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taining about the existing degree of pressure on reserve positions. The members expected such an approach to policy implementation to be consistent with growth of both M2 and M3 at an annual rate of about 7 percent for the period from March to June. Over the same period, they expected M1 to expand at an annual rate of about 7 to 8 percent, but they recognized that the behavior of M1 remained subject to unusual uncertainty. The Committee indicated that it might find somewhat lesser or somewhat greater reserve availability acceptable over the intermeeting period depending on the growth of the monetary aggregates, the strength of the business expansion, the performance of the dollar on foreign exchange markets, progress against inflation, and conditions in domestic and international credit markets. The Committee agreed that the current intermeeting range of 6 to 10 percent for the federal funds rate should be retained.

Various bank holding company, bank service corporation, and bank merger orders; and pending cases.

Agricultural Banks under Stress

This article was prepared by Emanuel Melichar of the Board's Division of Research and Statistics.

Financial problems in the farm sector have adversely affected many rural banks, both directly and through their depressing effect on rural economic activity. The greatest impact has been on banks with the greatest relative involvement in farm lending. More than 4,800 of the nation's banks—34 percent of all banks—can be characterized as "agricultural banks," in that the ratio of farm loans to total loans in their portfolio is above the simple average of such ratios at all banks (which was about 16 percent at the end of 1985). At agricultural banks as a group, farm loans constitute 35.7 percent of total loans, far above the average of 3.4 percent in the banking system as a whole. During the 1970s, these banks prospered along with most of the farm sector. But as many of their borrowers became financially stressed, their fortunes also faded.

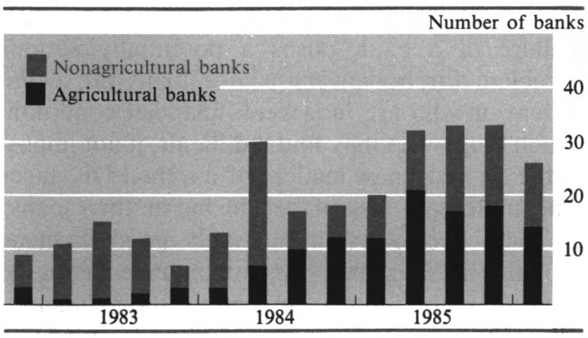
As recently as 1982, agricultural banks as a group still enjoyed the favorable loan experience—low delinquency rates and losses—and relatively high profits that had characterized the previous decade. Thereafter, loan problems began to mount, in some cases to magnitudes that posed a threat to the banks. During 1984, failures of agricultural banks became increasingly common, and in 1985 on average more than one bank per week failed. These stresses at agricultural banks resulted mainly from adverse loan experience, rather than from changes in the regulatory or competitive environment.

Agricultural Bank Failures

When caused by deterioration in the quality of its loans, the failure of an agricultural bank generally represents the culmination of a long period during which increasing amounts of the bank's loans first become delinquent on periodic interest payments and then become uncollectible, at least in part. If such losses are so large that the government agency that chartered the bank—the Office of the Comptroller of the Currency in the case of national banks and state banking agencies in the case of state-chartered banks—determines that it is insolvent, the bank fails. The number of bank failures is thus a lagging indicator of banking problems, but failures have high public visibility and, locally, affect more people directly than do loan losses.

The number of agricultural bank failures first became conspicuous during the spring and summer of 1984. In every quarter since, they have represented more than half of all failures of commercial banks (chart 1). The agricultural banks that have failed have been relatively small in size, however, and thus these failures generally have affected only the immediate communities. The 68 agricultural banks that failed in 1985 had, on average, total assets of $21 million, only two-thirds the average size of all agricultural

1. Bank failures



Quarterly data; agricultural banks are insured commercial banks at which the ratio of total farm loans ("loans secured by farm real estate" plus "loans to finance agricultural production and other loans to farmers") to total loans is above the unweighted average of such ratios at all banks on the date specified (16.14 percent as of December 31, 1985). At the end of 1985, there were 4,847 agricultural banks (34 percent of all banks), and they held 58 percent of all farm loans in the banking system. Throughout this article, banking data are for domestic offices of insured commercial banks.

banks and only one-eighth the average size of all commercial banks. Only 3 had assets of more than $50 million, while 23 had assets of less than $10 million. Thus, although agricultural banks accounted for nearly three-fifths of bank failures last year, their assets were less than two-fifths of the assets at all failed banks. For the same reason, farm loans constituted only one-fifth of the total loans at all of the banks that failed—about $460 million of the total loans of $2.4 billion at failed banks.

