102.1	171.5	265.1	311.8	332.4	241.0	289.3	304.3	319.2	337.4	329.0
12 Debt capital instruments	98.0	98.4	123.5	175.6	196.6	201.9	158.7	192.5	188.0	205.1	202.6	201.5
13 State and local obligations	16.5	16.1	15.7	23.7	28.3	21.4	22.3	25.0	27.8	28.7	17.4	25.3
14 Corporate bonds	19.7	27.2	22.8	21.0	20.1	21.2	16.6	25.4	20.6	19.6	23.2	19.4
Mortgages												
15 Home	34.8	39.5	63.7	96.4	104.5	110.2	89.7	103.1	99.8	109.2	111.0	109.4
16 Multifamily residential	6.9	-	1.8	7.4	10.2	8.9	6.4	8.4	9.3	11.2	8.1	9.8
17 Commercial	15.1	11.0	13.4	18.4	23.3	25.2	14.8	21.9	21.2	25.4	25.7	24.7
18 Farm	5.0	4.6	6.1	8.8	10.2	15.0	9.0	8.7	9.3	11.1	17.1	13.0
19 Other debt instruments	62.0	3.8	48.0	89.5	115.2	130.5	82.3	96.7	116.3	114.1	134.8	127.4
20 Consumer credit	9.9	9.7	25.6	40.6	50.6	42.3	36.6	44.5	50.1	51.0	47.3	37.2
21 Bank loans n.e.c.	31.7	-12.3	4.0	27.0	37.3	50.0	27.3	26.7	43.1	31.4	47.7	53.5
22 Open market paper	6.6	-2.6	4.0	2.9	5.2	10.9	3.4	2.4	5.3	5.1	10.8	10.9
23 Other	13.7	9.0	14.4	19.0	22.2	27.3	14.9	23.2	17.8	26.5	29.0	25.8
24 By borrowing sector	164.1	112.1	182.0	267.9	314.4	335.9	241.5	294.2	302.5	326.3	340.2	333.1
25 State and local governments	15.5	13.7	15.2	20.4	23.6	18.0	15.7	25.0	21.0	26.1	14.4	21.6
26 Households	51.2	49.5	90.7	139.9	162.6	164.2	129.4	150.4	156.1	169.1	167.7	160.5
27 Farm	8.0	8.8	10.9	14.7	18.1	24.6	15.7	13.8	15.3	20.8	23.4	25.8
28 Nonfarm noncorporate	7.7	2.0	5.4	12.5	15.4	15.5	13.4	12.5	16.3	14.5	15.0	16.1
29 Corporate	81.7	38.1	59.8	80.3	94.7	113.6	67.3	92.4	93.7	95.8	119.6	109.2
30 Foreign	15.4	13.3	20.8	13.9	32.3	22.0	10.5	17.3	20.6	43.9	15.7	28.1
31 Corporate equities	-2	-2	3	4	-5	9	-6	-2	-8	-2	-1	1.9
32 Debt instruments	15.7	13.2	20.5	13.5	32.8	21.1	9.9	17.1	21.4	44.1	15.8	26.2
33 Bonds	2.1	6.2	8.6	5.1	4.0	4.1	4.4	5.7	5.0	3.0	3.5	4.7
34 Bank loans n.e.c.	4.7	3.9	6.8	3.1	18.3	2.9	-4	6.5	9.3	27.3	3.1	2.3
35 Open market paper	7.3	3	1.9	2.4	6.6	11.2	2.7	2.2	3.6	9.6	6.1	16.3
36 U.S. government loans	1.6	2.8	3.3	3.0	3.9	3.0	3.1	2.9	3.6	4.2	3.1	2.8
Financial sectors												
37 Total funds raised	39.2	12.7	24.1	54.0	81.4	86.2	47.7	60.3	80.7	82.1	87.9	84.5
By instrument												
38 U.S. government related	23.1	13.5	18.6	26.3	41.4	52.4	22.6	29.9	38.5	44.3	45.9	58.9
39 Sponsored credit agency securities	16.6	2.3	3.3	7.0	23.1	24.3	7.1	6.8	21.9	24.3	21.7	26.8
40 Mortgage pool securities	5.8	10.3	15.7	20.5	18.3	28.1	17.9	23.1	16.6	20.1	24.2	32.0
41 Loans from U.S. government	-7	9	-4	-1.2	0	0	-2.3	0	0	0	0	0
42 Private financial sectors	16.2	-8	5.5	27.7	40.0	33.8	25.1	30.4	42.2	37.8	41.9	25.7
43 Corporate equities	3	6	1.0	9	1.7	9	9	8	2.2	1.1	2.7	-1.0
44 Debt instruments	15.9	-1.4	4.4	26.9	38.3	32.9	24.2	29.6	40.0	36.7	39.2	26.7
45 Corporate bonds	2.1	2.9	5.8	10.1	7.5	6.9	10.2	10.1	8.5	6.4	8.9	5.0
46 Mortgages	-1.3	2.3	2.1	3.1	9	-1.2	3.1	3.0	2.1	-3	-4	-1.9
47 Bank loans n.e.c.	4.6	-3.7	-3.7	-3	2.8	-4	-1.8	1.2	2.5	3.1	-1.4	5
48 Open market paper and repurchase agreements	3.8	1.1	2.2	9.6	14.6	18.4	9.8	9.5	13.5	15.7	24.4	12.4
49 Loans from Federal Home Loan Banks	6.7	-4.0	-2.0	4.3	12.5	9.2	2.9	5.8	13.2	11.8	7.7	10.6
By sector												
50 Sponsored credit agencies	17.3	3.2	2.6	5.8	23.1	24.3	4.7	6.8	21.9	24.3	21.7	26.8
51 Mortgage pools	5.8	10.3	15.7	20.5	18.3	28.1	17.9	23.1	16.6	20.1	24.2	32.0
52 Private financial sectors	16.2	-8	5.5	27.7	40.0	33.8	25.1	30.4	42.2	37.8	41.9	25.7
53 Commercial banks	1.2	1.2	2.3	1.1	1.3	1.6	8	1.5	1.5	1.1	1.3	1.8
54 Bank affiliates	3.5	3	-8	1.3	6.7	4.5	1.3	1.2	5.8	7.6	6.2	2.9
55 Savings and loan associations	4.8	-2.3	1	9.9	14.3	9.8	8.3	11.5	16.4	12.2	9.9	9.7
56 Other insurance companies	9	1.0	9	9	1.1	1.0	9	1.0	1.0	1.1	1.0	9
57 Finance companies	6.0	5	6.4	17.6	18.6	19.2	16.7	18.5	18.9	18.2	24.3	14.2
58 REITs	6	-1.4	-2.4	-2.2	-1.0	-2	-2.4	-2.0	-1.0	-1.0	-5	1
59 Open-end investment companies	-7	-1	-1.0	-9	-1.0	-2.1	-6	-1.3	-5	-1.5	-3	-3.9
All sectors												
60 Total funds raised, by instrument	230.5	223.5	296.0	392.5	481.7	481.4	345.8	439.2	465.2	498.3	471.0	493.1
61 Investment company shares	-7	-1	-1.0	-9	-1.0	-2.1	-6	-1.3	-5	-1.5	-3	-3.9
62 Other corporate equities	4.8	10.8	12.9	4.9	4.7	7.3	2.6	7.2	9.4	5.7	8.9	8.9
63 Debt instruments	226.4	212.8	284.1	388.5	478.0	476.2	343.8	433.3	465.5	490.4	465.6	488.1
64 U.S. government securities	34.3	98.2	88.1	84.3	95.2	89.9	71.2	97.4	100.0	90.4	73.4	106.3
65 State and local obligations	16.5	16.1	15.7	23.7	28.3	21.4	22.3	25.0	27.8	28.7	17.4	25.3
66 Corporate and foreign bonds	23.9	36.4	37.2	36.1	31.6	32.2	31.2	41.1	34.2	29.1	35.5	29.1
67 Mortgages	60.5	57.2	87.1	134.0	149.0	158.1	122.9	145.1	141.6	156.4	161.4	154.8
68 Consumer credit	9.9	9.7	25.6	40.6	50.6	42.3	36.6	44.5	50.1	51.0	47.3	37.2
69 Bank loans n.e.c.	41.0	-12.2	7.0	29.8	58.4	52.5	25.1	34.4	54.9	61.8	49.5	56.3
70 Open market paper and RPs	17.7	-1.2	8.1	15.0	26.4	40.5	15.9	14.0	22.4	30.4	41.3	39.7
71 Other loans	22.7	8.7	15.3	25.2	38.6	39.5	18.5	31.8	34.6	42.5	39.8	39.2

1.60 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

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

Transaction category, or sector	1974	1975	1976	1977	1978	1979	1977		1978		1979	
							H1	H2	H1	H2	H1	H2
1 Total funds advanced in credit markets to nonfinancial sectors	187.4	200.7	261.1	355.4	398.2	390.9	296.9	373.8	387.1	409.3	380.5	402.5
<i>By public agencies and foreign</i>												
2 Total net advances	53.7	44.6	54.3	85.1	109.7	80.3	66.1	104.2	102.8	116.6	43.6	117.6
3 U.S. government securities	11.9	22.5	26.8	40.2	43.9	2.2	27.1	53.3	43.7	44.0	-27.5	32.1
4 Residential mortgages	14.7	16.2	12.8	20.4	26.5	36.1	18.9	22.0	22.2	30.7	33.7	38.5
5 FHLB advances to savings and loans	6.7	-4.0	-2.0	4.3	12.5	9.2	2.9	5.8	13.2	11.8	7.7	10.6
6 Other loans and securities	20.5	9.8	16.6	20.2	26.9	32.8	17.2	23.1	23.7	30.1	29.7	36.4
<i>Total advanced, by sector</i>												
7 U.S. government	9.8	15.1	8.9	11.8	20.4	22.6	5.9	17.8	19.4	21.4	24.3	20.9
8 Sponsored credit agencies	26.5	14.8	20.3	26.8	44.6	57.7	21.6	32.0	39.4	49.8	50.6	64.9
9 Monetary authorities	6.2	8.5	9.8	7.1	7.0	7.7	10.2	4.0	13.4	.5	-8	16.4
10 Foreign	11.2	6.1	15.2	39.4	37.7	-7.7	28.3	50.4	30.6	44.9	-30.4	15.4
11 Agency borrowing not included in line 1	23.1	13.5	18.6	26.3	41.4	52.4	22.6	29.9	38.5	44.3	45.9	58.9
<i>Private domestic funds advanced</i>												
12 Total net advances	156.8	169.7	225.4	276.5	330.0	363.0	253.5	299.6	322.8	337.1	382.8	343.8
13 U.S. government securities	22.4	75.7	61.3	44.1	51.3	87.6	44.1	44.1	56.3	46.4	100.9	74.2
14 State and local obligations	16.5	16.1	15.7	23.7	28.3	21.4	22.3	25.0	28.7	17.4	25.3	23.3
15 Corporate and foreign bonds	20.9	32.8	30.5	22.5	22.5	25.8	18.0	27.0	24.1	20.9	28.3	23.6
16 Residential mortgages	26.9	23.2	52.7	83.3	88.2	82.9	77.1	89.4	86.7	89.6	85.3	80.5
17 Other mortgages and loans	76.8	17.9	63.3	107.3	152.2	154.4	94.9	119.7	141.1	163.3	158.6	150.7
18 LESS: Federal Home Loan Bank advances	6.7	-4.0	-2.0	4.3	12.5	9.2	2.9	5.8	13.2	11.8	7.7	10.6
<i>Private financial intermediation</i>												
19 Credit market funds advanced by private financial institutions	125.5	122.5	190.3	255.9	296.9	293.0	249.1	265.0	301.7	292.0	314.4	272.9
20 Commercial banking	66.6	29.4	59.6	87.6	128.7	121.1	84.6	90.7	132.5	125.0	128.7	115.0
21 Savings institutions	24.2	53.5	70.8	82.0	75.9	54.6	81.4	82.6	75.8	75.9	57.8	51.4
22 Insurance and pension funds	29.8	40.6	49.9	67.9	73.5	72.9	65.2	70.6	76.9	70.2	75.4	70.5
23 Other finance	4.8	-1.0	10.0	18.4	18.7	44.3	18.0	21.2	16.6	20.8	52.5	36.1
24 Sources of funds	125.5	122.5	190.3	255.9	296.9	293.0	249.1	265.0	301.7	292.0	314.4	272.9
25 Private domestic deposits	67.5	92.0	124.6	141.2	142.5	135.5	138.6	143.8	138.3	146.7	118.4	152.0
26 Credit market borrowing	15.9	-1.4	4.4	26.9	38.3	32.9	24.2	29.6	40.0	36.7	39.2	26.7
27 Other sources	42.1	32.0	61.3	87.8	116.0	124.5	86.2	91.7	123.5	108.6	156.8	94.3
28 Foreign funds	10.3	-8.7	-4.6	1.2	6.3	26.3	1.6	8	5.7	6.9	53.2	-6
29 Treasury balances	-5.1	-1.7	-1	4.3	6.8	4	1	8.5	1.9	11.6	5.5	-4.7
30 Insurance and pension reserves	26.2	29.7	34.5	49.4	62.7	54.0	45.3	53.4	66.2	59.2	55.9	52.1
31 Other, net	10.6	12.7	31.4	32.9	40.3	43.8	39.3	29.0	49.6	31.0	42.2	47.4
<i>Private domestic nonfinancial investors</i>												
32 Direct lending in credit markets	47.2	45.8	39.5	47.5	71.4	102.9	28.6	64.1	61.1	81.7	107.6	97.5
33 U.S. government securities	18.9	24.1	16.1	23.0	33.2	56.2	11.9	34.2	32.1	34.4	64.4	47.5
34 State and local obligations	9.3	8.4	3.8	2.6	4.5	5	-5	5.7	7.0	2.0	0	-1
35 Corporate and foreign bonds	5.1	8.4	5.8	-3.3	-1.4	9.3	-1	-6.5	-3.7	1.0	8.2	10.6
36 Commercial paper	5.8	-1.3	1.9	9.5	16.3	10.7	8.2	10.8	8.2	24.4	10.4	10.6
37 Other	8.0	6.2	11.8	15.7	18.7	26.7	9.2	19.9	17.5	20.0	24.6	28.9
38 Deposits and currency	73.8	98.1	131.9	149.5	151.8	143.5	144.5	154.5	148.7	154.8	128.4	157.9
39 Security RPs	-2.2	2	2.3	2.2	7.5	6.6	4.3	2	9.8	5.1	18.5	-5.3
40 Money market fund shares	2.4	1.3	0	2	6.9	34.4	-5	9	6.1	7.7	30.2	38.6
41 Time and savings accounts	65.4	84.0	113.5	121.0	115.2	83.3	115.3	126.7	110.7	119.8	73.7	92.6
42 Large at commercial banks	18.4	-14.3	-13.6	9.0	10.8	-7	-4.5	22.6	10.1	11.4	-25.5	24.2
43 Other at commercial banks	25.3	38.8	57.9	43.0	43.3	39.3	47.5	38.4	42.1	44.5	43.7	34.7
44 At savings institutions	21.8	59.4	69.1	69.0	61.1	44.7	72.3	65.7	58.5	63.8	55.5	33.7
45 Money	8.2	12.6	16.1	26.1	22.2	19.1	25.4	26.8	22.1	22.3	6.0	32.0
46 Demand deposits	1.9	6.4	8.8	17.8	12.9	11.2	19.6	16.1	11.6	14.2	-4.0	26.1
47 Currency	6.3	6.2	7.3	8.3	9.3	7.9	5.8	10.8	10.5	8.1	10.0	5.9
48 Total of credit market instruments, deposits and currency	121.0	143.9	171.4	197.0	223.2	246.4	173.1	218.6	209.8	236.6	236.0	255.4
49 Public support rate (in percent)	28.7	22.2	20.8	25.4	27.5	20.5	22.2	27.9	26.5	28.5	11.5	29.2
50 Private financial intermediation (in percent)	80.0	72.2	84.4	92.5	90.0	80.7	98.2	88.5	93.5	86.6	82.1	79.4
51 Total foreign funds	21.5	-2.6	10.6	40.5	44.0	18.7	29.9	51.2	36.3	51.8	22.8	14.9
MEMO: Corporate equities not included above												
52 Total net issues	4.1	10.7	11.9	4.0	3.7	5.2	2.1	5.9	-4	7.9	5.4	5.0
53 Mutual fund shares	-7	-1	-1.0	-9	-1.0	-2.1	-6	-1.3	-5	-1.5	-3	-3.9
54 Other equities	4.8	10.8	12.9	4.9	4.7	7.3	2.6	7.2	1	9.4	5.7	8.9
55 Acquisitions by financial institutions	5.8	9.6	12.3	7.4	7.6	16.6	6.8	8.1	4	14.7	14.5	18.7
56 Other net purchases	-1.7	1.1	-4	-3.4	-3.8	-11.4	-4.7	-2.2	-8	-6.8	-9.1	-13.6

NOTES BY LINE NUMBER.

1. Line 2 of p. A-44.
2. Sum of lines 3-6 or 7-10.
6. Includes farm and commercial mortgages.
11. Credit market funds raised by federally sponsored credit agencies, and net issues of federally related mortgage pool securities. Included below in lines 3, 13, 33.
12. Line 1 less line 2 plus line 11. Also line 19 less line 26 plus line 32. Also sum of lines 27, 32, 39, 40, 41, and 46.
17. Includes farm and commercial mortgages.
25. Sum of lines 39, 40, 41, and 46.
26. Excludes equity issues and investment company shares. Includes line 18.
28. Foreign deposits at commercial banks, bank borrowings from foreign branches, and liabilities of foreign banking agencies to foreign affiliates.
29. Demand deposits at commercial banks.

30. Excludes net investment of these reserves in corporate equities.

31. Mainly retained earnings and net miscellaneous liabilities.

32. Line 12 less line 19 plus line 26.

33-37. Lines 13-17 less amounts acquired by private finance. Line 37 includes mortgages.

47. Mainly an offset to line 9.

48. Lines 32 plus 38, or line 12 less line 27 plus 45.

49. Line 2 line 1.

50. Line 19 line 12.

51. Sum of lines 10 and 28.

52. 54. Includes issues by financial institutions.