When a bank fails, the Federal Deposit Insurance Corporation (FDIC), as the insurer of the bank's deposits, takes control both of the deposits and of the loans and other assets in which the bank has invested its funds. As a general rule, the FDIC knows that a bank is in serious danger of failing. To minimize the inconvenience and disruption to the customers of the bank, the FDIC begins working to arrange for another bank or a new bank to take over the deposits and the good loans and other assets immediately after the failure occurs. Although such mergers or acquisitions are arranged in most cases, sometimes no other financial institution is interested in such arrangements and the FDIC is left with no alternative but to close the bank. In these cases the disruption can be considerably greater because depositors are paid off and must find a new institution in which to place their funds. In addition, borrowers are required to pay off their loans when they mature, and so they must find a new source of credit.

No matter what arrangements are made, the failure of a bank poses a potentially serious problem for borrowers whose loans are delinquent or who are in a weak financial condition. Such borrowers may find it difficult, if not impossible, to find a new lender. Often, the FDIC faces the unpleasant task of foreclosing on their loans.

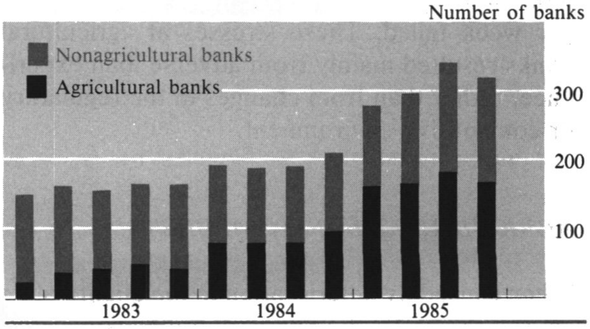
Even borrowers in relatively good financial condition experience some inconvenience, at the least, as they must document their financial position and history to new and understandably wary lenders. In states where a number of agricultural banks have failed, efforts have been made to help such borrowers to establish new credit lines. Groups such as state extension services, bankers' organizations, and the Farmers Home Administration have been working to provide better advice, guidance, and support to these borrowers.

Rural communities that have retained local banking services after their economic life has been disrupted by a bank failure may experience some future recompense. In making good on the deposits of the bank that failed, the FDIC uses its insurance fund to replace the bad loans in the bank's portfolio. Thus the local bank or banks that receive the deposits also receive good assets to back those deposits, often including substantial amounts in cash. Such banks are thus placed in a better position to consider future lending opportunities as they arise and to use future earnings to increase their capital and to improve their banking services. In contrast, had the troubled bank managed to survive, some of the banking resources of the community would have remained tied up in the old, poorly performing loans, and some future bank earnings would have been dedicated to covering losses on those loans.

Credit Quality Problems

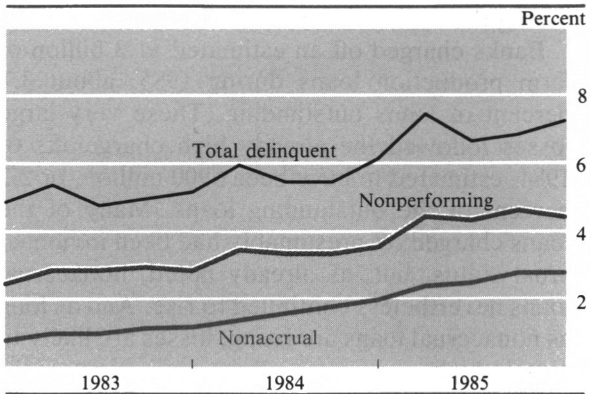
Most banks that have failed could earlier have been found among the banks that reported relatively large amounts of delinquent loans, such as the group of banks at which nonperforming loans exceed total capital (chart 2). The number of such vulnerable banks is much larger than the number of bank failures. Because there are substantial repayments or recoveries on most nonperforming loans, only a small proportion of the

2. Vulnerable banks[1]



1. Banks with nonperforming loans greater than total capital. See note to chart 3 for definition of nonperforming loans. Data are as of end of quarter.

3. Delinquency rates on loans at agricultural banks



Data are as of end of quarter. Total delinquent loans are nonperforming loans and other loans on which payments are past due 30 days or more.

Nonperforming loans are loans in nonaccrual status, other loans on which payments are past due 90 days or more, and loans that have been restructured or renegotiated to provide a reduction of either interest or principal because of a deterioration in the financial position of the borrower.

Loans are in nonaccrual status if (1) they are maintained on a cash basis because of deterioration in the financial position of the borrower, (2) payment in full of interest or principal is not expected, or (3) principal or interest has been in default for a period of 90 days or more unless the obligation is both well secured and in the process of collection.

vulnerable banks are likely to fail. But as the number of banks in a vulnerable position increases, the number of failures is likely to follow.

At the end of 1985, the 170 vulnerable agricultural banks accounted for more than half of all vulnerable banks and for 3.5 percent of all agricultural banks. They were concentrated in five states—Iowa, Kansas, Minnesota, Missouri, and Nebraska—which together accounted for 100 of the banks.

Rising delinquency rates on the loans of agricultural banks have been the leading indicator of vulnerability and failures. As chart 3 shows, delinquency rates on all loans at agricultural banks have been trending upward since banks began reporting these data in December 1982. At the end of 1985, total delinquencies (nonperforming loans plus other loans past due 30 to 89 days) were 7.3 percent of outstanding loans. While the shorter-term delinquencies have shown a strong seasonal pattern that peaks each year in March, they have increased little over time. Most of the growth in total delinquencies has occurred in nonperforming loans, which include loans in nonaccrual status (in general, loans on which some loss is expected) plus renegotiated loans and other loans past due 90 days or more. In turn, as chart 3 also indicates, most of the growth in nonperforming loans has occurred in its nonaccrual component, which is the most seriously delinquent category. By the end of 1985, 2.8 percent of all loans at agricultural banks were in nonaccrual status, compared with less than 1 percent three years earlier.

The quality of loans at agricultural banks has deteriorated most in a 12-state area comprising the western Corn Belt, the Great Plains (excluding Texas), and the northern Rocky Mountain region. In each of the 12 contiguous states of this area, which stretches from Missouri, Oklahoma, and Colorado northward to the Canadian border, the average proportion of loans in nonaccrual status at agricultural banks exceeded the national average of 2.8 percent. Three-fifths of the nation's agricultural banks are located in this area. These banks have just over half the total loans at agricultural banks nationally but account for two-thirds of the nonaccrual loans. Their relatively poorer loan experience is a fairly recent development. Only two years earlier, their experience differed little from the national norm.

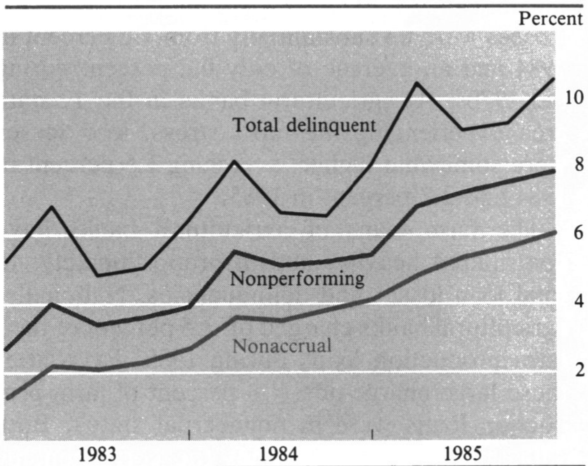
Loan charge-offs (net of recoveries) at agricultural banks also have risen sharply, parallelling the rise in nonaccrual loans. At all agricultural banks, net charge-offs in 1985 averaged 2.1 percent of total loans (computed as a percentage of the loans outstanding at the end of the year). Losses were up substantially from 1.2 percent in 1984 and an average of only 0.2 percent during the 1970s. At agricultural banks in the 12-state area experiencing the most stress, loan losses were somewhat higher, averaging 1.5 percent in 1984 and 2.7 percent in 1985.

The farm loans of agricultural banks have contributed heavily, and disproportionately, to total loan losses and delinquencies. Nationally, agricultural banks charged off 3.5 percent of their farm production loans during 1985. Even after these large charge-offs, 4.6 percent of farm production loans were in nonaccrual status. Both rates are nearly three times the corresponding rates for other loans at agricultural banks. Thus, though many of the nonfarm borrowers at agricultural banks are closely tied to the farm economy, the farm loans as such are mainly responsible for the current troubles at these banks.

At all banks nationally, delinquency and charge-off rates on farm production loans actually have been running slightly above the rates on such loans at agricultural banks, in part reflecting very unfavorable farm loan experience at large banks in California, which leads the nation in farm production. At these large banks, farm production loans account for only about 3 percent of total loans—about the same as the average for all banks in both California and the nation. Diversification is enabling these banks to weather their severe farm loan losses.

Nationally, delinquency rates on farm production loans at banks have been in a pronounced uptrend, as chart 4 shows. At the end of 1985, 10.5 percent of such loans were delinquent, compared with 8.0 percent a year earlier. As with the loans at agricultural banks examined in the preceding section, most of the upward climb in total delinquencies has occurred in the most seriously delinquent nonaccrual component, which rose to 6.0 percent of outstandings in December 1985, from 4.1 percent a year earlier. Other past-due farm production loans have shown less upward trend but contribute a marked seasonal swing to total delinquencies as they rise sharply each winter and then fall back during the spring and summer.