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

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

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

Measure	1977	1978	1979	1979		1980					
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
1 Industrial production¹	138.2	146.1	152.2	152.1	152.2	152.6	152.3	151.7	148.3	144.7	141.2
<i>Market groupings</i>											
2 Products, total	137.9	144.8	149.7	149.4	149.7	150.0	149.9	149.3	146.4	143.6	141.2
3 Final, total	135.9	142.2	147.0	146.6	147.0	147.0	147.4	147.1	145.0	142.7	140.8
4 Consumer goods	145.3	149.1	150.5	148.9	148.5	148.2	148.5	147.8	144.9	141.9	140.6
5 Equipment	123.0	132.8	142.2	143.6	145.0	145.4	146.0	146.1	145.2	143.8	141.2
6 Intermediate	145.1	154.1	160.0	159.8	159.9	160.8	159.3	157.7	151.5	146.8	142.3
7 Materials	138.6	148.3	156.0	156.4	156.2	156.7	155.9	155.4	151.2	146.4	141.3
<i>Industry groupings</i>											
8 Manufacturing	138.4	146.8	153.2	153.0	152.8	153.4	152.7	151.9	148.2	144.2	140.3
Capacity utilization (percent) ^{1,2}											
9 Manufacturing	81.9	84.4	85.7	84.6	84.3	84.4	83.8	83.1	80.8	78.4	76.1
10 Industrial materials industries	82.7	85.6	87.2	86.4	87.2	86.0	85.4	84.9	82.4	79.5	76.5
11 Construction contracts ³	160.5	174.3	.....	156.0	183.0	190.0	171.0	155.0	130.0	125.0	n.a.
12 Nonagricultural employment, total ⁴	125.3	131.4	136.0	137.6 ^r	137.8 ^r	138.3 ^r	138.6 ^r	138.5 ^r	138.2 ^r	137.7 ^r	136.9
13 Goods-producing, total	104.5	109.8	114.0	113.7 ^r	114.1 ^r	114.6 ^r	114.2 ^r	113.6 ^r	112.1 ^r	110.5 ^r	108.8
14 Manufacturing, total	101.2	105.3	107.9	107.8 ^r	107.9 ^r	107.8 ^r	107.8 ^r	107.7 ^r	106.1 ^r	104.3 ^r	102.7
15 Manufacturing, production-worker	98.8	102.8	104.9	104.5 ^r	104.5 ^r	104.2 ^r	103.9 ^r	103.8 ^r	101.7 ^r	99.1 ^r	97.3
16 Service-producing	136.7	143.2	148.1	150.7 ^r	150.8 ^r	151.3 ^r	151.9 ^r	152.2 ^r	152.6 ^r	152.6 ^r	152.3
17 Personal income, total ⁵	244.4	274.1	307.1 ^r	320.1	323.7	326.6	328.1	330.4	329.9	330.4 ^r	n.a.
18 Wages and salary disbursements	230.2	258.1	287.2 ^r	294.1	300.1 ^r	302.5	305.1	307.4	305.8	305.5 ^r	n.a.
19 Manufacturing	198.3	222.4	246.8	251.7	254.7	256.7	259.2	260.8	257.8	255.0	n.a.
20 Disposable personal income	194.8	217.7	242.5 ^r	251.3	.....	.....	259.4	.....	.....	261.9	n.a.
21 Retail sales ⁶	229.8	253.8	280.9	292.0	294.8	303.6	301.8	292.4	286.6	283.8	287.9
<i>Prices⁷</i>											
22 Consumer	181.5	195.4	217.4	227.5	229.9	233.2	236.4	239.8	242.5	n.a.	244.9
23 Producer finished goods	180.6	194.6	216.1 ^r	226.3	228.1	232.4	235.7 ^r	238.2	240.0	241.0	242.6

1. The industrial production and capacity utilization series have been revised. For a description of the changes see the August 1979 BULLETIN, pp. 603-07.

2. Ratios of indexes of production to indexes of capacity. Based on data from Federal Reserve, McGraw-Hill Economics Department, and Department of Commerce.

3. Index of dollar value of total construction contracts, including residential, nonresidential, and heavy engineering, from McGraw-Hill 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.

Monthly data for lines 12 through 16 reflect March 1979 benchmarks; only seasonally adjusted data are presently available.

5. Based on data in *Survey of Current Business* (U.S. Department of Commerce). Series for disposable income is quarterly.

6. Based on Bureau of Census data published in *Survey of Current Business* (U.S. Department of Commerce).

7. Data without seasonal adjustment, as published in *Monthly Labor Review* (U.S. Department of Labor). Seasonally adjusted data for changes in the price indexes may be obtained from the Bureau of Labor Statistics, U.S. Department of Labor.

NOTE: Basic data (not index numbers) for series mentioned in notes 4, 5, and 6, and indexes for series mentioned in notes 3 and 7 may also be found in the *Survey of Current Business* (U.S. Department of Commerce).

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

2.11 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION¹

Seasonally adjusted

Series	1979		1980		1979		1980		1979		1980	
	Q3	Q4	Q1 ^r	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1 ^r	Q2
	Output (167 = 100)				Capacity (percent of 1967 output)				Utilization rate (percent)			
1 Manufacturing	152.9	153.0	152.7	144.2	179.5	180.8	182.3	183.8	84.6	84.6	83.8	78.4
2 Primary processing	161.8	161.8	160.1	146.4	185.7	187.2	188.7	190.2	86.5	86.4	84.9	77.0
3 Advanced processing	148.1	148.2	148.7	142.9	176.2	177.4	178.8	180.4	83.5	83.6	83.1	79.2
4 Materials	156.3	156.3	156.0	146.3	179.5	181.0	182.5	184.1	86.3	86.3	85.4	79.5
5 Durable goods	156.1	156.3	155.2	143.1	184.5	186.0	187.7	189.3	83.9	84.0	82.7	75.6
6 Metal materials	119.5	119.5	117.2	.....	140.7	141.1	141.5	.....	84.7	84.7	82.9	.....
7 Nondurable goods	178.2	178.3	178.5	167.1	195.3	197.3	199.1	201.3	90.3	90.4	89.6	83.0
8 Textile, paper, and chemical	187.0	186.9	186.2	174.3	203.2	205.3	207.3	209.6	91.1	91.0	89.8	83.2
9 Textile	123.7	123.7	121.5	.....	137.7	138.1	138.5	.....	89.6	89.6	87.7	.....
10 Paper	148.4	148.4	142.7	.....	150.6	151.6	152.9	.....	97.9	97.9	93.3	.....
11 Chemical	230.4	230.2	232.1	.....	253.3	256.3	259.4	.....	89.8	89.8	89.5	.....
12 Energy	129.9	129.1	129.9	128.4	148.3	149.2	149.8	150.5	86.8	86.6	86.7	85.3

1. The capacity utilization series has been revised. For a description of the changes, see the August 1979 BULLETIN, pp. 606-07.

2.12 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

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

Category	1977	1978	1979	1979	1980					
				Dec. ^r	Jan. ^r	Feb. ^r	Mar. ^r	Apr. ^r	May ^r	June
HOUSEHOLD SURVEY DATA										
1 Noninstitutional population ¹	158,559	161,058	163,620	164,898	165,101	165,298	165,506	165,693	165,886	166,105
2 Labor force (including Armed Forces) ¹ ..	99,534	102,537	104,996	106,088	106,310	106,346	106,184	106,511	107,230	106,634
3 Civilian labor force	97,401	100,420	102,908	103,999	104,229	104,260	104,094	104,419	105,142	104,542
Employment										
4 Nonagricultural industries ²	87,302	91,031	93,648	94,553	94,534	94,626	94,298	93,912	93,609	93,346
5 Agriculture	3,244	3,342	3,297	3,359	3,270	3,326	3,358	3,242	3,379	3,191
Unemployment										
6 Number	6,855	6,047	5,963	6,087	6,425	6,307	6,438	7,265	8,154	8,006
7 Rate (percent of civilian labor force) ..	7.0	6.0	5.8	5.9	6.2	6.0	6.2	7.0	7.8	7.7
8 Not in labor force	59,025	58,521	58,623	58,810	58,791	58,951	59,322	59,182	58,657	59,471
ESTABLISHMENT SURVEY DATA										
9 Nonagricultural payroll employment ³	82,423	86,446	89,497	90,678	91,031	91,186	91,144	90,951	90,602	90,088
10 Manufacturing	19,682	20,476	20,979	20,983	20,971	20,957	20,938	20,642	20,282	19,969
11 Mining	813	851	958	992	999	1,007	1,009	1,012	1,023	1,021
12 Contract construction	3,851	4,271	4,642	4,615	4,745	4,659	4,529	4,467	4,441	4,377
13 Transportation and public utilities	4,713	4,927	5,154	5,212	5,202	5,198	5,202	5,178	5,162	5,143
14 Trade	18,516	19,499	20,140	20,448	20,529	20,637	20,610	20,531	20,496	20,422
15 Finance	4,467	4,727	4,964	5,064	5,091	5,101	5,115	5,119	5,139	5,153
16 Service	15,303	16,220	17,047	17,362	17,462	17,540	17,580	17,618	17,668	17,618
17 Government	15,079	15,476	15,613	16,002	16,032	16,087	16,161	16,384	16,391	16,385

1. Persons 16 years of age and over. Monthly figures, which are based on sample data, relate to the calendar week that contains the 12th day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2. Includes self-employed, unpaid family, and domestic service workers.

3. Data include all full- and part-time employees who worked during, or received pay for, the pay period that includes the 12th day of the month, and exclude proprietors, self-employed persons, domestic servants, unpaid family workers, and members of the Armed Forces. Data are adjusted to the March 1979 benchmark and only seasonally adjusted data are available at this time. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value¹

Monthly data are seasonally adjusted.

Grouping	1967 pro- por- tion	1979 aver- age	1979						1980					
			June	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar. ^r	Apr.	May ^p	June ^e
			Index (1967 = 100)											
MAJOR MARKET														
1 Total index	100.00	152.2	152.6	151.6	152.4	152.2	152.1	152.2	152.6	152.3	151.7	148.3	144.7	141.2
2 Products	60.71	149.7	150.2	148.7	149.9	149.6	149.4	149.7	150.0	149.9	149.3	146.4	143.6	141.2
3 Final products	47.82	147.0	147.6	145.6	147.2	146.8	146.6	147.0	147.0	147.4	147.1	145.0	142.7	140.8
4 Consumer goods	27.68	150.5	151.8	148.2	149.7	149.7	148.9	148.5	148.2	148.5	147.8	144.9	141.9	140.6
5 Equipment	20.14	142.2	141.9	141.8	143.9	142.9	143.6	145.0	145.4	146.0	146.1	145.2	143.8	141.2
6 Intermediate products	12.89	160.0	159.5	160.6	159.8	159.8	159.9	159.9	160.8	159.3	157.7	151.5	146.8	142.3
7 Materials	39.29	156.0	156.5	156.0	156.3	156.3	156.4	156.2	156.7	155.9	155.4	151.2	146.4	141.3
Consumer goods														
8 Durable consumer goods	7.89	155.5	158.6	147.5	151.8	152.6	149.2	146.6	142.4	144.5	144.0	136.9	129.4	128.2
9 Automotive products	2.83	167.7	175.9	147.3	157.6	159.2	150.6	141.8	131.3	142.1	141.0	126.6	119.7	123.8
10 Autos and utility vehicles	2.03	154.3	167.4	125.1	139.7	142.4	131.0	121.4	108.7	124.6	122.0	102.3	92.8	98.5
11 Autos	1.90	136.7	148.0	118.5	128.0	129.0	118.3	110.2	98.0	116.8	114.9	97.1	88.4	95.3
12 Auto parts and allied goods	80	201.6	197.5	203.7	203.0	202.1	200.3	193.6	188.5	186.7	189.1	188.2	188.1	188.2
13 Home goods	5.06	148.7	148.8	147.7	148.5	148.8	148.4	149.3	148.6	145.8	145.7	142.2	134.9	130.7
14 Appliances, A/C, and TV	1.40	127.5	129.3	121.2	129.6	128.0	129.7	134.2	128.9	122.4	122.1	114.8	102.5	99.4
15 Appliances and TV	1.33	129.3	131.2	124.1	132.2	130.2	132.4	136.5	130.0	124.4	125.0	117.5	105.7	....
16 Carpeting and furniture	1.07	170.6	170.6	171.7	169.7	169.2	169.1	168.8	171.2	168.6	169.1	166.0	157.5	....
17 Miscellaneous home goods	2.59	151.1	150.5	152.1	150.0	151.7	150.0	149.4	149.9	149.1	148.8	147.3	143.1	139.5
18 Nondurable consumer goods	19.79	148.5	149.1	148.5	148.9	148.6	148.7	149.2	150.5	150.1	149.3	148.3	146.8	145.5
19 Clothing	4.29	129.1	130.7	128.0	129.0	127.7	129.1	129.1	128.3	126.8	126.2	125.0	....	....
20 Consumer staples	15.50	153.8	154.2	154.2	154.3	154.3	154.2	154.8	156.7	156.5	155.6	154.7	153.4	152.0
21 Consumer foods and tobacco	8.33	145.4	146.2	145.3	146.5	146.7	145.9	146.8	148.4	148.3	147.9	147.7	147.0	....
22 Nonfood staples	7.17	163.6	163.5	164.6	163.5	163.2	163.8	164.2	166.4	166.1	164.6	162.8	160.9	160.0
23 Consumer chemical products	2.63	205.5	205.9	209.2	207.2	206.4	207.9	207.8	210.5	210.7	208.9	206.9	204.2	....
24 Consumer paper products	1.92	120.8	121.1	121.2	121.1	121.6	119.3	121.0	123.7	122.3	121.5	120.4	118.5	....
25 Consumer energy products	2.62	153.0	152.0	151.6	150.8	150.5	152.2	152.2	153.4	153.3	151.8	149.6	148.4	....
26 Residential utilities	1.45	165.2	162.3	163.5	162.2	164.2	166.7	166.3	164.6	165.9	....	....	....	....
Equipment														
27 Business	12.63	171.3	171.5	171.5	173.6	172.0	172.5	174.1	175.0	175.8	175.9	174.3	172.3	168.3
28 Industrial	6.77	152.1	152.0	151.7	153.5	151.2	153.3	153.1	157.4	158.8	159.0	159.2	158.1	154.7
29 Building and mining	1.44	206.1	205.3	210.6	212.0	200.6	204.4	204.4	222.9	230.2	235.2	239.6	240.2	236.1
30 Manufacturing	3.85	130.3	130.1	131.1	130.4	130.8	132.5	132.1	132.6	132.8	132.4	131.5	130.4	127.6
31 Power	1.47	156.3	156.8	147.7	156.3	156.3	157.6	157.8	158.1	156.7	153.7	153.0	150.2	145.9
32 Commercial transit, farm	5.86	193.4	194.0	194.4	196.8	195.9	194.6	198.4	195.3	195.4	195.5	191.7	188.7	184.0
33 Commercial	3.26	227.8	226.4	230.5	231.4	234.2	232.2	236.9	237.8	237.9	239.9	235.6	233.0	227.2
34 Transit	1.93	152.2	155.3	149.4	156.3	154.9	150.3	153.3	143.8	146.6	143.3	143.8	137.1	134.1
35 Farm	67	144.9	148.1	148.3	145.3	128.0	139.5	141.0	137.1	129.9	129.6	116.4	122.1	....
36 Defense and space	7.51	93.2	92.3	92.0	94.0	94.0	95.0	95.9	95.8	96.0	96.1	96.2	95.9	95.8
Intermediate products														
37 Construction supplies	6.42	156.9	156.3	157.3	156.3	156.8	156.7	156.0	156.4	154.3	152.4	141.3	134.6	128.5
38 Business supplies	6.47	163.1	162.6	163.8	163.2	162.7	162.9	163.8	165.0	164.2	163.0	161.7	158.8	....
39 Commercial energy products	1.14	172.3	169.4	170.7	169.8	172.2	174.4	175.7	172.3	169.0	171.3	172.2	171.6	....
Materials														
40 Durable goods materials	20.35	157.8	159.5	157.7	157.6	157.2	156.0	155.6	156.3	154.9	154.5	148.8	142.9	137.5
41 Durable consumer parts	4.58	137.1	141.8	129.7	132.2	132.0	126.8	123.8	122.2	120.9	121.0	111.0	102.9	100.4
42 Equipment parts	5.44	189.9	191.0	190.7	192.0	192.7	195.1	196.6	199.8	199.3	199.9	196.3	192.0	185.3
43 Durable materials n.e.c.	10.34	150.0	150.8	152.7	150.7	149.6	148.3	148.0	148.6	146.6	145.5	140.5	134.8	128.7
44 Basic metal materials	5.57	124.0	126.1	127.7	124.8	121.4	119.9	117.7	118.8	116.5	116.8	109.5	102.4	....
45 Nondurable goods materials	10.47	174.9	173.4	175.8	176.7	177.2	178.3	179.5	180.8	178.3	176.5	173.7	167.3	160.3
46 Textile, paper, and chemical materials	7.62	182.9	181.7	184.3	185.9	186.1	186.7	187.8	188.6	185.7	184.3	181.4	174.5	167.0
47 Textile materials	1.85	121.0	122.9	120.6	124.4	124.3	123.2	123.7	122.3	122.5	119.8	117.9	114.4	....
48 Paper materials	1.62	143.2	141.1	146.7	148.1	148.6	148.4	148.2	146.3	139.9	141.8	140.9	137.2	....
49 Chemical materials	4.15	226.1	223.9	227.5	228.2	228.4	230.2	232.0	234.8	231.8	229.8	225.6	216.0	....
50 Containers, nondurable	1.70	164.5	159.2	162.9	161.8	166.1	168.1	169.6	174.1	172.6	167.7	165.8	156.8	....
51 Nondurable materials n.e.c.	1.14	136.7	139.0	138.2	136.9	134.4	137.4	138.8	138.5	137.2	137.2	133.7	134.2	....
52 Energy materials	8.48	128.4	128.3	127.7	128.1	128.5	130.1	128.7	127.7	130.5	131.6	129.3	128.8	127.2
53 Primary energy	4.65	113.0	112.4	112.0	113.6	114.6	114.9	113.5	113.1	113.5	115.6	116.1	115.5	....
54 Converted fuel materials	3.82	147.2	147.6	146.9	145.7	145.3	148.7	147.3	145.3	151.3	151.1	145.3	145.1	....
Supplementary groups														
55 Home goods and clothing	9.35	139.7	140.5	138.6	139.5	139.1	139.5	140.0	139.3	137.1	136.7	134.3	129.5	126.6
56 Energy, total	12.23	137.8	137.2	136.8	136.8	137.2	139.0	138.1	137.3	139.0	139.6	137.6	137.0	135.7
57 Products	3.76	158.8	157.3	157.4	156.5	157.1	159.0	159.3	159.1	158.1	157.7	156.5	155.4	....
58 Materials	8.48	128.4	128.3	127.7	128.1	128.5	130.1	128.7	127.7	130.5	131.6	129.3	128.8	127.2

For notes see opposite page.