4. Delinquency rates on farm production loans at insured commercial banks



Data are as of end of quarter. Farm production loans are "loans to finance agricultural production and other loans to farmers," excluding loans secured by farm real estate. For definitions of the various classes of delinquent loans, see the note to chart 3.

Banks charged off an estimated \$1.3 billion of farm production loans during 1985, about 3.7 percent of loans outstanding. These very large losses followed the already high charge-offs of 1984, estimated to have been \$900 million, or 2.2 percent of the outstanding loans. Many of the loans charged off presumably had been in nonaccrual status, but, as already noted, nonaccrual loans nevertheless continued to rise. And as long as nonaccrual loans are rising, losses are likely to remain high.

The Genesis of Farm Financial Difficulties

How did farm financial problems arise? What proportion of farm debt is in trouble? In addressing such questions, one encounters several seeming paradoxes.

For example, most farms—including most of the farms in financial difficulty—have been generating operating profits; that is, their proceeds from the sale of the commodities produced (plus any government payments) have exceeded their current expenses of production and marketing, and substantial sums have remained as the earnings of labor, management, and capital. In the aggregate, such net farm earnings averaged \$43 billion annually in 1980–85. After imputed returns to the labor and management of farm operators and their families, an estimated \$23 billion per year remained as net earnings of farm capital.

The existence of operating profits from farming has important implications. One result is that most land now farmed will continue to be farmed—except for marginal land on which unit costs are high because of low yields or special requirements—and thus farm output will not be reduced much by market forces. Also, operating profits have enabled extensive farm lending operations to continue. In 1985, according to estimates based on the Federal Reserve's quarterly national survey of the terms of bank lending to farmers, banks made 3 million farm production loans totaling \$52 billion, with an average maturity of about eight months. Banks entered the year with \$39 billion of outstanding farm production loans and ended the year with $35 billion outstanding after charge-offs of about $1 billion; implicitly, repayments during 1985 totaled $55 billion. Most of these loans were used to purchase operating inputs, and therefore they were repaid from gross proceeds. Operating profits provided a cushion that helped to ensure repayment of these loans and thus facilitated such borrowing.

In view of the operating profits, how can some farmers already have been bankrupted and others be experiencing financial stress? In most cases, the answer is simple: the substantial sum remaining after operating expenses are met still falls short of covering scheduled interest and principal payments on debt that these farmers had incurred to purchase, expand, or improve their farms.

In just a few years, these farmers found themselves in a financial bind, as the following example illustrates. On a midwestern "family" farm consisting of 500 acres of cropland capable of producing 140 bushels of corn per acre, annual operating profits (before interest or land charges) may exceed $1 per bushel, thus producing more than $70,000 as annual earnings of capital, labor, and management. If the farmer has little or no debt other than seasonal borrowings to cover operating expenses, he should not be financially stressed, and many farmers are in that position.

But if the farmer purchased this land in 1981 at the going price of $3,000 per acre, for a total of $1.5 million, and financed his purchase with a mortgage, his current financial position may be precarious. Suppose the farmer made a downpayment of $450,000 from the sale of a smaller farm and obtained a 30-year, variable-rate Federal Land Bank loan for the remaining 70 percent of the purchase price—fairly typical financing. Today, only five years later, this farmer still owes about $1 million. At the current interest rate of 12 percent, the annual interest charge is $120,000. Operating profits fall nearly $50,000 short of covering this charge. The straightforward remedy is to sell the farm and repay the debt, thereby salvaging the downpayment. But it is too late for this course, because such land now sells for perhaps $1,500 per acre, and so the farm is now worth only $750,000. The farmer's net worth is now -$250,000, and the Federal Land Bank stands to lose an appreciable portion of the funds it lent.