2.13 Continued

Grouping	SIC code	1967 proportion	1979	1979						1980					
				June	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May ^p	June ^c
				Index (1967 = 100)											
MAJOR INDUSTRY															
1 Mining and utilities		12.05	144.5	143.0	144.9	144.5	146.0	147.7	148.3	147.4	148.6	150.2	148.9	148.8	148.4
2 Mining		6.36	125.3	123.9	126.4	125.8	128.1	130.0	131.6	132.6	132.8	132.9	133.6	133.4	132.9
3 Utilities		5.69	166.1	164.2	165.5	165.3	166.1	167.4	167.0	163.9	166.1	169.6	166.1	165.9	165.7
4 Electric		3.88	185.8	182.4	183.6	184.1	184.3	185.7	186.0	183.0	185.0				
5 Manufacturing		87.95	153.2	153.9	152.4	153.5	153.2	153.0	152.8	153.4	152.7	151.9	148.2	144.2	140.3
6 Nondurable		35.97	163.3	163.0	164.3	164.6	164.0	164.5	164.7	166.1	165.1	164.4	161.8	158.6	155.1
7 Durable		51.98	146.3	147.6	144.2	145.9	145.7	145.0	144.5	144.7	144.1	143.3	138.7	134.2	130.0
Mining															
8 Metal	10	.51	126.8	123.2	126.5	122.1	124.1	132.0	136.8	137.6	136.6	132.7	124.3	117.9	....
9 Coal	11,12	.69	133.6	137.5	144.1	142.6	144.7	141.9	145.0	141.0	136.0	137.2	143.4	143.0	143.1
10 Oil and gas extraction	13	4.40	121.7	119.6	121.6	121.6	124.2	126.0	127.2	128.5	130.3	131.6	133.3	134.0	134.5
11 Stone and earth minerals	14	.75	137.6	137.3	138.3	137.5	138.2	141.2	141.0	145.3	142.0	136.8	133.3	131.9	....
Nondurable manufactures															
12 Foods	20	8.75	147.9	149.5	148.1	148.8	148.6	148.3	148.9	150.0	150.2	150.3	149.0	149.3	....
13 Tobacco products	21	.67	117.1	118.3	107.5	115.6	115.6	113.0	116.6	118.7	120.0	123.1	121.9	....	....
14 Textile mill products	22	2.68	143.8	144.6	144.1	146.9	146.0	147.9	147.1	147.8	143.7	141.9	140.2	135.3	....
15 Apparel products	23	3.31	130.7	132.0	130.1	131.2	128.5	128.8	128.3	127.2	128.0	128.0	126.0	....	....
16 Paper and products	26	3.21	150.8	148.0	153.9	155.3	154.1	153.3	154.7	156.0	150.5	151.6	148.3	142.4	135.8
17 Printing and publishing	27	4.72	136.9	136.9	137.7	137.1	137.2	136.2	137.8	138.9	139.9	139.2	136.5	135.5	134.0
18 Chemicals and products	28	7.74	210.4	207.8	213.1	212.0	211.4	215.1	216.5	217.7	216.0	214.5	210.2	204.7	....
19 Petroleum products	29	1.79	143.6	143.9	143.0	143.1	141.1	142.1	142.6	146.7	144.4	141.6	137.2	132.6	131.5
20 Rubber and plastic products	30	2.24	270.0	270.0	275.7	272.9	274.5	271.3	262.3	266.9	267.9	264.8	264.0	254.8	....
21 Leather and products	31	.86	71.3	70.1	69.7	70.8	70.1	70.4	71.2	73.2	71.9	71.7	69.8	67.9	....
Durable manufactures															
22 Ordnance, private and government	19,91	3.64	75.5	75.1	74.9	75.3	75.3	77.0	77.0	76.6	76.7	76.9	77.3	77.3	77.4
23 Lumber and products	24	1.64	136.9	136.8	138.0	138.6	138.7	136.1	131.7	131.6	130.2	125.4	106.5	100.6	....
24 Furniture and fixtures	25	1.37	161.4	159.6	161.7	162.0	163.3	162.9	161.0	161.0	159.2	159.5	158.2	152.0	....
25 Clay, glass, stone products	32	2.74	163.3	162.7	161.4	160.6	162.3	162.8	164.4	165.1	162.6	156.5	149.4	143.8	....
26 Primary metals	33	6.57	121.2	124.3	121.0	121.7	118.0	117.2	115.4	116.4	111.9	113.6	106.9	98.0	90.4
27 Iron and steel	331,2	4.21	113.2	118.1	112.0	115.0	108.2	108.0	106.6	107.2	103.4	106.0	97.4	84.2	....
28 Fabricated metal products	34	5.93	148.5	149.3	147.6	146.5	147.5	146.9	146.1	145.0	145.3	144.7	141.9	136.1	130.6
29 Nonelectrical machinery	35	9.15	163.6	164.5	166.2	165.1	162.3	162.8	162.9	166.9	166.1	166.0	163.3	161.9	157.5
30 Electrical machinery	36	8.05	175.0	175.1	171.7	176.7	177.3	179.5	181.2	181.7	179.7	179.5	177.3	172.0	165.9
31 Transportation equipment	37	9.27	135.3	139.4	124.7	131.7	133.7	128.2	125.9	122.4	126.2	124.3	114.9	110.3	109.0
32 Motor vehicles and parts	371	4.50	160.0	169.6	138.5	150.6	150.6	139.9	135.4	127.6	135.4	131.7	115.0	106.6	106.9
33 Aerospace and miscellaneous transportation equipment	372-9	4.77	112.0	111.0	111.8	113.9	117.7	117.1	117.0	117.5	117.5	117.2	114.8	113.9	111.0
34 Instruments	38	2.11	174.9	175.9	173.9	172.9	175.0	173.3	175.0	175.8	175.0	173.8	174.3	172.0	172.1
35 Miscellaneous manufactures	39	1.51	153.7	152.7	155.7	153.6	154.5	155.3	153.7	154.0	152.0	152.0	151.3	147.0	142.4
Gross value (billions of 1972 dollars, annual rates)															
MAJOR MARKET															
36 Products, total .....	.....	507.4	624.1	628.7	613.0	622.6	621.6	617.8	619.0	617.1	620.8	615.5	600.5	588.4	578.5
37 Final		390.9 ²	479.9	485.1	468.8	478.8	477.6	474.4	475.2	472.7	477.5	473.9	465.0	457.0	451.3
38 Consumer goods		277.5 ²	326.3	329.8	319.2	323.6	324.6	321.9	321.6	319.6	321.8	320.0	313.3	306.8	304.3
39 Equipment		113.4 ²	153.7	155.4	149.6	155.2	153.0	152.5	153.6	153.1	155.7	153.8	151.7	150.2	146.9
40 Intermediate		116.6 ²	144.2	143.6	144.2	143.8	144.0	143.4	143.8	144.5	143.3	141.7	135.5	131.4	127.2

1. The industrial production series has been revised. For a description of the changes, see "Revision of Industrial Production Index" in the August 1979 BULLETIN, pp. 603-05.
 2. 1972 dollars.

NOTE: Published groupings include some series and subtotals not shown separately. For description and historical data, see *Industrial Production—1976 Revision* (Board of Governors of the Federal Reserve System: Washington, D.C.), December 1977.

2.14 HOUSING AND CONSTRUCTION

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

Item	1977	1978	1979 ^r	1979 ^r		1980				
				Nov.	Dec.	Jan. ^r	Feb. ^r	Mar. ^r	Apr. ^r	May
	Private residential real estate activity (thousands of units)									
NEW UNITS										
1 Permits authorized	1,677	1,801	1,552	1,287	1,247	1,271	1,168	968	789	806
2 1-family	1,125	1,183	981	773	776	780	708	556	473	489
3 2-or-more-family	551	618	570	514	471	491	460	412	316	317
4 Started	1,987	2,020	1,745	1,522	1,548	1,419	1,330	1,041	1,039	920
5 1-family	1,451	1,433	1,194	980	1,055	1,002	786	617	631	616
6 2-or-more-family	536	587	551	542	493	417	544	424	408	304
7 Under construction, end of period ¹ ..	1,208	1,310	1,140	1,188	1,160	1,163	1,095	1,064	989	n.a.
8 1-family	730	765	639	687	662	669	622	590	540	n.a.
9 2-or-more-family	478	546	501	501	498	494	473	474	449	n.a.
10 Completed	1,656	1,868	1,855	1,831	1,880	1,787	1,832	1,666	1,895	n.a.
11 1-family	1,258	1,369	1,286	1,240	1,328	1,276	1,230	1,091	1,128	n.a.
12 2-or-more-family	399	498	570	591	552	511	602	575	767	n.a.
13 Mobile homes shipped	277	276	277	251	241	276	270	226	201	n.a.
Merchant builder activity in 1-family units										
14 Number sold	820	818	709	617	571	584	548	458	350	488
15 Number for sale, end of period ¹	408	419	402	399	398	396	384	379	366	350
Price (thousand of dollars) ²										
Median										
16 Units sold	49.0	55.8	62.7	63.9	61.5	63.2	64.8	62.3	63.2	62.6
Average										
17 Units sold	54.4	62.7	71.9	74.2	72.6	72.5	76.6	70.9	73.7	73.4
EXISTING UNITS (1-family)										
18 Number sold	3,572	3,905	3,742	3,450	3,350	3,210	2,990	2,750	2,420	2,310
Price of units sold (thous. of dollars) ²										
19 Median	42.8	48.7	55.5	55.6	56.5	57.9	59.0	59.5	60.4	61.2
20 Average	47.1	55.1	64.0	64.6	65.2	68.2	69.4	69.4	70.6	71.2
	Value of new construction ³ (millions of dollars)									
CONSTRUCTION										
21 Total put in place	173,998	206,223	226,885	238,707	237,698	242,009	249,966	237,132	226,567	218,477
22 Private	135,824	160,403	178,168	185,948	185,802	189,906	190,558	180,616	172,400	165,714
23 Residential	80,957	93,425	97,574	100,663	101,088	101,982	99,654	93,991	84,534	78,375
24 Nonresidential, total	54,867	66,978	80,594	85,285	84,714	87,924	90,904	86,625	87,866	87,339
Buildings										
25 Industrial	7,713	10,993	14,424	15,019	15,022	15,249	15,559	13,916	13,611	13,585
26 Commercial	14,789	18,568	24,234	26,663	26,923	28,857	30,707	29,911	30,878	30,196
27 Other	6,200	6,739	7,352	7,851	7,722	8,194	9,090	8,515	8,220	8,252
28 Public utilities and other	26,165	30,678	34,584	35,752	35,047	35,624	35,548	34,283	35,157	35,306
29 Public	38,172	45,821	48,722	52,759	51,895	52,103	59,409	56,516	54,167	52,764
30 Military	1,428	1,498	1,629	1,778	1,742	1,724	1,844	1,895	1,931	1,551
31 Highway	8,984	10,286	11,167	14,518	11,900	12,495	15,586	12,574	n.a.	n.a.
32 Conservation and development	3,862	4,436	4,736	4,291	4,955	5,186	5,225	5,582	n.a.	n.a.
33 Other ⁴	23,898	29,601	31,190	32,172	33,298	32,698	36,754	36,465	n.a.	n.a.

1. Not at annual rates.

2. Not seasonally adjusted.

3. Value of new construction data in recent periods may not be strictly comparable with data in prior periods due to changes by the Bureau of the Census in its estimating techniques. For a description of these changes see *Construction Reports* (C-30-76-5), issued by the Bureau in July 1976.

4. Beginning January 1977 "Highway" imputations are included in "Other".

NOTE: Census Bureau estimates for all series except (a) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (b) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from originating agency. Permit authorizations are those reported to the Census Bureau from 14,000 jurisdictions through 1977, and 16,000 jurisdictions beginning with 1978.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data, except as noted

Item	12 months to		3 months (at annual rate) to				1 month to					Index level May 1980 (1967 = 100) ¹
	1979 May	1980 May	1979			1980	1980					
			June	Sept.	Dec.	Mar.	Jan.	Feb.	Mar.	Apr.	May	
CONSUMER PRICES ²												
1 All items	10.8	14.4	12.8	13.8	13.7	18.1	1.4	1.4	1.4	.9	.9	244.9
2 Commodities	10.9	12.4	12.7	13.3	12.5	16.1	1.4	1.2	1.2	.5	.3	231.4
3 Food	11.4	6.9	6.4	6.5	12.1	3.8	0.0	0.0	1.0	.5	.3	250.4
4 Commodities less food	10.8	14.9	15.6	16.4	12.7	22.1	2.0	1.7	1.3	.5	.4	220.2
5 Durable	10.0	9.5	9.4	9.1	13.2	7.6	1.1	.5	.2	.5	.6	207.1
6 Nondurable	11.8	21.9	24.7	25.2	12.8	39.8	3.2	3.0	2.4	.6	.2	235.5
7 Services	10.3	17.3	13.2	14.3	15.8	20.9	1.4	1.5	1.9	1.5	1.6	269.2
8 Rent	6.8	8.7	8.2	10.2	9.0	8.3	.7	.8	.5	.2	1.0	188.9
9 Services less rent	10.9	18.6	13.9	14.9	16.9	22.8	1.5	1.7	2.0	1.7	1.7	284.4
Other groupings												
10 All items less food	10.5	16.1	4.4	15.4	14.2	21.7	1.8	1.6	1.5	1.1	1.0	242.6
11 All items less food and energy	9.5	13.2	10.1	10.9	13.9	15.7	1.3	1.1	1.2	1.1	1.0	231.0
12 Homeownership	14.6	22.8	17.8	19.5	25.6	24.1	1.9	1.5	2.1	1.9	1.8	312.9
PRODUCER PRICES												
13 Finished goods	10.2	13.3	7.9	16.1	13.3	18.9	1.6	1.4	1.3	.5	.3	241.0
14 Consumer	10.6	14.7	7.1	20.7	14.6	21.2	1.6	1.7	1.5	0.0	.4	242.8
15 Foods	9.6	1.5	-9.2	15.3	8.6	-1.2	-.9	-.4	1.0	-2.8	.1	230.0
16 Excluding foods	11.1	22.1	17.2	23.4	17.9	34.2	2.9	2.8	1.7	1.4	.4	246.8
17 Capital equipment	9.2	9.7	9.4	5.9	10.0	12.7	1.6	.7	.7	1.9	0.0	236.0
18 Materials	12.6	13.7	12.8	19.7	15.8	16.4	2.0	2.0	-.1	-.6	.6	280.7
19 Intermediate ³	11.5	16.2	15.4	19.4	17.0	23.1	3.0	1.8	.5	.3	.1	278.0
20 Crude												
20 Nonfood	20.2	20.8	23.1	25.1	27.8	21.4	3.2	3.3	-1.5	-.5	.1	410.4
21 Food	15.0	-3.6	-4.5	16.4	5.7	-16.7	-3.8	2.2	-2.7	-6.1	2.4	242.9

1. Not seasonally adjusted.

2. Figures for consumer prices are those for all urban consumers.

3. Excludes intermediate materials for food manufacturing and manufactured animal feeds.

SOURCE: Bureau of Labor Statistics.

2.16 GROSS NATIONAL PRODUCT AND INCOME

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

Account	1977	1978	1979	1978	1979				1980
				Q4	Q1	Q2	Q3	Q4	Q1*
GROSS NATIONAL PRODUCT									
1 Total	1,899.5	2,127.6	2,368.8	2,235.2	2,292.1	2,329.8	2,396.5	2,456.9 ^c	2,520.8
By source									
2 Personal consumption expenditures	1,210.0	1,350.8	1,509.8	1,415.4	1,454.2	1,475.9	1,528.6	1,580.4	1,629.5
3 Durable goods	178.8	200.3	213.0	212.1	213.8	208.7	213.4	216.2	220.2
4 Nondurable goods	481.3	530.6	596.9	558.1	571.1	581.2	604.7	630.7	652.0
5 Services	549.8	619.8	699.8	645.1	669.3	686.0	710.6	733.5	757.3
6 Gross private domestic investment	303.3	351.5	387.2	370.5	373.8	395.4	392.3	387.2	387.7
7 Fixed investment	281.3	329.1	369.0	349.8	354.6	361.9	377.8	381.7	383.0
8 Nonresidential	189.4	221.1	254.9	236.1	243.4	249.1	261.8	265.2	272.6
9 Structures	62.6	76.5	92.6	84.4	84.9	90.5	95.0	100.2	103.3
10 Producers' durable equipment	126.8	144.6	162.2	151.8	158.5	158.6	166.7	165.1	169.4
11 Residential structures	91.9	108.0	114.1	113.7	111.2	112.9	116.0	116.4	110.4
12 Nonfarm	88.8	104.4	110.2	110.0	107.8	109.1	112.0	112.1	105.9
13 Change in business inventories	21.9	22.3	18.2	20.6	19.1	33.4	14.5	5.6	4.7
14 Nonfarm	20.7	21.3	16.5	19.3	18.8	32.6	12.6	2.1	4.4
15 Net exports of goods and services	-9.9	-10.3	-4.6	-4.5	4.0	-8.1	-2.3	-11.9	-13.6
16 Exports	175.9	207.2	257.5	224.9	238.5	243.7	267.3	280.4	308.1
17 Imports	185.8	217.5	262.1	229.4	234.4	251.9	269.5	292.4	321.7
18 Government purchases of goods and services	396.2	435.6	476.4	453.8	460.1	466.6	477.8	501.2	517.2
19 Federal	144.4	152.6	166.6	159.0	163.6	161.7	162.9	178.4	186.2
20 State and local	251.8	283.0	309.8	294.8	296.5	304.9	314.9	322.8	331.0
By major type of product									
21 Final sales, total	1,877.6	2,105.2	2,350.6	2,214.5	2,272.9	2,296.4	2,381.9	2,451.4	2,516.1
22 Goods	842.2	930.0	1,030.5	983.8	1,011.8	1,018.1	1,036.0	1,056.3	1,086.2
23 Durable	345.9	380.4	423.1	402.3	425.5	422.4	424.4	420.2	421.5
24 Nondurable	496.3	549.6	607.4	581.6	586.2	595.7	611.6	636.1	664.8
25 Services	866.4	969.3	1,085.1	1,005.3	1,041.4	1,064.2	1,100.6	1,134.0	1,169.5
26 Structures	190.9	228.2	253.2	246.0	238.9	247.5	259.8	266.6	265.1
27 Change in business inventories	21.9	22.3	18.2	20.6	19.1	33.4	14.5	5.6	4.7
28 Durable goods	11.9	13.9	13.0	13.4	18.4	24.3	7.3	1.8	-9.3
29 Nondurable goods	10.0	8.4	5.2	7.2	.7	9.1	7.2	3.8	14.0
30 MEMO: Total GNP in 1972 dollars	1,340.5	1,399.2	1,431.6	1,426.6	1,430.6	1,422.3	1,433.3	1,440.3	1,444.7
NATIONAL INCOME									
31 Total	1,525.8	1,724.3	1,925.6	1,820.0	1,869.0	1,897.9	1,941.9	1,990.4	2,035.4
32 Compensation of employees	1,156.9	1,304.5	1,227.4	1,364.8	1,411.2	1,439.7	1,472.9	1,513.2	1,555.2
33 Wages and salaries	984.0	1,103.5	1,459.2	1,154.7	1,189.4	1,211.5	1,238.0	1,270.7	1,303.6
34 Government and government enterprises	201.3	218.0	233.5	225.1	228.1	231.2	234.4	240.2	243.5
35 Other	782.7	885.5	993.9	929.6	961.3	980.3	1,003.6	1,030.5	1,060.1
36 Supplement to wages and salaries	172.9	201.0	231.8	210.1	221.8	228.2	234.8	242.5	251.6
37 Employer contributions for social insurance	81.2	94.6	109.1	98.2	105.8	107.9	109.9	113.0	117.2
38 Other labor income	91.8	106.5	122.7	111.9	116.0	120.3	124.9	129.6	134.4
39 Proprietors' income ¹	100.2	116.8	130.8	125.7	129.0	129.3	130.3	134.5	130.0
40 Business and professional ¹	80.5	89.1	98.0	94.4	94.8	95.5	99.4	102.1	102.3
41 Farm ¹	19.6	27.7	32.8	31.3	34.2	33.7	30.9	32.5	27.7
42 Rental income of persons ²	24.7	25.9	26.9	27.1	27.3	26.8	26.6	27.0	27.0
43 Corporate profits ¹	150.0	167.7	179.0	184.8	178.9	176.6	180.8	176.4	175.0
44 Profits before tax ³	177.1	206.0	237.4	227.4	233.3	227.9	242.3	243.0	260.4
45 Inventory valuation adjustment	-15.2	-25.2	-41.8	-28.8	-39.9	-36.6	-44.0	-46.5	-63.2
46 Capital consumption adjustment	-12.0	-13.1	-16.7	-13.8	-14.5	-14.7	-17.6	-20.1	-22.2
47 Net interest	94.0	109.5	129.7	117.6	122.6	125.6	131.5	139.2	148.1