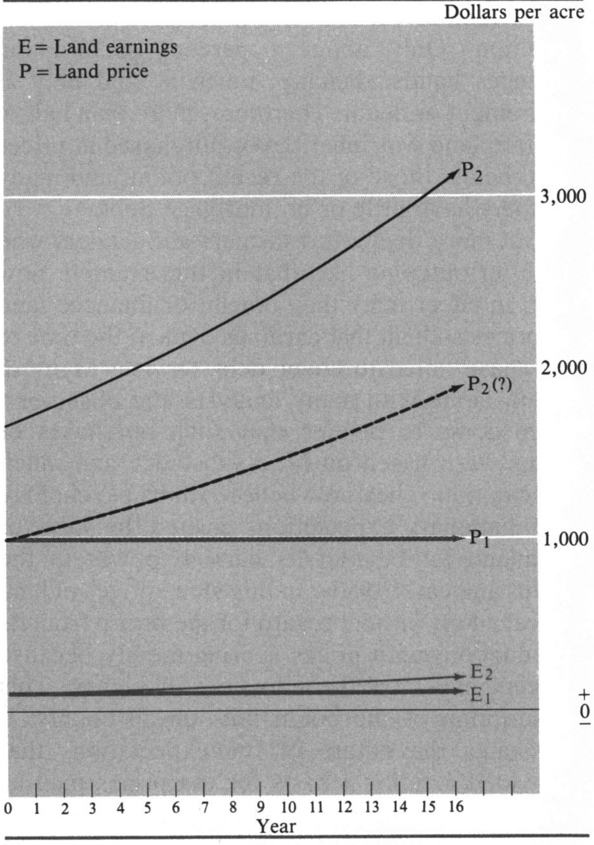
Fortunately, a minority of farmers are in this position. Only about 4 percent of farmland changes hands annually; much is sold only at retirement or death. Therefore, more than half of all farmland was inherited or purchased at prices well below those of the recent boom, and many farmers have little or no mortgage debt.

But more than a few farmers and lenders who face an outcome like that in the example now ask, in effect, why they bought or financed land at prices so high that earnings even at the time of purchase failed to cover debt service. Many of them, along with many analysts and observers, have come to believe that such purchases or loans were based on little substance and much speculation. They now believe that a psychology of inflationary expectations pushed the value of farmland far beyond its earning power in the 1970s and early 1980s. In this view, prices of land were bid up without regard for the return from its production, with prices soaring merely because buyers expected them to go still higher. This description of the boom fails on all counts: it misstates the nature of the expectations that provided a rational basis for the prices paid as well as the nature of the speculative risk actually taken. Beneath the mistaken assessment lies a failure to appreciate the extent to which asset prices respond, inevitably, to seemingly small changes in the trend of their earnings.

Land Price Dynamics. If expected earnings from land are flat, then farmland will be priced at a relatively high yield, logically about equal to the interest rate on farm mortgages. Thus if the mortgage rate is 10 percent, land expected to produce constant earnings of $100 per acre (line E_1 in chart 5) might sell for 10 times earnings, represented by P_1. Its earnings at the time of purchase would cover interest charges, as many lenders now say they should have insisted earnings do on farmland they financed in the 1970s.

But for nearly five decades after 1932, earnings of farmland maintained a strong upward trend and, logically, farmland prices kept pace. After more than a generation of steadily rising land rents and prices, expectations that these trends would continue were entrenched among partici-

5. An example of the response of land prices to a change in the trend of expected earnings



pants in farmland markets. Analysts found the trends attributable to factors such as productivity gains and population growth that seemed likely to remain at work. Supply and demand conditions for farm output in the 1970s appeared to confirm these analyses.

Between the mid-1950s and the late-1970s, earnings of farm assets, after adjustment for inflation, rose at an average annual rate of at least 4 percent. Expected earnings growth at this rate is illustrated by line E_2 in chart 5. Land prices will tend to rise at the same pace, but which P_2 line correctly indicates the price level that the land market will produce? Could land with such expected earnings growth be purchased for the same price of $1,000 as the land with flat earnings, enabling its earnings to cover interest on the mortgage as buyers and lenders would wish? Clearly not. As is obvious from the chart—and to sellers as well as buyers—it is worth more. Because participants in the land market include expected earnings growth in their projected total return, such land is priced at a higher multiple of the present earnings (the solid line P_2 rather than the dashed line). The general relationship holds that the land price equals the present earnings divided by the rate of return sought minus the growth rate of earnings. In this example,

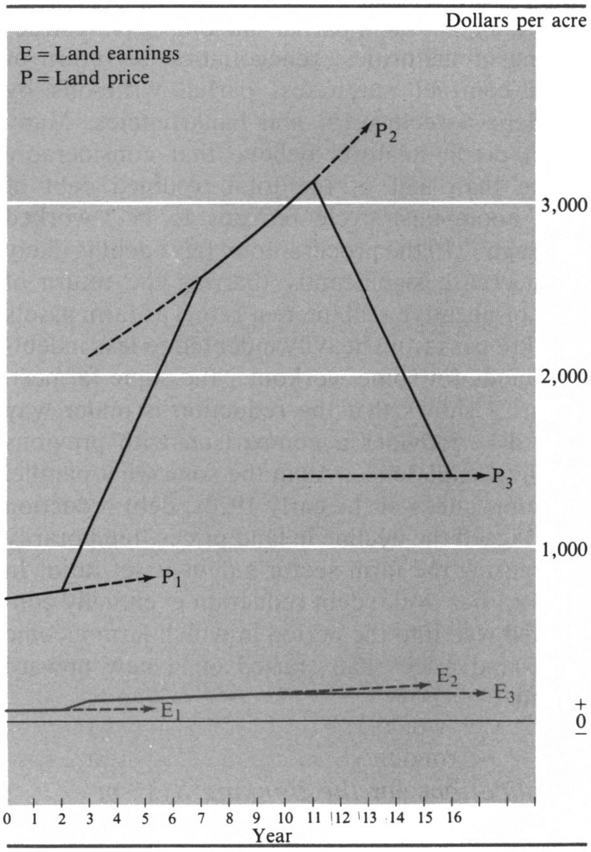
$$\text{land price} = \$100 / (.10 - .04) = \$1{,}667.$$

In tending to set a present price of $1,667, the land market produces the same expected total yield of 10 percent, but only 6 percent is in the form of current earnings and the remaining 4 percent takes the form of capital appreciation. Thus buyers borrowing at 10 percent have an unavoidable shortfall in cash flow in the early years after purchase. But if the earnings grow as expected, their cash flow first becomes adequate, and later bountiful. If lenders would not finance buyers with such prospects, few land purchases would be financed when land earnings are in a pronounced uptrend. As the uptrend in earnings becomes established, land prices respond, and a history of successfully financed land purchases accumulates, land buyers and their lenders are in reality speculating that the trend in earnings will continue. Purchases of land entail such speculation no matter what the expected earnings trend, but the risk is probably greater when the expected growth rates are higher. For example, if the projected earnings path E_2 does not materialize as time goes by, and it becomes evident that the path is actually E_1, then the land price will collapse from P_2 to P_1.

Conversely, if expected earnings growth changes from zero, as in E_1, to 4 percent, as in E_2, land prices will respond by rising 67 percent. This power of a change in the earnings trend must be appreciated; otherwise, as the huge change in the price of land is in the process of occurring, observers and even many market participants may conclude, wrongly, that land prices have lost all relationship to the earnings trend.

The Land Boom. All of these elements were present in the land boom and collapse since 1970, as depicted in stylized form in chart 6 (in which it

6. Stylized representation of the farm land boom



is again assumed that land buyers were looking for a total return of 10 percent). The period began with a continuation of the trend of the preceding decade, with expected land earnings growing at an annual rate of 3 percent (E_1) and land thus selling at about 14 times those earnings:

$$P_1 = E_1 \,/\, (.10 - .03) = 14.3\ E_1.$$

In year 3, earnings doubled and their expected growth rate rose to 5 percent (E_2). Land prices started rising sharply toward the new logical price level P_2, 20 times the new expected earnings:

$$P_2 = E_2 \,/\, (.10 - .05) = 20\ E_2.$$

The chart arbitrarily shows land prices taking five years to reach P_2 and then moving along that path for another four years. Then in year 10, expected annual earnings growth fell from 5 percent to zero (E_3). Soon, land prices began to fall toward the new logical level, P_3, only 10 times the new flat earnings:

$$P_3 = E_3 \,/\, (.10 - 0) = 10\ E_3.$$

Note that earnings in this depiction did not decline; the change in their trend sufficed to trigger the downward revaluation of farmland.

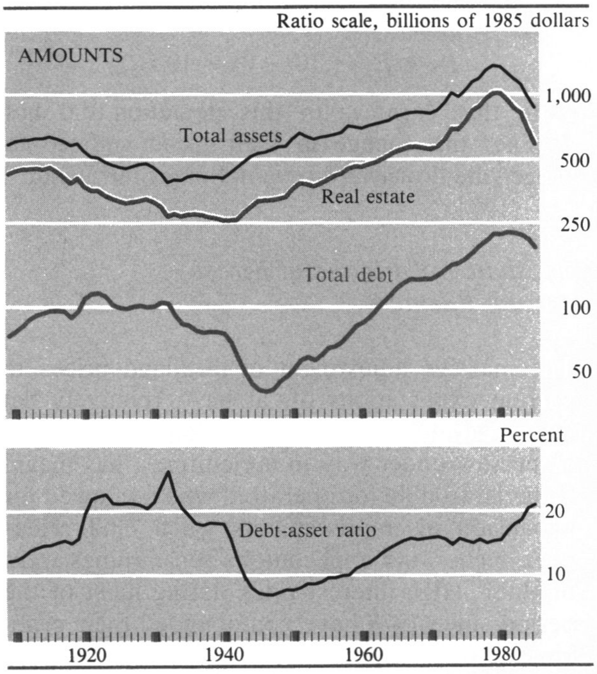
Incidence of Financial Stress among Farmers

The massive adjustment of farmland prices to current expectations of, at best, relatively flat future earnings—the principal economic adjustment now under way in agriculture—has meant financial trouble for operators who borrowed for expansion or improvements when land prices were higher and expectations for earnings were brighter. High interest rates during most of the period since 1978 have compounded their problems. What proportions of farmers and of the total farm debt are enmeshed in these difficulties?