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

3. For after-tax profits, dividends, and the like, see table 1.50.

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

2.17 PERSONAL INCOME AND SAVING

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

Account	1977	1978	1979 ^a	1978	1979				1980
				Q4	Q1	Q2	Q3	Q4	Q1 ^b
PERSONAL INCOME AND SAVING									
1 Total personal income	1,531.6	1,717.4	1,924.2	1,803.1	1,852.6	1,892.5	1,946.6	2,005.0	2,057.4
2 Wage and salary disbursements	984.0	1,103.3	1,227.6	1,154.3	1,189.3	1,212.4	1,238.1	1,270.5	1,303.7
3 Commodity-producing industries	343.1	387.4	435.2	408.6	423.0	431.7	438.3	447.8	460.0
4 Manufacturing	266.0	298.3	330.9	312.7	324.8	328.5	331.9	338.3	347.2
5 Distributive industries	239.1	269.4	300.8	281.6	291.1	295.8	304.0	312.4	320.1
6 Service industries	200.5	228.7	257.9	239.4	247.2	252.8	261.3	270.2	280.0
7 Government and government enterprises	201.3	217.8	233.7	224.7	228.0	232.1	234.5	240.1	243.6
8 Other labor income	91.8	106.5	122.7	111.9	116.0	120.3	124.9	129.6	134.4
9 Proprietors' income ¹	100.2	116.8	130.8	125.7	129.0	129.3	130.3	134.5	130.0
10 Business and professional ¹	80.5	89.1	98.0	94.4	94.8	95.5	99.4	102.1	102.3
11 Farm ¹	19.6	27.7	32.8	31.3	34.2	33.7	30.9	32.5	27.7
12 Rental income of persons ²	24.7	25.9	26.9	27.1	27.3	26.8	26.6	27.0	27.0
13 Dividends	42.1	47.2	52.7	49.7	51.5	52.3	52.8	54.4	56.7
14 Personal interest income	141.7	163.3	192.1	174.3	181.0	187.6	194.4	205.5	217.2
15 Transfer payments	208.4	224.1	252.0	231.8	237.3	243.6	260.8	266.5	274.9
16 Old-age survivors, disability, and health insurance benefits	105.0	116.3	132.4	121.5	123.8	127.1	138.7	140.0	142.0
17 LESS: Personal contributions for social insurance	61.3	69.6	80.7	71.8	78.7	79.8	81.2	82.9	86.6
18 EQUALS: Personal income	1,531.6	1,717.4	1,924.2	1,803.1	1,852.6	1,892.5	1,946.6	2,005.0	2,057.4
19 LESS: Personal tax and nontax payments	226.4	259.0	299.9	278.2	280.4	290.7	306.6	321.9	320.0
20 EQUALS: Disposable personal income	1,305.1	1,458.4	1,629.3	1,524.8	1,572.2	1,601.7	1,640.0	1,683.1	1,737.4
21 LESS: Personal outlays	1,240.2	1,386.4	1,550.5	1,453.4	1,493.0	1,515.8	1,569.7	1,623.4	1,672.9
22 EQUALS: Personal saving	65.0	72.0	73.8	71.5	79.2	85.9	70.3	59.7	64.4
MEMO:									
Per capita (1972 dollars)									
23 Gross national product	6,181	6,402	6,494	6,506	6,514	6,459	6,494	6,509	6,514
24 Personal consumption expenditures	3,974	4,121	4,194	4,197	4,197	4,155	4,195	4,227	4,222
25 Disposable personal income	4,285	4,449	4,512	4,522	4,536	4,510	4,501	4,502	4,502
26 Saving rate (percent)	5.0	4.9	4.5	4.7	5.0	5.4	4.3	3.5	3.7
GROSS SAVING									
27 Gross saving	276.1	324.6	363.9	346.9	362.2	374.3	367.3	351.9	346.6
28 Gross private saving	295.6	324.9	350.1	336.1	345.2	360.5	352.1	340.7	343.7
29 Personal saving	65.0	72.0	73.8	71.5	79.2	85.9	70.3	59.7	64.4
30 Undistributed corporate profits ¹	35.2	36.0	33.4	40.1	36.1	35.6	34.0	25.9	15.9
31 Corporate inventory valuation adjustment	-15.2	-25.2	-41.8	-28.8	-39.9	-36.6	-44.0	-46.5	-63.2
Capital consumption allowances									
32 Corporate	121.3	132.9	147.7	136.8	139.9	145.1	150.4	155.3	159.6
33 Noncorporate	74.1	84.0	95.3	87.7	89.9	93.9	97.5	99.8	103.7
34 Wage accruals less disbursements									
35 Government surplus, or deficit (-), national income and product accounts	-19.5	-3	13.5	10.8	15.8	12.7	14.0	10.0	1.7
36 Federal	-46.3	-27.7	-11.2	-16.3	-11.7	-7.0	-11.3	-15.7	-22.9
37 State and local	26.8	27.4	24.7	27.1	27.6	19.7	25.3	25.8	24.6
38 Capital grants received by the United States, net			1.1		1.1	1.1	1.1	1.1	1.2
39 Gross investment	283.6	327.9	367.6	351.0	362.8	373.1	375.6	359.1	357.5
40 Gross private domestic	303.3	351.5	387.2	370.5	373.8	395.4	392.3	387.2	387.7
41 Net foreign	-19.6	-23.5	-19.5	-19.4	-11.0	-22.3	-16.7	-28.1	-30.2
42 Statistical discrepancy	7.5	3.3	2.9	4.1	.6	-1.3	8.3	7.2	11.0

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

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

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

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

Item credits or debits	1977 ^r	1978 ^r	1979 ^r	1979 ^r				1980
				Q1	Q2	Q3	Q4	
1 Balance on current account	-14,068	-14,259	-788	1,408	-1,493	1,099	-1,802	-2,567
2 Not seasonally adjusted				1,697	-61	-2,909	486	-2,405
3 Merchandise trade balance ²	-30,873	-33,759	-29,469	-5,114	-8,070	-7,060	-9,225	-10,875
4 Merchandise exports	120,816	142,054	182,055	41,805	42,815	47,198	50,237	54,708
5 Merchandise imports	-151,689	-175,813	-211,524	-46,919	-50,885	-54,258	-59,462	-65,583
6 Military transactions, net ³	1,628	886	-1,274	-29	-102	-443	-700	-700
7 Investment income, net ³	17,988	20,899	32,509	7,038	7,271	9,319	8,883	10,123
8 Other service transactions, net	1,794	2,769	3,112	837	791	690	792	761
9 MEMO: Balance on goods and services ^{3,4}	-9,464	-9,204	4,878	2,732	-110	2,506	-250	-691
10 Remittances, pensions, and other transfers	-1,830	-1,884	-2,142	-464	-484	-529	-665	-564
11 U.S. government grants (excluding military)	-2,775	-3,171	-3,524	-860	-899	-878	-887	-1,312
12 Change in U.S. government assets, other than official reserve assets, net (increase, -)	-3,693	-4,644	-3,783	-1,102	-991	-766	-925	-1,461
13 Change in U.S. official reserve assets (increase, -)	-375	732	-1,106	-3,585	343	2,779	-644	-3,246
14 Gold	-118	-65	-65	0	0	0	-65	0
15 Special drawing rights (SDRs)	-121	1,249	-1,136	-1,142	6	0	0	-1,152
16 Reserve position in International Monetary Fund	-294	4,231	-189	-86	-78	-52	27	-34
17 Foreign currencies	158	-4,683	283	-2,357	415	2,831	-606	-2,060
18 Change in U.S. private assets abroad (increase, -) ³	-31,725	-57,279	-56,858	-3,081	-14,631	-27,228	-11,918	-7,110
19 Bank-reported claims	-11,427	-33,631	-25,868	6,181	-7,839	-16,997	-7,213	-978
20 Nonbank-reported claims	1,940	-3,853	-2,029	-2,442	935	-932	410	n.a.
21 U.S. purchase of foreign securities, net	-5,460	-3,450	-4,643	-1,001	-513	-2,143	-986	-787
22 U.S. direct investments abroad, net ³	-12,898	-16,345	-24,318	-5,819	-7,214	-7,156	-4,129	-5,345
23 Change in foreign official assets in the United States (increase, +)	36,574	33,292	-14,270	-8,744	-10,095	5,789	-1,221	-7,765
24 U.S. Treasury securities	30,230	23,523	-22,356	-8,752	-12,859	5,024	-5,769	-5,503
25 Other U.S. government obligations	2,308	666	465	-5	94	335	41	801
26 Other U.S. government liabilities ⁵	1,159	2,220	-714	-128	122	216	-924	-43
27 Other U.S. liabilities reported by U.S. banks	773	5,488	7,219	-72	2,354	56	4,881	-3,365
28 Other foreign official assets ⁶	2,105	1,395	1,116	213	195	158	550	345
29 Change in foreign private assets in the United States (increase, +) ³	14,167	30,804	51,845	10,945	16,502	19,152	5,246	12,781
30 U.S. bank-reported liabilities	6,719	16,259	32,668	7,001	12,082	13,185	400	5,902
31 U.S. nonbank-reported liabilities	473	1,640	1,692	-543	579	606	1,050	n.a.
32 Foreign private purchases of U.S. Treasury securities, net	534	2,197	4,830	2,564	-120	1,466	920	3,279
33 Foreign purchases of other U.S. securities, net	2,713	2,811	2,942	803	1,149	677	313	2,477
34 Foreign direct investments in the United States, net ³	3,728	7,896	9,713	1,120	2,812	3,217	2,564	1,123
35 Allocation of SDRs	0	0	1,139	1,139	0	0	0	1,152
36 Discrepancy	-880	11,354	23,822	3,020	10,364	-825	11,264	8,215
37 Owing to seasonal adjustments				74	1,167	-3,641	2,400	-115
38 Statistical discrepancy in recorded data before seasonal adjustment	-880	11,354	23,822	2,946	9,197	2,816	8,864	8,330
MEMO:								
Changes in official assets								
39 U.S. official reserve assets (increase, -)	-375	732	-1,106	-3,585	343	2,779	-644	-3,246
40 Foreign official assets in the United States (increase, +)	35,416	31,072	-13,556	-8,616	-10,216	5,573	-297	-7,722
41 Change in Organization of Petroleum Exporting Countries official assets in the United States (part of line 23 above)	6,351	-1,137	5,508	-1,361	238	1,676	4,955	2,721
42 Transfers under military grant programs (excluded from lines 4, 6, and 11 above)	204	236	305	29	49	88	139	91

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

2. Data are on an international accounts (IA) basis. Differs from the census basis primarily because the IA basis includes imports into the U.S. Virgin Islands, and it excludes military exports, which are part of line 6.

3. Includes reinvested earnings of incorporated affiliates.

4. Differs from the definition of "net exports of goods and services" in the national income and product (GNP) account. The GNP definition makes various adjustments to merchandise trade and service transactions.

5. Primarily associated with military sales contracts and other transactions arranged with or through foreign official agencies.

6. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

NOTE: Data are from Bureau of Economic Analysis, *Survey of Current Business* (U.S. Department of Commerce).

3.11 U.S. FOREIGN TRADE

Millions of dollars; monthly data are seasonally adjusted.

Item	1977	1978	1979	1979		1980				
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments	121,150	143,578	181,637	16,928	16,742	17,348	17,233	18,534	18,468	17,678
2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses	147,685	171,978	206,326	18,548	19,665	20,945	21,640	20,607	19,308	20,528
3 Trade balance	-26,535	-28,400	-24,690	-1,620	-2,923	-3,597	-4,407	-2,073	-840	-2,850

NOTE. Bureau of Census data reported on a free-alongside-ship (f.a.s.) value basis. Effective January 1978, major changes were made in coverage, reporting, and compiling procedures. The international-accounts-basis data adjust the Census basis data for reasons of coverage and timing. On the *export side*, the largest adjustments are: (a) the addition of exports to Canada not covered in Census statistics, and (b) the exclusion of military exports (which are combined with other military transactions and are reported separately in the "service account").

On the *import side*, the largest single adjustment is the addition of imports into the Virgin Islands (largely oil for a refinery on St. Croix), which are not included in Census statistics.

SOURCE: FT 900 "Summary of U.S. Export and Import Merchandise Trade" (U.S. Department of Commerce, Bureau of the Census).

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Type	1977	1978	1979	1979	1980					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June
1 Total ¹	19,312	18,650	18,928	18,928	20,962	20,840	21,448	21,521	21,794	21,921
2 Gold stock, including Exchange Stabilization Fund ¹	11,719	11,671	11,172	11,172	11,172	11,172	11,172	11,172	11,172	11,172
3 Special drawing rights ^{2,3}	2,629	1,558	2,724	2,724	3,871	3,836	3,681	3,697	3,744	3,782
4 Reserve position in International Monetary Fund ²	4,946	1,047	1,253	1,253	1,251	1,287	1,222	1,094	1,157	1,385
5 Foreign currencies ⁴	18	4,374	3,779	3,779	4,668	4,545	5,373	5,558	5,721	5,582

1. Gold held under earmark at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.22.

2. Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of 16 member countries. 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; \$1,124 million on Jan. 1, 1979; and \$1,150 million Jan. 1, 1980; plus net transactions in SDRs.

4. Beginning November 1978, valued at current market exchange rates.

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

Millions of dollars, end of period

Asset account	1976	1977	1978 ¹	1979			1980			
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr. ²
	All foreign countries									
1 Total, all currencies	219,420	258,897	306,795	358,320	365,587	364,166	360,373	372,099 ^r	371,483	375,940
2 Claims on United States	7,889	11,623	17,340	34,880	37,606	32,282	31,573	39,678 ^r	35,592	34,235
3 Parent bank	4,323	7,806	12,811	28,046	31,133	25,929	24,788	32,192 ^r	28,224	26,345
4 Other	3,566	3,817	4,529	6,834	6,473	6,353	6,785	7,486	7,368	7,890
5 Claims on foreigners	204,486	238,848	278,135	309,652	313,409	317,130	313,846	317,051	319,812	325,367
6 Other branches of parent bank	45,955	55,772	70,338	80,126	79,076	79,661	75,419	78,185	80,574	79,541
7 Banks	83,765	91,883	103,111	119,253	122,004	123,335	125,052	124,422	126,138	130,067
8 Public borrowers ²	10,613	14,634	23,737	25,288	25,568	26,060	25,784	26,032	25,458	25,202
9 Nonbank foreigners	64,153	76,560	80,949	84,985	86,761	88,074	87,591	88,412	87,642	90,557
10 Other assets	7,045	8,425	11,320	13,788	14,572	14,754	14,954	15,370	16,079	16,338
11 Total payable in U.S. dollars	167,695	193,764	224,940	263,094	266,544	267,645	265,157	276,017 ^r	276,711	277,692
12 Claims on United States	7,595	11,049	16,382	33,638	36,362	31,151	30,488	38,461 ^r	34,412	32,951
13 Parent bank	4,264	7,692	12,625	27,674	30,652	25,632	24,516	31,812 ^r	27,872	25,975
14 Other	3,332	3,357	3,757	5,964	5,710	5,519	5,972	6,649	6,540	6,976
15 Claims on foreigners	156,896	178,896	203,498	222,543	223,201	229,074	226,811	229,071	233,781	235,804
16 Other branches of parent bank	37,909	44,256	55,408	61,918	60,397	61,525	58,084	60,217	63,434	61,787
17 Banks	66,331	70,786	78,686	90,911	92,730	96,183	97,887	97,193	99,473	103,148
18 Public borrowers ²	9,022	12,632	19,567	20,909	21,160	21,618	21,523	21,777	21,354	20,985
19 Nonbank foreigners	43,634	51,222	49,837	48,805	48,914	49,748	49,317	49,884	49,520	49,884
20 Other assets	3,204	3,820	5,060	6,913	6,981	7,420	7,858	8,485	8,518	8,937
	United Kingdom									
21 Total, all currencies	81,466	90,933	106,593	127,949	131,959	130,873	128,417	133,793	136,654	138,915
22 Claims on United States	3,354	4,341	5,370	11,653	11,841	11,117	10,147	10,697	11,990	11,533
23 Parent bank	2,376	3,518	4,448	9,643	9,892	9,338	8,207	8,584	9,838	9,300
24 Other	978	823	922	2,010	1,949	1,779	1,940	2,113	2,152	2,233
25 Claims on foreigners	75,859	84,016	98,137	112,450	115,656	115,123	113,617	118,212	119,290	122,105
26 Other branches of parent bank	19,753	22,017	27,830	32,464	33,487	34,291	31,995	35,187	35,536	36,015
27 Banks	38,089	39,899	45,013	51,466	52,580	51,343	52,177	53,127	52,509	54,020
28 Public borrowers ²	1,274	2,206	4,522	4,646	4,868	4,919	4,559	4,499	5,860	5,578
29 Nonbank foreigners	16,743	19,895	20,772	23,874	24,721	24,570	24,886	25,399	25,385	26,492
30 Other assets	2,253	2,576	3,086	3,846	4,462	4,633	4,653	4,884	5,374	5,277
31 Total payable in U.S. dollars	61,587	66,635	75,860	91,485	93,502	94,287	91,760	96,228	99,711	100,628
32 Claims on United States	3,275	4,100	5,113	11,164	11,352	10,746	9,820	10,285	11,620	11,071
33 Parent bank	2,374	3,431	4,386	9,485	9,697	9,297	8,161	8,467	9,778	9,179
34 Other	902	669	727	1,679	1,655	1,449	1,659	1,818	1,842	1,892
35 Claims on foreigners	57,488	61,408	69,416	78,428	80,127	81,294	79,740	83,603	85,452	86,818
36 Other branches of parent bank	17,249	18,947	22,838	27,092	27,993	28,928	26,842	29,907	30,204	29,980
37 Banks	28,983	28,530	31,482	36,183	36,604	36,760	37,487	38,185	37,768	39,159
38 Public borrowers ²	846	1,669	3,317	3,206	3,311	3,319	3,274	3,253	4,589	4,277
39 Nonbank foreigners	10,410	12,263	11,779	11,947	12,219	12,287	12,137	12,258	12,891	13,402
40 Other assets	824	1,126	1,331	1,893	2,023	2,247	2,200	2,340	2,639	2,739
	Bahamas and Caymans									
41 Total, all currencies	66,774	79,052	91,735	106,484	108,872	108,910	110,946	117,839 ^r	114,748	115,821
42 Claims on United States	3,508	5,782	9,635	21,394	23,856	19,104	19,650	27,096 ^r	21,742	20,136
43 Parent bank	1,141	3,051	6,429	17,131	19,868	15,196	15,366	22,414 ^r	17,298	15,348
44 Other	2,367	2,731	3,206	4,263	3,988	3,908	4,284	4,682	4,444	4,788
45 Claims on foreigners	62,048	71,671	79,774	82,068	81,959	86,673	87,868	86,887	89,343	91,590
46 Other branches of parent bank	8,144	11,120	12,904	10,514	8,854	9,689	10,242	10,265	13,659	13,438
47 Banks	25,354	27,939	33,677	38,820	40,050	43,111	44,044	42,440	44,455	47,131
48 Public borrowers ²	7,105	9,109	11,514	12,355	12,658	12,893	12,895	13,108	11,309	11,345
49 Nonbank foreigners	21,445	23,503	21,679	20,379	20,397	20,980	20,687	21,074	19,920	19,676
50 Other assets	1,217	1,599	2,326	3,022	3,057	3,133	3,428	3,856	3,663	4,095
51 Total payable in U.S. dollars	62,705	73,987	85,417	99,715	101,932	102,302	105,013	111,504 ^r	108,550	109,710

For notes see opposite page.

3.13 Continued

Liability account	1976	1977	1978 ¹	1979			1980			
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr. ²
All foreign countries										
52 Total, all currencies	219,420	258,897	306,795	358,320	365,587	364,166	360,373	372,099 ^r	371,483	375,940
53 To United States	32,719	44,154	57,948	65,998	62,179	66,567	70,337 ^r	71,111 ^r	67,618	69,481
54 Parent bank	19,773	24,542	28,464	21,317	19,274	24,275	24,762 ^r	22,866 ^r	22,383	24,320
55 Other banks in United States	12,946	19,613	12,338	14,713	13,897	15,129	13,175	14,886	12,351	12,771
56 Nonbanks			17,146	29,968	29,008	27,163	32,400	33,359	32,884	32,390
57 To foreigners	179,954	206,579	238,912	279,240	289,555	283,330	276,192	286,249 ^r	289,473	291,005
58 Other branches of parent bank	44,370	53,244	67,496	78,005	77,188	77,601	72,846	73,582	76,709	75,041
59 Banks	83,880	94,140	97,711	116,058	128,024	122,832	122,043	130,255	129,306	130,762
60 Official institutions	25,829	28,110	31,936	35,921	34,958	35,664	33,195	34,221	34,806	35,007
61 Nonbank foreigners	25,877	31,085	41,769	49,256	49,385	47,233	48,108	48,191 ^r	48,652	50,195
62 Other liabilities	6,747	8,163	9,935	13,082	13,853	14,269	13,844 ^r	14,739 ^r	14,392	15,454
63 Total payable in U.S. dollars	173,071	198,572	230,810	268,769	272,166	273,752	270,597	282,200 ^r	282,666	283,695
64 To United States	31,932	42,881	55,811	63,408	59,889	64,479	67,953 ^r	68,592 ^r	65,357	67,127
65 Parent bank	19,599	24,213	27,393	20,089	18,089	23,216	23,623 ^r	21,636 ^r	21,195	23,075
66 Other banks in United States	12,373	18,669	12,084	14,375	13,698	14,932	12,845	14,479	12,004	12,522
67 Nonbanks			16,334	28,944	28,102	26,331	31,485	32,477	32,158	31,530
68 To foreigners	137,612	151,363	169,927	198,229	204,654	201,462	195,232	205,518 ^r	209,164	207,803
69 Other branches of parent bank	37,098	43,268	53,396	60,413	59,429	60,513	56,779	57,714	61,249	59,375
70 Banks	60,619	64,872	63,000	74,852	83,605	80,674	80,987	89,241	88,055	87,683
71 Official institutions	22,878	23,972	26,404	29,653	28,521	29,048	26,813	27,727	28,321	28,612
72 Nonbank foreigners	17,017	19,251	27,127	33,311	33,099	31,277	30,653	30,836 ^r	31,539	32,133
73 Other liabilities	3,527	4,328	5,072	7,132	7,623	7,811	7,412 ^r	8,090 ^r	8,145	8,765
United Kingdom										
74 Total, all currencies	81,466	90,933	106,593	127,949	131,959	130,873	128,417	133,793	136,654	138,915
75 To United States	5,997	7,753	9,730	19,730	19,612	20,986	20,378	20,808	19,921	20,838
76 Parent bank	1,198	1,451	1,887	2,258	2,516	3,104	3,014	2,758	2,140	2,301
77 Other banks in United States	4,798	6,302	4,232	8,004	7,381	8,715	7,631	7,627	6,502	6,382
78 Nonbanks			3,611	9,468	9,715	9,167	9,733	10,423	11,279	12,155
79 To foreigners	73,228	80,736	93,202	103,093	106,766	104,032	102,117	106,524	110,473	111,375
80 Other branches of parent bank	7,092	9,376	12,786	13,139	12,463	12,567	11,458	11,099	14,799	14,268
81 Banks	36,259	37,893	39,917	44,440	49,299	47,620	48,872	53,031	53,204	53,955
82 Official institutions	17,273	18,318	20,963	24,438	23,060	24,202	21,944	22,890	23,303	23,453
83 Nonbank foreigners	12,605	15,149	19,536	21,076	21,944	19,643	19,843	19,504	19,167	19,699
84 Other liabilities	2,241	2,445	3,661	5,126	5,581	5,855	5,922	6,461	6,260	6,702
85 Total payable in U.S. dollars	63,174	67,573	77,030	92,817	94,983	95,449	92,771	97,391 ^r	101,293	101,629
86 To United States	5,849	7,480	9,328	19,187	19,138	20,552	19,827	20,206	19,381	20,337
87 Parent bank	1,182	1,416	1,836	2,196	2,467	3,054	2,968	2,724	2,089	2,252
88 Other banks in United States	4,667	6,064	4,144	7,940	7,338	8,673	7,569	7,467	6,351	6,318
89 Nonbanks			3,348	9,051	9,333	8,825	9,290	10,015	10,941	11,767
90 To foreigners	56,372	58,977	66,216	71,561	73,542	72,397	70,597	74,705	79,251	78,296
91 Other branches of parent bank	5,874	7,505	9,635	8,955	8,337	8,446	7,793	7,322	10,894	10,468
92 Banks	25,527	25,608	25,287	26,132	29,424	29,424	30,988	34,694	35,300	34,485
93 Official institutions	15,423	15,482	17,091	20,457	19,139	20,192	18,117	18,923	19,255	19,554
94 Nonbank foreigners	9,547	10,382	14,203	16,017	16,642	14,335	13,699	13,766	13,802	13,789
95 Other liabilities	953	1,116	1,486	2,069	2,303	2,500	2,347	2,480 ^r	2,661	2,996
Bahamas and Caymans										
96 Total, all currencies	66,774	79,052	91,735	106,484	108,872	108,910	110,946	117,839 ^r	114,748	115,821
97 To United States	22,721	32,176	39,431	38,294	34,995	37,668	43,088 ^r	43,573 ^r	40,890	41,859
98 Parent bank	16,161	20,956	20,356	12,864	10,937	15,080	16,800 ^r	15,099 ^r	15,341	17,068
99 Other banks in United States	6,560	11,220	6,199	5,757	5,545	5,343	4,609	6,348	4,778	5,356
100 Nonbanks			12,876	19,673	18,513	17,245	21,679	22,126	20,771	19,435
101 To foreigners	42,899	45,292	50,447	65,822	71,259	68,584	65,232	71,139 ^r	70,811	70,644
102 Other branches of parent bank	13,801	12,816	16,094	19,206	21,078	20,875	20,559	22,150	22,401	22,470
103 Banks	21,760	24,717	23,104	32,266	36,498	33,614	30,503	34,704	33,760	33,089
104 Official institutions	3,573	3,000	4,208	4,712	5,176	4,866	5,020	5,016	4,958	5,435
105 Nonbank foreigners	3,765	4,759	7,041	9,638	8,507	9,229	9,150	9,269 ^r	9,692	9,650
106 Other liabilities	1,154	1,584	1,857	2,368	2,618	2,658	2,626 ^r	3,127 ^r	3,047	3,318
107 Total payable in U.S. dollars	63,417	74,463	87,014	100,820	103,339	103,393	105,997	112,929 ^r	110,074	111,468

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

2. In May 1978 a broader category of claims on foreign public bor-

rowers, including corporations that are majority owned by foreign governments, replaced the previous, more narrowly defined claims on foreign official institutions.

3.14 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1977	1978	1979	1979		1980				
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr. ^p	May ^p
1 Total ¹	131,097	162,521	149,508	141,575	149,508	145,985	145,013	142,045	140,473	143,201
<i>By type</i>										
2 Liabilities reported by banks in the United States ²	18,003	23,258	30,476	26,857	30,476	24,750	24,491	27,226	27,921	28,233
3 U.S. Treasury bills and certificates ³	47,820	67,671	47,666	43,921	47,666	48,864	48,234	42,797	40,527	42,749
U.S. Treasury bonds and notes										
4 Marketable	32,164	35,892	37,667	37,120	37,667	38,148	37,884	37,781	37,714	38,100
5 Nonmarketable ⁴	20,443	20,970	17,387	17,837	17,387	17,434	17,384	16,784	16,384	16,184
6 U.S. securities other than U.S. Treasury securities ⁵	12,667	14,730	16,312	15,840	16,312	16,789	17,020	17,457	17,927	17,935
<i>By area</i>										
7 Western Europe ¹	70,748	93,026	85,650	80,838	85,650	82,623	79,828	77,094	74,130	73,890
8 Canada	2,334	2,486	1,898	1,971	1,898	1,922	2,347	1,644	1,902	2,134
9 Latin America and Caribbean	4,649	5,046	6,371	4,579	6,371	4,780	4,916	6,099	5,979	6,035
10 Asia	50,693	58,812	52,693	51,420	52,693	53,448	54,602	53,997	54,400	57,327
11 Africa	1,742	2,408	2,412	2,215	2,412	2,480	2,392	2,419	3,316	2,889
12 Other countries ⁶	931	743	484	552	484	732	928	792	746	926

1. Includes the Bank for International Settlements.

2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.

3. Includes nonmarketable certificates of indebtedness (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.

4. Excludes notes issued to foreign official nonreserve agencies. Includes bonds and notes payable in foreign currencies.

5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.

6. Includes countries in Oceania and Eastern Europe.

NOTE: Based on Treasury Department data and on data reported to the Treasury Department by banks (including Federal Reserve Banks) and securities dealers in the United States.

3.15 LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in Foreign Currencies

Millions of dollars, end of period

Item	1976	1977	1978	1979			1980
			Dec.	June	Sept.	Dec.	Mar.
1 Banks' own liabilities	781	925	2,235	1,931	2,312	1,824	2,289
2 Banks' own claims ¹	1,834	2,356	3,504	2,467	2,564	2,443	3,242
3 Deposits	1,103	941	1,633	1,271	1,220	1,017	1,490
4 Other claims	731	1,415	1,871	1,196	1,343	1,425	1,751
5 Claims of banks' domestic customers ²			367	574	616	592	1,056

1. Includes claims of banks' domestic customers through March 1978.

2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of their domestic customers.

NOTE: Data on claims exclude foreign currencies held by U.S. monetary authorities.

3.16 LIABILITIES TO FOREIGNERS Reported by Banks in the United States

Payable in U.S. dollars

Millions of dollars, end of period

Holder and type of liability	1976	1977	1978	1979		1980				
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May ^p
1 All foreigners	110,657	126,168	167,080	184,466	187,749	185,087	193,788	185,977^r	180,724	182,421
2 Banks' own liabilities			78,987	117,282	117,561	113,791	122,479	119,118 ^r	115,745	115,866
3 Demand deposits	16,803	18,996	19,211	23,338	23,367	20,810	22,550	22,678 ^r	22,305	22,599
4 Time deposits ¹	11,347	11,521	12,441	12,649	13,641	12,481	12,732	12,877 ^r	12,717	12,660
5 Other ²			9,713	12,723	16,268	12,703	12,461	14,611 ^r	15,103	15,776
6 Own foreign offices ³			37,622	68,572	64,286	67,797	74,735	68,951 ^r	65,620	64,831
7 Banks' custody liabilities ⁴			88,093	67,184	70,187	71,296	71,309	66,859 ^r	64,979	66,555
8 U.S. Treasury bills and certificates ⁵	40,744	48,906	68,202	45,005	48,573	49,855	49,360	44,408 ^r	42,232	44,111
9 Other negotiable and readily transferable instruments ⁶			17,396	19,802	19,270	18,931	19,407	19,701 ^r	19,964	19,651
10 Other			2,495	2,376	2,344	2,509	2,542	2,750 ^r	2,783	2,793
11 Nonmonetary international and regional organizations⁷	5,714	3,274	2,607	2,717	2,352	1,227	1,712	1,758	2,064	1,845
12 Banks' own liabilities			906	753	710	444	393	383	744	447
13 Demand deposits	290	231	330	214	260	164	153	160	241	144
14 Time deposits ¹	205	139	84	80	152	89	78	79	93	88
15 Other ²			492	459	298	191	162	144	410	215
16 Banks' custody liabilities ⁴			1,701	1,964	1,643	783	1,319	1,376	1,320	1,398
17 U.S. Treasury bills and certificates	2,701	706	201	258	102	102	114	157	87	82
18 Other negotiable and readily transferable instruments ⁶			1,499	1,605	1,538	681	1,206	1,218	1,233	1,317
19 Other			1	101	2	0	0	0	0	0
20 Official institutions⁸	54,956	65,822	90,674	70,779	78,143	73,614	72,725	70,023^r	68,448	70,982
21 Banks' own liabilities			12,097	14,390	18,229	12,358	12,151	14,527 ^r	14,545	15,097
22 Demand deposits	3,394	3,528	3,390	5,652	4,724	3,745	3,680	3,928 ^r	4,734	4,414
23 Time deposits ¹	2,321	1,797	2,550	1,972	3,071	2,289	2,367	2,397	2,392	2,532
24 Other ²			6,157	6,767	10,434	6,324	6,104	8,202 ^r	7,419	8,150
25 Banks' custody liabilities ⁴			78,577	56,388	59,914	61,256	60,575	55,497 ^r	53,903	55,885
26 U.S. Treasury bills and certificates ⁵	37,725	47,820	67,415	43,921	47,666	48,864	48,234	42,797 ^r	40,527	42,749
27 Other negotiable and readily transferable instruments ⁶			10,992	12,411	12,196	12,357	12,303	12,668 ^r	13,341	13,097
28 Other			170	56	52	35	37	32	35	40
29 Banks⁹	37,174	42,335	57,779	92,716	88,694	91,628	100,209	95,162^r	92,016	91,845
30 Banks' own liabilities			52,994	87,511	83,699	86,246	94,734	89,381 ^r	86,201	86,018
31 Unaffiliated foreign banks			15,372	18,939	19,413	18,449	19,999	20,430 ^r	20,581	21,187
32 Demand deposits	9,104	10,933	11,249	12,879	13,262	11,822	13,345	13,371 ^r	12,667	13,161
33 Time deposits ¹	2,297	2,040	1,453	1,606	1,663	1,275	1,295	1,574 ^r	1,513	1,464
34 Other ²			2,670	4,454	4,488	5,353	5,359	5,485 ^r	6,401	6,561
35 Own foreign offices ³			37,622	68,572	64,286	67,797	74,735	68,951 ^r	65,620	64,831
36 Banks' custody liabilities ⁴			4,785	5,205	4,995	5,382	5,475	5,781 ^r	5,815	5,828
37 U.S. Treasury and certificates	119	141	300	451	422	533	566	675 ^r	771	769
38 Other negotiable and readily transferable instruments ⁶			2,425	2,611	2,405	2,573	2,559	2,559 ^r	2,462	2,486
39 Other			2,060	2,143	2,168	2,276	2,350	2,547 ^r	2,582	2,574
40 Other foreigners	12,814	14,736	16,020	18,254	18,560	18,617	19,141	19,033^r	18,196	17,748
41 Banks' own liabilities			12,990	14,627	14,924	14,743	15,201	14,828 ^r	14,255	14,305
42 Demand deposits	4,015	4,304	4,242	4,594	5,121	5,079	5,373	5,219 ^r	4,663	4,880
43 Time deposits	6,524	7,546	8,353	8,991	8,755	8,828	8,992	8,827	8,720	8,576
44 Other ²			394	1,043	1,048	835	836	781	873	849
45 Banks' custody liabilities ⁴			3,030	3,626	3,636	3,875	3,939	4,205	3,941	3,443
46 U.S. Treasury bills and certificates	198	240	285	375	382	356	446	777 ^r	847	511
47 Other negotiable and readily transferable instruments ⁶			2,481	3,175	3,131	3,320	3,339	3,256	2,928	2,752
48 Other			264	76	123	199	154	172 ^r	166	180
49 MEMO: Negotiable time certificates of deposit in custody for foreigners			11,007	10,821	10,974	10,906	11,395	11,236 ^r	11,670	11,656

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

2. Includes borrowing under repurchase agreements.

3. U.S. banks: includes amounts due to own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. Agencies, branches, and majority-owned subsidiaries of foreign banks: principally amounts due to head office or parent foreign bank, and foreign branches, agencies or wholly owned subsidiaries of head office or parent foreign bank.

4. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.

5. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.

6. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.

7. Principally the International Bank for Reconstruction and Development, and the Inter-American and Asian Development Banks.

8. Foreign central banks and foreign central governments and the Bank for International Settlements.

9. Excludes central banks, which are included in "Official institutions."

3.16 LIABILITIES TO FOREIGNERS Continued

Area and country	1976	1977	1978	1979		1980				
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May ^p
1 Total	110,657	126,168	167,080	184,466	187,749	185,087	193,788	185,977 ^r	180,724	182,421
2 Foreign countries	104,943	122,893	164,473	181,748	185,396	183,860	192,075	184,218 ^r	178,659	180,576
3 Europe	47,076	60,295	85,447	87,488	91,411	87,294	85,747	85,278 ^r	82,806	82,540
4 Austria	346	318	513	404	413	378	379	335	444	353
5 Belgium-Luxembourg	2,187	2,531	2,552	2,786	2,364	2,108	2,406	2,365 ^r	2,369	2,795
6 Denmark	356	770	1,946	1,166	1,092	955	587	613 ^r	615	588
7 Finland	416	323	346	390	398	455	544	484 ^r	522	435
8 France	4,876	5,269	9,208	10,301	10,401	10,534	11,247	11,004	11,303	10,839
9 Germany	6,241	7,239	17,286	10,801	12,935	10,345	8,960	8,618 ^r	5,320	5,427
10 Greece	403	603	826	792	635	832	627	618 ^r	617	610
11 Italy	3,182	6,857	7,739	8,345	7,782	7,825	7,394	7,399 ^r	7,429	6,942
12 Netherlands	3,003	2,869	2,402	2,165	2,327	2,529	2,485	2,377	2,022	2,128
13 Norway	782	944	1,271	1,407	1,267	1,229	1,156	1,500	1,391	1,221
14 Portugal	239	273	330	595	557	550	438	314	537	339
15 Spain	559	619	870	1,184	1,259	1,192	1,146	1,242	1,418	1,409
16 Sweden	1,692	2,712	3,121	2,064	2,005	1,845	1,978	1,692 ^r	1,847	1,632
17 Switzerland	9,460	12,343	18,560	17,206	18,501	17,311	16,947	15,625 ^r	14,859	14,658
18 Turkey	166	130	157	145	120	232	118	138	136	136
19 United Kingdom	10,018	14,125	14,265	24,043	24,665	25,081	25,298	26,810 ^r	27,187	27,165
20 Yugoslavia	189	232	254	147	266	157	149	115	122	144
21 Other Western Europe ¹	2,673	1,804	3,393	3,248	4,070	3,474	3,455	3,693 ^r	4,301	5,324
22 U.S.S.R.	51	98	82	39	52	46	41	37 ^r	33	40
23 Other Eastern Europe ²	236	236	325	261	302	217	390	300 ^r	334	354
24 Canada	4,659	4,607	6,969	7,280	7,379	9,541	9,556	8,507	8,048	8,192
25 Latin America and Caribbean	19,132	23,670	31,606	51,624	49,565	50,537	57,728	51,583 ^r	48,950	48,653
26 Argentina	1,534	1,416	1,484	1,573	1,582	1,635	1,632	1,582 ^r	1,679	1,913
27 Bahamas	2,770	3,596	6,752	18,540	15,311	16,322	22,085	16,352 ^r	14,454	16,342
28 Bermuda	218	321	428	404	430	447	560	534	479	512
29 Brazil	1,438	1,396	1,125	1,051	1,005	1,405	1,156	1,367	1,645	1,530
30 British West Indies	1,877	3,998	5,991	12,534	11,049	11,908	12,956	11,812 ^r	11,585	9,460
31 Chile	337	360	399	356	469	396	471	445	444	1,030
32 Colombia	1,021	1,221	1,756	2,377	2,617	2,882	2,840	2,825	2,905	2,166
33 Cuba	6	6	13	12	13	10	5	6	23	7
34 Ecuador	320	330	322	476	425	386	412	459	357	337
35 Guatemala ³	416	374	416	374	414	394	391	426	403	350
36 Jamaica ³	52	74	74	76	96	90	97	97	132	138
37 Mexico	2,870	2,876	3,417	3,666	4,096	3,980	3,973	4,001 ^r	4,302	4,104
38 Netherlands Antilles	158	196	308	460	499	344	524	419 ^r	411	335
39 Panama	1,167	2,331	2,968	4,290	4,483	4,770	4,646	4,418 ^r	4,505	4,082
40 Peru	257	287	363	417	383	376	388	363	392	412
41 Uruguay	245	243	231	185	202	216	210	240	216	208
42 Venezuela	3,118	2,929	3,821	3,014	4,192	3,083	3,518	4,075 ^r	3,179	3,953
43 Other Latin America and Caribbean	1,797	2,167	1,760	1,822	2,318	1,886	1,872	2,161	1,837	1,775
44 Asia	29,766	30,488	36,487	31,272	32,898	32,043	34,511	34,222 ^r	33,519	35,984
45 China	48	53	67	45	49	46	32	34	35	27
46 Mainland	990	1,013	502	1,413	1,393	1,386	1,567	1,188	1,076	1,635
47 Taiwan	894	1,094	1,256	1,624	1,672	1,694	1,776	1,897	1,857	1,708
48 Hong Kong	638	961	790	580	527	544	579	558	576	740
49 India	340	410	449	478	504	743	693	658	935	670
50 Indonesia	392	559	688	574	707	517	501	759	569	570
51 Israel	14,363	14,616	21,927	7,867	8,886	9,429	10,664	9,651 ^r	9,374	10,792
52 Japan	438	602	795	951	993	959	1,019	1,069 ^r	1,008	988
53 Korea	628	687	644	671	800	729	772	669	789	885
54 Philippines	277	264	427	415	281	408	284	414 ^r	407	472
55 Thailand	9,360	8,979	7,529	14,788	15,212	14,081	14,992	15,686 ^r	15,189	15,724
56 Middle-East oil-exporting countries ⁴	1,398	1,250	1,414	1,876	1,871	1,506	1,631	1,638	1,704	1,771
57 Other Asia	2,298	2,535	2,886	3,105	3,239	3,330	3,170	3,325 ^r	4,203	3,810
58 Africa	333	404	404	380	475	449	332	318	438	376
59 Egypt	87	66	32	36	33	50	33	31	41	31
60 Morocco	141	174	168	213	184	268	195	313 ^r	294	316
61 South Africa	36	39	43	104	110	128	93	102	84	86
62 Zaire	1,116	1,155	1,525	1,513	1,635	1,503	1,665	1,660	2,462	2,231
63 Oil-exporting countries ⁵	585	698	715	859	804	932	852	901	885	768
64 Other Africa	2,012	1,297	1,076	980	904	1,114	1,363	1,304 ^r	1,133	1,396
65 Other countries	1,905	1,140	838	714	684	853	1,054	992 ^r	881	1,149
66 Australia	107	158	239	266	220	261	309	312	252	247
67 All other										
67 Nonmonetary international and regional organizations	5,714	3,274	2,607	2,717	2,352	1,227	1,712	1,758	2,064	1,845
68 International	5,157	2,752	1,485	1,504	1,232	823	618	652	959	766
69 Latin American regional	267	278	808	790	813	90	780	746	813	790
70 Other regional ⁶	290	245	314	423	308	314	315	361	292	289

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.

2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.

3. Included in "Other Latin America and Caribbean" through March 1978.

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

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

6. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western Europe."

3.17 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Area and country	1976	1977	1978	1979		1980				
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May ^P
1 Total	79,301	90,206	115,610	124,466	133,586	127,290	130,766	130,775^r	133,349	139,498
2 Foreign countries	79,261	90,163	115,554	124,422	133,554	127,254	130,733	130,739^r	133,316	139,465
3 Europe	14,776	18,114	24,202	25,890	28,314	24,821	25,575	25,810 ^r	24,533	26,099
4 Austria	63	65	140	168	284	258	315	331	338	291
5 Belgium-Luxembourg	482	561	1,175	1,402	1,328	1,416	1,524	1,631	1,591	1,471
6 Denmark	133	173	254	149	147	126	156	207 ^r	203	168
7 Finland	199	172	305	182	202	262	237	188 ^r	223	273
8 France	1,549	2,082	3,735	3,305	3,302	3,086	3,197	2,984 ^r	2,811	2,740
9 Germany	509	644	845	1,396	1,159	921	1,209	1,308	1,154	1,104
10 Greece	279	206	164	171	154	136	141	191	244	329
11 Italy	993	1,334	1,523	1,259	1,572	1,345	1,405	1,488	1,464	1,748
12 Netherlands	315	338	677	603	514	472	610	535	481	457
13 Norway	136	162	299	257	276	177	175	254 ^r	170	172
14 Portugal	88	175	171	352	330	288	213	227	247	246
15 Spain	745	722	1,115	1,050	1,051	948	1,015	914 ^r	1,020	1,106
16 Sweden	206	218	537	548	542	747	702	593 ^r	618	661
17 Switzerland	379	564	1,283	1,232	1,162	935	1,359	1,356	827	916
18 Turkey	249	360	300	151	149	128	131	123	132	151
19 United Kingdom	7,033	8,964	10,172	11,426	13,789	11,334	10,877	10,950 ^r	10,462	11,735
20 Yugoslavia	234	311	363	582	611	569	565	598 ^r	593	614
21 Other Western Europe ¹	85	86	122	185	175	203	227	225	330	276
22 U.S.S.R.	485	413	366	311	290	263	265	253	257	247
23 Other Eastern Europe ²	613	566	657	1,160	1,277	1,205	1,251	1,453	1,366	1,394
24 Canada	3,319	3,355	5,152	4,365	4,347	4,221	4,142	4,186	3,924	4,283
25 Latin America and Caribbean	38,879	45,850	57,374	62,328	67,632	65,166	65,947	65,152 ^r	68,248	71,547
26 Argentina	1,192	1,478	2,281	4,157	4,415	4,683	4,969	4,969	4,992	5,115
27 Bahamas	15,464	19,858	21,420	16,046	18,681	20,443	19,005	19,262 ^r	21,045	23,291
28 Bermuda	150	232	184	462	496	434	314	313	321	296
29 Brazil	4,901	4,629	6,251	7,497	7,767	7,555	7,618	8,010 ^r	8,112	8,044
30 British West Indies	5,082	6,481	9,692	9,149	9,762	7,816	10,136	7,364	8,584	8,968
31 Chile	597	675	972	1,349	1,438	1,376	1,430	1,367	1,329	1,353
32 Colombia	675	671	1,012	1,523	1,614	1,655	1,698	1,526	1,539	1,408
33 Cuba	13	10	4	4	4	4	4	4	5	4
34 Ecuador	375	517	705	1,007	1,025	1,001	1,025	1,023	1,011	1,007
35 Guatemala ³	94	115	134	114	105	109	108	108	107	107
36 Jamaica ³	40	34	47	51	44	42	43	43	43	43
37 Mexico	4,822	4,909	5,430	8,360	8,971	8,829	8,928	9,231	9,191	9,723
38 Netherlands Antilles	140	224	273	227	248	325	397	513	663	703
39 Panama	1,372	1,410	3,089	5,774	5,986	4,432	3,919	4,652 ^r	4,633	4,525
40 Peru	933	962	918	604	652	585	634	701 ^r	654	632
41 Uruguay	42	80	52	71	105	100	82	90	84	154
42 Venezuela	1,828	2,318	3,474	4,392	4,689	4,244	4,194	4,457	4,232	4,527
43 Other Latin America and Caribbean	1,293	1,394	1,487	1,557	1,598	1,518	1,515	1,520	1,701	1,648
44 Asia	19,204	19,236	25,616	29,057	30,624	30,169	32,337	32,827 ^r	33,930	34,892
45 China	3	10	4	31	35	28	51	49	48	40
46 Mainland	1,344	1,719	1,499	1,805	1,821	1,700	1,691	1,524 ^r	1,619	1,889
47 Hong Kong	316	543	1,679	1,794	1,804	1,804	2,127	1,888 ^r	2,001	2,362
48 India	69	53	54	69	92	136	90	120	87	61
49 Indonesia	218	232	143	135	131	117	128	132	166	128
50 Israel	755	584	888	842	990	812	787	734	829	989
51 Japan	11,040	9,839	12,681	16,155	16,925	17,027	18,899	19,433 ^r	20,336	20,254
52 Korea	1,978	2,336	2,282	3,732	3,796	4,080	4,356	4,726 ^r	4,853	5,057
53 Philippines	719	594	680	642	737	649	645	696 ^r	693	717
54 Thailand	442	633	758	972	935	971	993	877	857	918
55 Middle East oil-exporting countries ⁴	1,459	1,746	3,145	1,107	1,544	1,397	1,211	1,437	1,179	978
56 Other Asia	863	947	1,804	1,776	1,813	1,448	1,359	1,211 ^r	1,263	1,499
57 Africa	2,311	2,518	2,221	1,865	1,785	1,899	1,775	1,729 ^r	1,800	1,760
58 Egypt	126	119	107	91	112	130	154	128	135	134
59 Morocco	27	43	82	73	103	106	109	118	128	107
60 South Africa	957	1,066	860	565	445	412	342	337 ^r	362	465
61 Zaire	112	98	164	135	142	146	144	143	144	108
62 Oil-exporting countries ⁵	524	510	452	442	391	507	451	353	443	325
63 Other	565	682	556	559	592	599	574	649	588	622
64 Other countries	772	1,090	988	916	853	978	958	1,035 ^r	880	883
65 Australia	597	905	877	741	673	803	789	803 ^r	713	695
66 All other	175	186	111	176	180	175	170	232	167	187
67 Nonmonetary international and regional organizations ⁶	40	43	56	44	32	35	33	36	33	34

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.

2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.

3. Included in "Other Latin America and Caribbean" through March 1978.

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

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

6. Excludes the Bank for International Settlements, which is included in "Other Western Europe."

NOTE. Data for period prior to April 1978 include claims of banks' domestic customers on foreigners.

3.18 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States
Payable in U.S. Dollars
Millions of dollars, end of period

Type of claim	1976	1977	1978	1979		1980				
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May ^a
1 Total	79,301	90,206	126,829	.....	153,534	.....	.....	153,147^r	.....	.....
2 Banks' own claims on foreigners	115,610	124,466	133,586	127,290	130,766	130,775 ^r	133,349	139,498
3 Foreign public borrowers	10,168	13,753	15,054	14,862	15,052	15,428 ^r	15,146	15,084
4 Own foreign offices ¹	41,697	43,646	47,056	46,075	46,801	45,248 ^r	46,163	50,027
5 Unaffiliated foreign banks	40,467	37,831	40,902	36,140	38,902	36,692 ^r	40,994	42,765
6 Deposits	5,456	5,509	6,217	4,985	5,125	5,479 ^r	6,104	6,478
7 Other	35,011	32,322	34,685	31,155	33,778	34,213 ^r	34,890	36,286
8 All other foreigners	23,278	29,236	30,574	30,214	30,011	30,407 ^r	31,047	31,623
9 Claims of banks' domestic customers ²	11,219	.....	19,948	.....	.....	22,372 ^r	.....	.....
10 Deposits	480	.....	955	.....	.....	1,208 ^r	.....	.....
11 Negotiable and readily transferable instruments ³	5,385	.....	12,974	.....	.....	14,559	.....	.....
12 Outstanding collections and other claims ⁴	5,756	6,176	5,353	.....	6,019	.....	.....	6,605 ^r	.....	.....
13 MEMO: Customer liability on acceptances	14,919	.....	21,170	.....	.....	20,095 ^r	.....	.....
Dollar deposits in banks abroad, reported by non-banking business enterprises in the United States ⁵	12,804	22,069	21,259	23,883 ^r	25,450 ^r	24,810 ^r	24,099	n.a.

1. U.S. banks: includes amounts due from own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. *Agencies, branches, and majority-owned subsidiaries of foreign banks:* principally amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.

2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the account of their domestic customers.

3. Principally negotiable time certificates of deposit and bankers acceptances.

4. Data for March 1978 and for period prior to that are outstanding collections only.

5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see July 1979 BULLETIN, p. 550.

NOTE: Beginning April 1978, data for banks' own claims are given on a monthly basis, but the data for claims of banks' own domestic customers are available on a quarterly basis only.