Estimates made shortly after the onset of difficulties used available balance sheet data and reasoned, in the absence of individual data on earnings and interest charges, that farmers with relatively high ratios of debt to assets were probably financially stressed. Typically, such analyses indicated that about one-third of the operators of commercial farms were financially troubled, and that they owed more than half the farm debt.[1] Since such estimates were made, new surveys have provided more complete information on the financial condition of farmers, including data on their operating profits as well as their balance sheet positions. These data indicate that a significant number of heavily indebted farmers have been generating enough operating profits to service their debt. Conversely, some lightly indebted farmers are nevertheless in financial difficulty because their operations have been unprofitable. On balance, one

1. For such analyses by the author, see "A Financial Perspective on Agriculture," *Federal Reserve Bulletin,* vol. 70 (January 1984), pp. 8–10; and "The Incidence of Financial Stress in Agriculture," *AEI Occasional Papers* (American Enterprise Institute for Public Policy Research, December 1984).

7. Farm assets and debt



Data exclude CCC loans. The implicit price deflator for personal consumption expenditures was used to adjust the data for changes in the general level of prices.

SOURCE. *Economic Indicators of the Farm Sector: National Financial Summary, 1984,* ECIFS 4-3, Economic Research Service, U.S. Department of Agriculture, January 1986. Data for 1985 were assembled from reports available as of May 1986.

analysis of these data estimated that, at the beginning of 1985, about one-sixth of the operators of commercial farms were in vulnerable or stressed financial positions in the sense that there appeared to be a current or intermediate-term threat of default on their debt. This group owed about one-third of the total debt and nearly two-fifths of the bank debt reported by farm operators in the survey.[2]

The troubled debt from past investments is in the process of being "worked through" in many ways, among them partial sale of assets, restructuring of maturities, renegotiation or return of land contract purchases, partial write-offs by lenders, foreclosures, and bankruptcies. Many farm credit analysts believe that considerably more than half of the total troubled debt of this boom–bust cycle remains to be "worked through." In the process, total farm debt is likely to decrease significantly (barring the return of low or negative real interest rates) as farm assets tend to pass from heavily indebted to less indebted hands (in some workouts, the same farmer). Chart 7 shows that the reduction is under way and also provides a comparison with previous cyclical experience. As in the somewhat parallel circumstances of the early 1920s, debt reduction has lagged the decline in land prices, temporarily increasing the farm sector's debt–asset ratio. In that earlier cycle, debt reduction eventually continued well into the period in which farm income and land prices had started on a new upward trend.

Implications for the Banking System

With more of the farm debt at banks likely to work its way through the delinquency and charge-off process during coming years, is there a significant threat to the banking system? Such a threat seems highly unlikely because farm loans are only a small proportion of total loans in the banking system and because agricultural banks account for only a small share of total banking resources.

Table 1 presents some measures of the importance of current problems in farm loans and at agricultural banks. In each comparison, the potential impact on the banking system appears limited in spite of the relatively greater difficulties of the farm loans or agricultural banks. For example, all of the 4,850 agricultural banks hold only 5.5 percent of the total loans in the banking system. Thus, while the proportion of their loans in nonperforming status is much above the average, they still account for less than 10 percent of all nonperforming loans at all the nation's banks.

Similarly, farm production loans are now only 2.5 percent of total bank loans, and that propor-

2. For details of the estimate made by the author, see "Farm Financial Experience and Agricultural Banking Experience," in *The Problems of Farm Credit,* Hearings before the Subcommittee on Economic Stabilization of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, 99 Cong., 1 sess., October 23, 1985. Other recent analyses that took farm profitability into account include Nancy E. Barickman, "Indicators and Characteristics of Financially Stressed Iowa Farm Operators: A Multivariate Approach" (M.S. thesis, Iowa State University, 1985), and a series of reports by Danita Allen in *Successful Farming,* including "The Successful Farming Index," vol. 83 (October 1985), pp. 11–13; and vol. 84 (June 1986), pp. 19–21; and "Profitable farms have high debt ratios, too," vol. 84 (May 1986), p. 10.