3.19 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States
Payable in U.S. Dollars
Millions of dollars, end of period

Maturity; by borrower and area	1978		1979				1980
	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.
1 Total	60,091	73,696	71,566	77,662	87,477	86,268	85,265
<i>By borrower</i>							
2 Maturity of 1 year or less ¹	47,226	58,418	55,387	60,012	68,311	65,134	63,901
3 Foreign public borrowers	3,711	4,583	4,627	4,604	6,057	6,991	6,843
4 All other foreigners	43,515	53,835	50,760	55,408	62,254	58,143	57,058
5 Maturity of over 1 year ¹	12,866	15,278	16,179	17,650	19,166	21,134	21,364
6 Foreign public borrowers	4,235	5,338	5,940	6,411	7,638	8,085	8,419
7 All other foreigners	8,631	9,939	10,239	11,239	11,528	13,049	12,945
<i>By area</i>							
8 Maturity of 1 year or less ¹							
9 Europe	10,513	15,169	12,389	14,019	16,786	15,208	13,850
10 Canada	1,953	2,670	2,514	2,703	2,471	1,846	1,818
11 Latin America and Caribbean	18,624	20,934	21,660	23,096	25,612	24,851	23,177
12 Asia	14,010	17,579	16,992	18,191	21,519	21,658	23,386
13 Africa	1,535	1,496	1,290	1,438	1,399	1,078	1,043
14 All other ²	591	569	541	565	524	493	622
15 Maturity of over 1 year ¹							
16 Europe	3,102	3,142	3,103	3,486	3,660	4,134	4,253
17 Canada	794	1,426	1,456	1,221	1,364	1,453	1,214
18 Latin America and Caribbean	6,877	8,452	9,325	10,265	11,757	12,796	13,397
19 Asia	1,303	1,407	1,486	1,881	1,574	1,930	1,728
20 Africa	580	637	629	614	623	652	620
21 All other ²	211	214	180	183	188	169	121

1. Remaining time to maturity.

2. Includes nonmonetary international and regional organizations.

3.20 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks¹

Billions of dollars, end of period

Area or Country	1976	1977	1978				1979				1980
			Mar.	June ²	Sept.	Dec.	Mar.	June	Sept.	Dec.	
1 Total	206.8	240.0 ^r	244.7	247.1	247.6	266.4 ^r	263.8	275.5 ^r	293.8 ^r	303.6 ^r	307.7
2 G-10 countries and Switzerland	100.3	116.4	116.9	112.6 ^r	113.5 ^r	124.8 ^r	119.0 ^r	125.3	135.8	138.1 ^r	140.5
3 Belgium-Luxembourg	6.1	8.4	8.3	8.3	8.4	9.0	9.4	9.7	10.7	11.1	10.8
4 France	10.0	11.0	11.4	11.4	11.7	12.2	11.7	12.7	12.0	11.6	12.0
5 Germany	8.7	9.6	9.0	9.1	9.7	11.3 ^r	10.5	10.8	12.8 ^r	12.2 ^r	11.4
6 Italy	5.8	6.5	6.0	6.4	6.1	6.7 ^r	5.7	6.1	6.1	6.3	6.2
7 Netherlands	2.8	3.5	3.4	3.4	3.5	4.4	3.9	4.0	4.7	4.8	4.3
8 Sweden	1.2	1.9	2.0	2.1	2.2	2.1	2.0	2.0	2.3	2.4	2.4
9 Switzerland	3.0	3.6	4.0	4.1	4.3	5.4	4.5	4.8	5.0 ^r	4.8	4.4
10 United Kingdom	41.7	46.5	46.7	44.9 ^r	44.2 ^r	47.3	46.4 ^r	50.3 ^r	53.7 ^r	56.0 ^r	57.4
11 Canada	5.1	6.4	7.0	5.1	4.9 ^r	6.0	5.9	5.5	6.0	6.5 ^r	6.8
12 Japan	15.9	18.8	19.1	17.9	18.5 ^r	20.6	19.0	19.6 ^r	22.4 ^r	22.4	25.0
13 Other developed countries	15.0	18.6	19.7	19.4	18.6	19.4	18.2	18.2	19.7	19.9	18.8
14 Austria	1.2	1.3	1.5	1.5	1.5	1.7	1.7	1.8	2.0	2.0	1.7
15 Denmark	1.0	1.6	1.8	1.7	1.9	2.0	2.0	1.9	2.0	2.2	2.2
16 Finland	1.1	1.2	1.2	1.1	1.0	1.2	1.2	1.1	1.2	1.2	1.1
17 Greece	1.7	2.2	2.1	2.3	2.2	2.3	2.3	2.2	2.3	2.4	2.4
18 Norway	1.5	1.9	1.9	2.1	2.1	2.1	2.1	2.1	2.3	2.3	2.4
19 Portugal	.4	.6	.7	.6	.5	.6	.6	.5	.7	.7	.6
20 Spain	2.8	3.6	3.6	3.6	3.5	3.4	3.0	3.0	3.3	3.5	3.5
21 Turkey	1.3	1.5	1.4	1.4	1.5	1.5	1.4	1.4	1.4	1.4	1.4
22 Other Western Europe	.7	.9	1.5	1.2	.9	1.3	1.1	.9	1.3 ^r	1.4	1.4
23 South Africa	2.2	2.4	2.5	2.4	2.2	2.0	1.7	1.8	1.7	1.3	1.1
24 Australia	1.2	1.4	1.5	1.4	1.3	1.4	1.3	1.4	1.3	1.3	1.1
25 Oil-exporting countries ³	12.6	17.6	19.2	19.2	20.4	22.7	22.6	22.7	23.4	22.9 ^r	21.9
26 Ecuador	.7	1.1	1.3	1.4	1.6	1.6	1.5	1.6	1.6	1.7	1.8
27 Venezuela	4.1	5.5	5.5	5.6	6.2	7.2	7.2	7.6	7.9	8.7	7.9
28 Indonesia	2.2	2.2	2.1	1.9	1.9	2.0	1.9	1.9	1.9	1.9	1.9
29 Middle East countries	4.2	6.9	8.3	8.4	8.7	9.5	9.4	9.0	9.2	8.0	7.8
30 African countries	1.4	1.9	2.0	1.9	2.0	2.5	2.6	2.6	2.8	2.6	2.5
31 Non-oil developing countries	44.2	48.7	49.7	49.1	49.6	52.5	53.8	55.8 ^r	58.7 ^r	62.7 ^r	64.0
Latin America											
32 Argentina	1.9	2.9	3.0	3.0	2.9	3.0	3.1	3.5	4.1	5.1	5.6
33 Brazil	11.1	12.7	13.0	13.3	14.0	14.9	14.9	15.1	15.1	15.3	15.1
34 Chile	.8	.9	1.1	1.3	1.3	1.6	1.7	1.8	2.2	2.5	2.5
35 Colombia	1.3	1.3	1.2	1.3	1.3	1.4	1.5	1.5	1.7	2.2	2.2
36 Mexico	11.7	11.9	11.2	11.0	10.7	10.7	10.9	10.7	11.3 ^r	11.9 ^r	12.2
37 Peru	1.8	1.9	1.7	1.8	1.8	1.7	1.6	1.4	1.4	1.5	1.2
38 Other Latin America	2.8	2.6	3.4	3.3	3.4	3.6	3.5	3.3	3.6	3.7	3.7
Asia											
39 China											
40 Mainland	.0	.0	.0	.0	.0	.0	.1	.1	.1	.1	.1
41 Taiwan	2.4	3.1	3.1	2.5	2.4	2.9	3.1	3.3	3.5	3.4 ^r	3.6
42 India	.2	.3	.3	.2	.3	.2	.2	.2	.2	.2	.2
43 Israel	1.0	.9	.8	.7	.7	1.0	1.0	.9	1.0	1.3	.9
44 Korea (South)	3.1	3.9	3.6	3.6	3.5	3.9	4.2	5.0	5.3	5.5	6.4
45 Malaysia ⁴	.5	.7	.7	.6	.6	.6	.6	.7	.7	.9	.8
46 Philippines	2.2	2.5	2.6	2.7	2.8	2.8	3.2	3.7	3.7	4.2 ^r	4.4
47 Thailand	.7	1.1	1.1	1.1	1.1	1.2	1.2	1.4	1.6	1.6	1.4
48 Other Asia	.5	.4	.4	.3	.3	.2	.3	.4	.3	.4	.4
Africa											
49 Egypt	.4	.3	.3	.3	.4	.4	.5	.7	.6	.6	.7
50 Morocco	.3	.5	.4	.5	.5	.6	.6	.5	.5	.6	.5
51 Zaire	.2	.3	.3	.2	.2	.2	.2	.2	.2	.2	.2
52 Other Africa ⁵	1.2	.7	1.4	1.2	1.3	1.4	1.4	1.5	1.6	1.7	1.8
53 Eastern Europe	5.2	6.3	6.3	6.4	6.6	6.9	6.7	6.7	7.2	7.6 ^r	7.3
54 U.S.S.R.	1.5	1.6	1.4	1.4	1.4	1.3	1.1	.9	.9	1.0	.6
55 Yugoslavia	.8	1.1	1.2	1.3	1.3	1.5	1.6	1.7	1.8	1.8	1.9
56 Other	2.9	3.7	3.7	3.7	3.9	4.1	4.0	4.1	4.6	4.8 ^r	4.9
57 Offshore banking centers	24.7	26.1	28.8	32.4 ^r	30.2 ^r	31.1 ^r	33.7 ^r	36.9 ^r	38.5 ^r	40.4 ^r	42.2
58 Bahamas	10.1	9.8	11.3	12.1 ^r	11.6 ^r	10.3 ^r	12.1 ^r	14.3 ^r	12.9 ^r	13.5	13.6
59 Bermuda	.5	.6	.6	.7	.7	.7	.6	.7	.7	.8 ^r	.6
60 Cayman Islands and other British West Indies	3.8	3.8	4.6	7.2 ^r	6.8 ^r	7.4 ^r	7.2 ^r	7.5 ^r	9.5 ^r	9.5	11.2
61 Netherlands Antilles	.6	.7	.7	.6	.6	.8	.8	1.0	1.1	1.2	.9
62 Panama ⁶	3.0	3.1	3.1	3.3	3.1	3.0	3.4	3.8 ^r	3.4 ^r	4.3 ^r	4.9
63 Lebanon	.1	.2	.2	.1	.1	.1	.1	.1	.2	.2	.2
64 Hong Kong	2.2	3.7	4.1	4.1	4.0	4.4 ^r	4.8	4.9	5.5	6.0	5.7
65 Singapore	4.4	3.7	3.9	3.8	2.9	3.9	4.2	4.2	4.9	4.5	4.7
66 Others ⁷	.0	.5	.3	.5	.5	.5	.4	.4	.4	.4	.4
66 Miscellaneous and unallocated ⁸	5.0	5.3	5.9	8.1	8.6	9.1	9.5	9.9	10.6	11.7 ^r	13.1

1. The banking offices covered by these data are the U.S. offices and foreign branches of U.S.-owned banks and of U.S. subsidiaries of foreign-owned banks. Offices not covered include (1) U.S. agencies and branches of foreign banks, and (2) foreign subsidiaries of U.S. banks. To minimize duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution. The data in this table combine foreign branch claims in table 3.13 (the sum of lines 7 through 10) with the claims of U.S. offices in table 3.17 (excluding those held by agencies and branches of foreign banks and those constituting claims on own foreign branches). However, see also footnote 2.

2. For June 1978 and subsequent dates, the claims of the U.S. offices

in this table include only banks' own claims payable in dollars. For earlier dates the claims of the U.S. offices also include customer claims and foreign currency claims (amounting in June 1978 to \$10 billion).

3. Includes Algeria, Bahrain, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Oman, Qatar, Saudi Arabia, and United Arab Emirates in addition to countries shown individually.

4. Foreign branch claims only through December 1976.

5. Excludes Liberia.

6. Includes Canal Zone beginning December 1979.

7. Foreign branch claims only.

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

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

Millions of dollars

Country or area	1978	1979	1980	1979		1980				
			Jan.-May ^p	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May ^p
	Holdings (end of period) ¹									
1 Estimated total ²	44,938	50,306		49,779	50,306	52,828	53,199	52,995	52,084	51,360
2 Foreign countries ²	39,817	44,975		44,276	44,875	46,777	46,555	46,532	46,423	46,898
3 Europe ²	17,072	23,705		21,910	23,705	25,351	24,900	24,609	24,002	24,069
4 Belgium-Luxembourg	19	60		60	60	60	55	27	28	28
5 Germany ²	8,705	12,937		11,337	12,937	14,081	13,797	13,489	13,203	13,221
6 Netherlands	1,358	1,466		1,490	1,466	1,407	1,414	1,453	1,473	1,412
7 Sweden	285	647		593	647	640	636	633	642	653
8 Switzerland ²	977	1,868		1,961	1,868	1,894	1,564	1,534	1,528	1,574
9 United Kingdom	5,373	6,236		5,955	6,236	6,755	6,921	6,993	6,601	6,663
10 Other Western Europe	354	491		513	491	514	512	478	527	519
11 Eastern Europe										
12 Canada	152	232		234	232	231	389	394	381	385
13 Latin America and Caribbean	416	546		539	546	546	547	552	581	588
14 Venezuela	144	183		183	183	183	183	183	183	183
15 Other Latin American and Caribbean	110	200		192	200	200	201	206	199	205
16 Netherlands Antilles	162	163		164	163	163	164	164	199	200
17 Asia	21,488	19,804		21,005	19,804	20,061	20,130	20,390	20,872	21,269
18 Japan	11,528	11,175		12,502	11,175	10,844	10,420	9,631	9,533	9,543
19 Africa	691	591		591	591	591	591	591	593	593
20 All other	-3	-3		-3	-3	-3	-3	-3	-6	-7
21 Nonmonetary international and regional organizations	5,121	5,431		5,503	5,431	6,051	6,644	6,463	5,661	4,462
22 International	5,089	5,388		5,463	5,388	6,016	6,592	6,407	5,606	4,401
23 Latin American regional	33	40		40	40	35	53	53	53	63
	Transactions (net purchases, or sales (-), during period)									
24 Total ²	6,297	5,368	1,058	-1,110	527	2,525	371	-207	-911	-720
25 Foreign countries ²	5,921	5,059	2,022	-930	600	1,902	-223	-22	-109	475
26 Official institutions	3,727	1,775	433	-1,037	547	481	-264	-103	-67	386
27 Other foreign ²	2,195	3,283	1,588	108	53	1,422	41	79	-42	88
28 Nonmonetary international and regional organizations	375	311	-963	-180	-73	624	594	-185	-802	-1,194
MEMO: Oil-exporting countries										
29 Middle East ³	-1,785	-1,015	2,998	64	168	550	500	1,014	471	462
30 Africa ⁴	329	-100		-100						

1. Estimated official and private holdings of marketable U.S. Treasury securities with an original maturity of more than 1 year. Data are based on a benchmark survey of holdings as of Jan. 31, 1971, and monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

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

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

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

3.22 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS

Millions of dollars, end of period

Assets	1977	1978	1979	1979	1980					
				Dec.	Jan.	Feb.	Mar.	Apr.	May ^p	June ^p
1 Deposits	424	367	429	429	439	450	468	618	380	691
Assets held in custody										
2 U.S. Treasury securities ¹	91,962	117,126	95,075	95,075	97,116	96,200	89,290	85,717	88,489	93,661
3 Earmarked gold ²	15,988	15,463	15,169	15,169	15,138	15,109	15,087	15,057	15,037	15,034

1. Marketable U.S. Treasury bills, notes, and bonds; and nonmarketable U.S. Treasury securities payable in dollars and in foreign currencies.

2. The value of earmarked gold increased because of the changes in par value of the U.S. dollar in May 1972 and in October 1973.

NOTE. Excludes deposits and U.S. Treasury securities held for international and regional organizations. Earmarked gold is gold held for foreign and international accounts and is not included in the gold stock of the United States.

3.23 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transactions, and area or country	1978	1979	1980	1979		1980				
			Jan.- May ^p	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May ^p
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	20,142	22,595	14,188	1,876	2,359	3,104	4,436	2,724	1,985	1,940
2 Foreign sales	17,723	20,974	11,792	1,687	2,182	2,417	3,319	2,380	1,719	1,958
3 Net purchases, or sales (-)	2,420	1,621	2,396	189	177	687	1,117	344	266	-17
4 Foreign countries	2,466	1,605	2,390	192	173	686	1,119	342	263	-19
5 Europe	1,283	216	1,751	77	75	506	855	156	129	105
6 France	47	122	191	-18	8	71	133	-49	14	23
7 Germany	620	-221	78	-18	-10	35	51	-25	3	14
8 Netherlands	-22	-71	-108	12	-25	8	-41	-6	-30	-40
9 Switzerland	-585	-519	401	-148	-68	153	375	-36	-75	-17
10 United Kingdom	1,230	964	1,124	278	155	215	332	277	194	106
11 Canada	74	550	318	14	47	40	125	130	66	-42
12 Latin America and Caribbean	151	-18	81	-7	40	92	35	-49	6	-4
13 Middle East ¹	781	656	248	133	32	15	50	97	145	-60
14 Other Asia	187	208	-6	-29	-21	30	58	8	-81	-21
15 Africa	-13	-14	0	1	-3	0	-1	2	0	0
16 Other countries	3	7	-2	2	2	2	-3	-2	-2	3
17 Nonmonetary international and regional organizations	-46	17	6	-3	4	1	-2	2	3	2
BONDS ²										
18 Foreign purchases	7,975	8,840	6,255	732	964	1,149	934 ^r	1,237	1,654	1,280
19 Foreign sales	5,587	7,581	4,280	913	550	494	594	838	1,137	1,217
20 Net purchases, or sales (-)	2,388	1,259	1,975	-181	414	655	340 ^r	399	518	63
21 Foreign countries	1,979	1,360	2,063	-118	429	523	275 ^r	407	568	289
22 Europe	837	638	944	-205	33	205	42 ^r	315	251	132
23 France	30	11	78	11	1	8	1 ^r	15	7	47
24 Germany	68	83	221	2	2	-5	6	11	104	104
25 Netherlands	12	-202	-62	-15	-20	-3	-30	0	-14	-14
26 Switzerland	-170	-98	106	-53	7	6	8	3	79	11
27 United Kingdom	930	816	533	-124	36	195	71	265	36	-34
28 Canada	102	90	72	-1	-16	25	28	8	2	9
29 Latin America and Caribbean	98	112	71	12	15	14	10	9	13	25
30 Middle East ¹	810	424	940	71	406	280	181	79	295	104
31 Other Asia	131	94	24	5	-10	0	3	-4	7	17
32 Africa	-1	1	3	0	0	0	2	0	0	1
33 Other countries	1	1	8	0	0	0	8	0	0	0
34 Nonmonetary international and regional organizations	409	-102	-88	-63	-14	132	65	-8	-50	-226
	Foreign securities									
35 Stocks, net purchases, or sales (-)	527	-786	-942	-84	-130	-233	-426	-2	-40	-241
36 Foreign purchases	3,666	4,615	2,946	365	406	624	804	665	402	450
37 Foreign sales	3,139	5,401	3,888	449	536	858	1,230	667	442	691
38 Bonds, net purchases, or sales (-)	-4,052	-3,863	-388	-334	-295	-72	-71	17	-12	-251
39 Foreign purchases	11,043	12,362	6,390	1,081	1,124	1,279	1,379	1,181	1,072	1,479
40 Foreign sales	15,094	16,224	6,779	1,415	1,419	1,351	1,450	1,164	1,084	1,730
41 Net purchases, or sales (-), of stocks and bonds ..	-3,525	-4,649	-1,330	-419	-425	-305	-497	15	-52	-491
42 Foreign countries	-3,338	-3,889	-1,484	-300	-563	-382	-498	-33	-72	-498
43 Europe	-64	-1,600	-188	-118	-282	176	-123	54	-80	-214
44 Canada	-3,238	-2,600	-1,158	-97	-142	-330	-415	-161	3	-256
45 Latin America and Caribbean	201	378	195	29	-14	5	101	29	14	45
46 Asia	350	-79	-320	-118	-128	-228	-47	49	-12	-82
47 Africa	-441	-14	4	1	2	-2	-1	0	3	4
48 Other countries	-146	25	-15	3	3	-4	-13	-3	0	5
49 Nonmonetary international and regional organizations	-187	-760	153	-118	138	78	1	48	20	7

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Includes state and local government securities, and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3.24 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States¹

Millions of dollars, end of period

Type, and area or country	1976	1977	1978 ^r	1978		1979			
				June	Sept.	Mar. ^r	June ^r	Sept.	Dec. ^r
1 Total	10,099	11,085	14,808	11,870	12,786	14,418	15,305	15,490	16,889
2 Payable in dollars	9,390	10,284	11,500	11,044	11,955	11,497	12,528	12,578	13,895
3 Payable in foreign currencies ²	709	801	3,308	825	831	2,921	2,777	2,912	2,994
<i>By type</i>									
4 Financial liabilities			6,253			5,995	5,890	5,951	7,281
5 Payable in dollars			3,844			3,793	3,822	3,790	5,078
6 Payable in foreign currencies			2,409			2,202	2,068	2,161	2,203
7 Commercial liabilities			8,555			8,423	9,415	9,539	9,608
8 Trade payables			4,062			3,569	4,317	4,084	4,347
9 Advance receipts and other liabilities			4,493			4,854	5,098	5,455	5,261
10 Payable in dollars			7,656			7,703	8,706	8,788	8,818
11 Payable in foreign currencies			899			719	709	750	790
<i>By area or country</i>									
12 Europe			3,855			3,601	3,429	3,553	4,549
13 Belgium-Luxembourg			289			266	315	277	345
14 France			167			139	134	126	168
15 Germany			366			311	283	381	497
16 Netherlands			389			422	401	520	834
17 Switzerland			248			244	235	190	168
18 United Kingdom			2,063			2,007	1,842	1,860	2,342
19 Canada			244			252	290	300	445
20 Latin America and Caribbean			1,353			1,343	1,389	1,330	1,483
21 Bahamas			426			411	442	345	347
22 Bermuda			56			41	37	37	109
23 Brazil			10			13	19	14	18
24 British West Indies			190			197	185	194	514
25 Mexico			102			101	131	122	121
26 Venezuela			49			55	68	71	72
27 Asia			791			790	772	757	795
28 Japan			714			714	706	700	723
29 Middle East oil-exporting countries ³			32			23	25	19	31
30 Africa			5			5	6	5	4
31 Oil-exporting countries ⁴			2			1	2	1	1
32 All other ⁵			5			5	5	5	4
<i>Commercial liabilities</i>									
33 Europe			3,033			3,003	3,306	3,395	3,620
34 Belgium-Luxembourg			75			70	81	103	137
35 France			321			350	353	394	460
36 Germany			529			395	471	539	531
37 Netherlands			246			224	230	346	221
38 Switzerland			302			329	439	348	310
39 United Kingdom			824			870	997	1,015	1,077
40 Canada			667			614	645	709	852
41 Latin America			997			1,168	1,322	1,387	1,306
42 Bahamas			25			16	65	89	69
43 Bermuda			97			42	82	48	32
44 Brazil			74			61	165	186	203
45 British West Indies			53			89	121	21	21
46 Mexico			106			236	203	256	242
47 Venezuela			303			356	323	359	301
48 Asia			2,912			2,622	3,007	2,985	2,864
49 Japan			429			401	489	506	481
50 Middle East oil-exporting countries ³			1,523			1,122	1,225	1,070	1,026
51 Africa			743			779	891	775	728
52 Oil-exporting countries ⁴			312			343	410	370	384
53 All other ⁵			203			237	243	287	237

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.

2. Before December 1978, foreign currency data include only liabilities denominated in foreign currencies with an original maturity of less than one year.

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

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

5. Includes nonmonetary international and regional organizations.

3.25 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States¹

Millions of dollars, end of period

Type, and area or country	1976	1977	1978 ²	1978		1979			
				June	Sept.	Mar. ³	June ⁴	Sept.	Dec. ⁵
1 Total	19,350	21,298	27,655	23,229	23,260	30,117	29,522	30,072	30,133
2 Payable in dollars	18,300	19,880	24,600	21,665	21,292	27,307	26,627	27,407	27,081
3 Payable in foreign currencies ²	1,050	1,418	2,994	1,564	1,968	2,811	2,895	2,665	3,052
<i>By type</i>									
4 Financial claims			16,323			19,400	18,534	18,296	17,456
5 Deposits			10,847			13,933	12,905	12,886	11,810
6 Payable in dollars			9,785			13,013	11,967	11,987	10,927
7 Payable in foreign currencies			1,062			920	938	899	883
8 Other financial claims			5,476			5,467	5,629	5,410	5,646
9 Payable in dollars			3,880			3,920	4,042	4,013	3,883
10 Payable in foreign currencies			1,597			1,547	1,587	1,397	1,763
11 Commercial claims			11,332			10,718	10,988	11,776	12,677
12 Trade receivables			10,744			10,012	10,330	11,016	11,987
13 Advance payments and other claims			588			706	658	760	690
14 Payable in dollars			10,995			10,374	10,618	11,407	12,271
15 Payable in foreign currencies			336			344	370	369	406
<i>By area or country</i>									
<i>Financial claims</i>									
16 Europe			5,050			5,180	5,475	6,403	6,066
17 Belgium-Luxembourg			48			63	54	33	32
18 France			171			171	183	191	177
19 Germany			510			266	361	391	401
20 Netherlands			103			85	62	51	53
21 Switzerland			98			96	81	85	73
22 United Kingdom			3,856			4,261	4,488	5,365	5,009
23 Canada			4,521			5,196	5,132	4,736	4,777
24 Latin America and Caribbean			5,594			7,939	6,839	5,993	5,624
25 Bahamas			2,902			4,148	3,216	2,831	2,294
26 Bermuda			80			63	57	31	30
27 Brazil			151			156	141	133	163
28 British West Indies			1,280			2,443	2,281	1,717	1,851
29 Mexico			162			160	158	155	158
30 Venezuela			150			142	151	139	133
31 Asia			922			829	800	818	693
32 Japan			307			207	216	222	190
33 Middle East oil-exporting countries ³			18			16	17	21	16
34 Africa			181			204	227	277	253
35 Oil-exporting countries ⁴			10			26	23	41	49
36 All other ⁵			55			52	61	69	44
<i>Commercial claims</i>									
37 Europe			3,979			3,805	3,827	4,121	4,885
38 Belgium-Luxembourg			144			173	170	179	203
39 France			609			490	470	518	724
40 Germany			399			504	421	448	580
41 Netherlands			267			275	307	262	298
42 Switzerland			198			230	232	224	269
43 United Kingdom			827			676	731	818	905
44 Canada			1,094			1,109	1,104	1,171	847
45 Latin America and Caribbean			2,547			2,395	2,406	2,598	2,859
46 Bahamas			109			117	98	16	21
47 Bermuda			215			241	118	154	197
48 Brazil			629			495	503	568	647
49 British West Indies			9			10	25	13	16
50 Mexico			506			489	584	650	704
51 Venezuela			292			274	296	346	342
52 Asia			3,085			2,765	2,970	3,116	3,292
53 Japan			979			896	1,005	1,128	1,127
54 Middle East oil-exporting countries ³			717			682	685	701	688
55 Africa			447			443	487	549	556
56 Oil-exporting countries ⁴			136			131	139	140	133
57 All other ⁵			179			200	194	220	239

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.

2. Prior to December 1978, foreign currency data include only liabilities denominated in foreign currencies with an original maturity of less than one year.

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

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

5. Includes nonmonetary international and regional organizations.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Percent per annum

Country	Rate on June 30, 1980		Country	Rate on June 30, 1980		Country	Rate on June 30, 1980	
	Per- cent	Month effective		Per- cent	Month effective		Per- cent	Month effective
Argentina	18.0	Feb. 1972	France	9.5	Aug. 1977	Norway	9.0	Nov. 1979
Austria	6.75	Mar. 1980	Germany, Fed. Rep. of	7.5	May 1980	Sweden	10.0	Jan. 1980
Belgium	13.0	June 1980	Italy	15.0	Dec. 1979	Switzerland	3.0	Feb. 1980
Brazil	33.0	Nov. 1978	Japan	9.0	Mar. 1980	United Kingdom	17.0	Nov. 1979
Canada	10.63	June 1980	Mexico	4.5	June 1982	Venezuela	8.5	May 1979
Denmark	13.0	Feb. 1980	Netherlands	9.5	June 1980			

NOTE. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper and/or government securities for commercial banks or brokers. For countries with

more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood the central bank transacts the largest proportion of its credit operations.

3.27 FOREIGN SHORT-TERM INTEREST RATES

Percent per annum, averages of daily figures

Country, or type	1977	1978	1979	1979	1980					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June
1 Eurodollars	6.03	8.74	11.96	14.51	14.33	15.33	18.72	17.81	11.20	9.41
2 United Kingdom	8.07	9.18	13.60	16.71	17.30	17.72	18.07	17.70	16.97	16.68
3 Canada	7.47	8.52	11.91	14.02	13.93	13.96	14.72	16.31	13.23	11.73
4 Germany	4.30	3.67	6.64	9.54	8.79	8.94	9.51	10.12	10.18	10.00
5 Switzerland	2.56	0.74	2.04	5.67	5.45	5.19	6.57	6.87	5.85	5.64
6 Netherlands	4.73	6.53	9.33	14.56	11.85	11.99	11.48	10.76	11.18	10.72
7 France	9.20	8.10	9.44	12.55	12.31	12.63	13.94	12.84	12.62	12.37
8 Italy	14.26	11.40	11.85	16.01	17.00	17.88	18.12	16.91	17.20	17.25
9 Belgium	6.95	7.14	10.48	14.49	14.38	14.45	16.23	17.10	16.31	14.69
10 Japan	6.22	4.75	6.10	8.42	8.44	9.10	12.37	13.51	13.63	13.51

NOTE. Rates are for 3-month interbank loans except for the following: Canada, finance company paper; Belgium, time deposits of 20 million

francs and over; and Japan, loans and discounts that can be called after being held over a minimum of two month-ends.

3.28 FOREIGN EXCHANGE RATES

Cents per unit of foreign currency

Country/currency	1977	1978	1979	1979	1980					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June
1 Australia/dollar	110.82	114.41	111.77	110.30	110.97	110.41	109.03	109.10	113.02	115.29
2 Austria/schilling	6.0494	6.8958	7.4799	8.0039	8.0689	7.9815	7.5539	7.4513	7.8112	7.9421
3 Belgium/franc	2.7911	3.1809	3.4098	3.5423	3.5688	3.5221	3.3395	3.3156	3.4759	3.5335
4 Canada/dollar	94.112	87.729	85.386	85.471	85.912	86.546	85.255	84.311	85.178	86.836
5 Denmark/krone	16.658	18.156	19.010	18.618	18.568	18.326	17.325	17.104	17.859	18.215
6 Finland/markka	24.913	24.337	27.732	26.830	27.082	26.912	25.998	26.158	27.084	27.448
7 France/franc	20.344	22.218	23.504	24.614	24.750	24.413	23.188	22.985	23.920	24.310
8 Germany/deutsche mark	43.079	49.867	54.561	57.671	57.986	57.203	54.039	53.310	55.828	56.584
9 India/rupee	11.406	12.207	12.265	12.350	12.519	12.529	12.270	12.395	12.727	12.751
10 Ireland/pound	174.49	191.84	204.65	212.76	214.31	211.59	202.25	198.98	207.41	211.16
11 Italy/lira .....	.11328	.11782	.12035	.12329	.12427	.12346	.11635	.11417	.11860	.11973
12 Japan/yen .....	.37342	.47981	.45834	.41613	.42041	.40934	.40246	.39980	.43766	.45894
13 Malaysia/ringgit	40.620	43.210	45.720	45.931	45.868	45.896	44.956	43.817	45.691	46.625
14 Mexico/peso	4.4239	4.3896	4.3826	4.3768	4.3780	4.3789	4.3739	4.3779	4.3763	4.3684
15 Netherlands/guilder	40.752	46.284	49.843	52.092	52.527	51.886	49.270	48.570	50.673	51.578
16 New Zealand/dollar	96.893	103.64	102.23	98.100	98.690	97.960	95.451	94.704	97.641	98.729
17 Norway/krone	18.789	19.079	19.747	20.092	20.373	20.483	19.815	19.739	20.377	20.608
18 Portugal/escudo	2.6234	2.2782	2.0437	2.0036	2.0051	2.0634	2.0116	1.9798	2.0298	2.0422
19 South Africa/rand	114.99	115.01	118.72	120.79	121.64	122.90	123.59	123.88	126.43	129.00
20 Spain/peseta	1.3287	1.3073	1.4896	1.5039	1.5124	1.5006	1.4446	1.3918	1.4104	1.4280
21 Sri Lanka/rupee	11.964	6.3834	6.4226	6.4300	6.4323	6.4350	6.4098	6.1500	6.1900	6.2186
22 Sweden/krona	22.383	22.139	23.323	23.935	24.112	23.974	23.008	22.872	23.731	23.995
23 Switzerland/franc	41.714	56.283	60.121	62.542	62.693	60.966	56.710	56.857	60.131	61.207
24 United Kingdom/pound	174.49	191.84	212.24	220.07	226.41	228.91	220.45	220.94	230.20	233.59
MEMO:										
25 United States/dollar ¹	103.31	92.39	88.09	86.32	85.52	86.37	90.26	91.09	86.96	85.29

1. Index of weighted average exchange value of U.S. dollar against currencies of other G-10 countries plus Switzerland, March 1973 = 100. Weights are 1972-76 global trade of each of the 10 countries. Series revised as of August 1978. For description and back data, see "Index of

the Weighted-Average Exchange Value of the U.S. Dollar: Revision" on page 700 of the August 1978 BULLETIN.

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

Guide to Tabular Presentation and Statistical Releases

GUIDE TO TABULAR PRESENTATION

Symbols and Abbreviations

c	Corrected	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 more than half of figures in that column are changed.)	IPCs	Individuals, partnerships, and corporations
		REITs	Real estate investment trusts
		RPs	Repurchase agreements
*	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)	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 obli-

gations of the Treasury. "State and local government" also includes municipalities, special districts, and other political subdivisions.

In some of the tables details do not add to totals because of rounding.

STATISTICAL RELEASES

List Published Semiannually, with Latest Bulletin Reference

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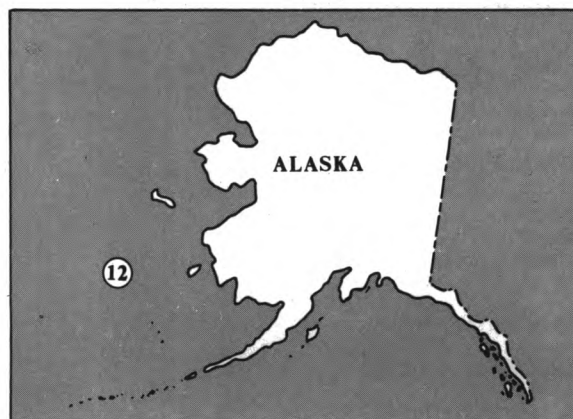
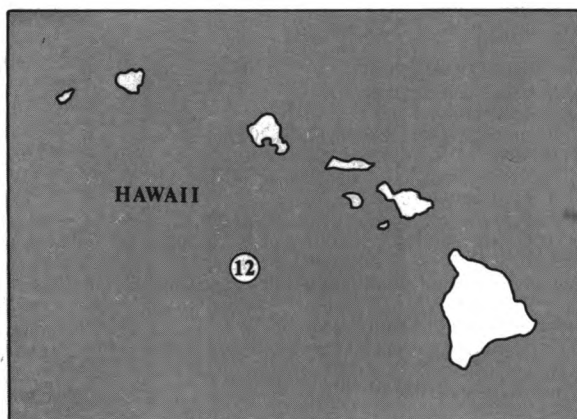
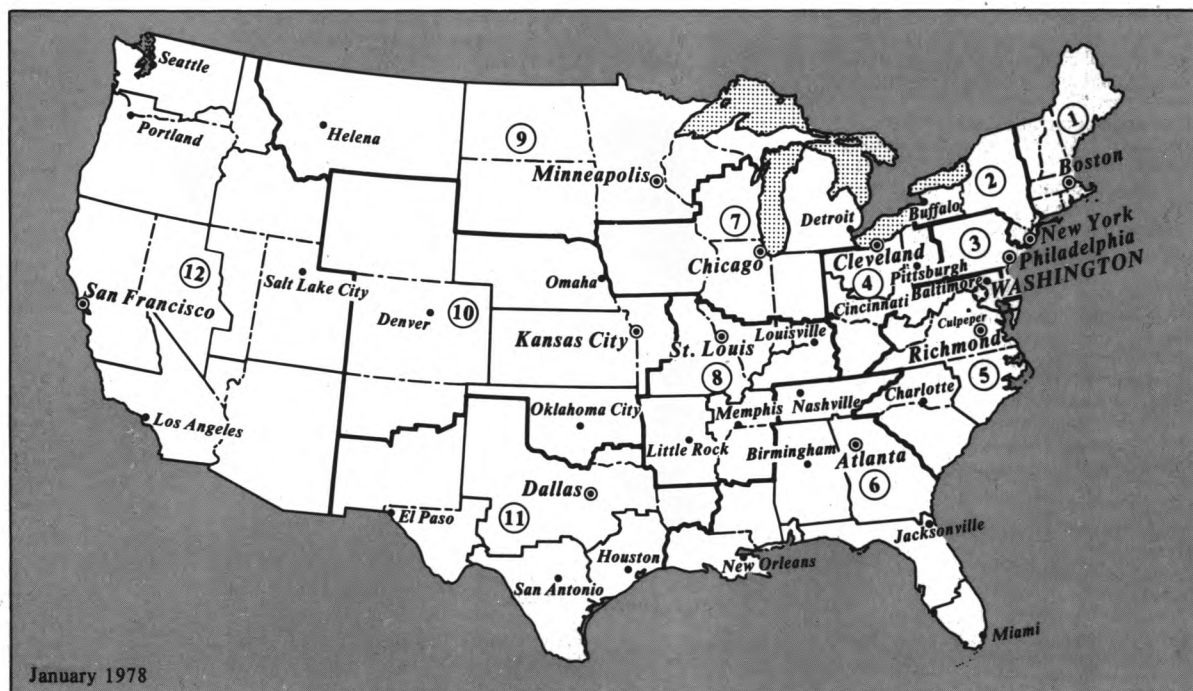
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The Federal Reserve System

Boundaries of Federal Reserve Districts and Their Branch Territories



LEGEND

— Boundaries of Federal Reserve Districts

— Boundaries of Federal Reserve Branch Territories

★ Board of Governors of the Federal Reserve System

⊙ Federal Reserve Bank Cities

• Federal Reserve Branch Cities

· Federal Reserve Bank Facility