1. Agriculture's share of loans and loan problems in the banking system, December 31, 1982–85

Percent

Class of loan	1982	1983	1984	1985
	Loans at agricultural banks as a percentage of loans at all banks			
Total	6.8	6.8	6.4	5.5
Delinquent	5.9	6.7	8.1	8.4
Nonperforming	5.1	6.3	8.5	9.5
Nonaccrual	2.7	4.1	6.9	8.4
	Farm production loans as a percentage of loans at all banks			
Total	3.5	3.4	3.2	2.5
Delinquent	3.2	4.2	5.2	5.7
Nonperforming	2.7	4.2	6.3	7.5
Nonaccrual	2.4	4.5	7.0	8.4

Agricultural banks are defined in the note to chart 1; delinquent loans, in the note to chart 3; and farm production loans, in the note to chart 4.

tion is likely to shrink. Therefore, while the proportion of farm production loans in nonperforming status is three times the average for all loans, the nonperforming farm loans still account for only 7.5 percent of total nonperforming loans at all banks. Thus the problems of farm loans and agricultural banks are indeed severe, but their effect on the banking system as a whole is likely to remain limited.

Variation among Agricultural Banks

Agricultural banks vary greatly in the relative magnitude of their loan delinquencies and losses. As table 2 shows, only a few agricultural banks have a very high loan delinquency rate, and most have comparatively low rates. At roughly two-thirds of the banks, the relative amount of nonperforming loans is below the average of 4.5 percent at all agricultural banks. The same relationship holds for net loan charge-offs in recent years. Furthermore, the banks reporting relatively large charge-offs tend to be among the banks that still have high levels of nonperforming loans in their portfolio.

A majority of agricultural banks thus have avoided major farm loan problems during the same period when others have experienced them and more than 100 have failed. Such striking variation is evident within each farming region and state and even within towns that have more than one bank. When asked about such variation, bankers and analysts are quick to attribute it to differences in farm lending and management philosophy during the late 1970s and early 1980s.

Few of the data regularly reported by banks bear on their lending and management philosophies, but some relationships in such data may be indicative of their attitudes. For example, bankers who choose to maintain a relatively low loan–deposit ratio, and thus implicitly prefer to keep a relatively large cushion against possible adverse credit or liquidity developments, may also be more likely to favor those borrowers who exhibit the same attitude in their own farm or business ventures. If so, then agricultural banks with a low loan–deposit ratio should tend to have a lower percentage of problem loans in their portfolios than those with a high loan–deposit ratio. This relationship is evident, and to a rather marked degree, as table 3 suggests. The relationship holds as well within each size group of agricultural banks. Agricultural banks that maintained a relatively conservative outlook seem to

2. Percentage distribution of agricultural banks by proportion of nonperforming loans, December 31, 1982–85

Nonperforming loans as a percentage of total loans at bank	1982	1983	1984	1985
Total	**100.0**	**100.0**	**100.0**	**100.0**
Under 2.0	58.7	52.8	44.7	36.4
2.0 to 4.9	29.5	31.9	33.4	33.1
5.0 to 9.9	10.0	12.3	16.4	21.6
10.0 to 14.9	1.4	2.3	3.9	5.6
15.0 to 19.9	.3	.6	1.1	2.1
20.0 and over	.1	.2	.5	1.2

3. Nonperforming loans as a percentage of total loans at agricultural banks, by loan–deposit ratio and by size class of bank, December 31, 1985

Size class (assets in millions of dollars)	All banks	Loan–deposit ratio of bank (percent)				
		Less than 35	35 to 49	50 to 64	65 to 79	80 or more
All banks	4.5	2.5	3.9	4.4	5.1	5.7
Under 10	4.4	2.8	3.6	4.8	4.7	4.8
10 to 24	4.6	2.0	3.9	4.6	5.7	5.2
25 to 49	4.5	2.8	4.0	4.5	5.0	5.6
50 to 99	4.6	3.0	3.9	4.5	5.4	5.2
100 and over	4.4	1.2	3.7	3.8	4.2	6.2

have fared well as farm financial troubles developed, and apparently a majority of the banks followed that course.

Financial Experience of Agricultural Banks

Increases in loan losses and nonperforming loans have adversely affected the net income of agricultural banks. Other factors have been present, however, and a careful look at trends in the components of income and expenses is needed to sort out the various effects.

On the whole, agricultural banks were relatively profitable for many years preceding the current difficulties. From 1970 through 1982, their average return on equity hovered between 14 and 16 percent. Within this narrow range, their most profitable years were those in which market interest rates were high and they thus reaped high rates on their short-term investments.

During the 1970s, loan losses were very low each year—even years of general business recession—and only 1 percent of the banks reported negative earnings in any given year. In 1981, the proportion of agricultural banks reporting negative earnings began to rise, reaching 13 percent in 1984 and 18 percent in 1985. The average return to equity fell from 16 percent in 1980 to 6 percent in 1985, although one-half of the banks earned 10 percent or more in 1985. And, with earnings positive on average, the banks were able, through retention of earnings, to boost their capital at a faster rate than their assets were rising. The ratio of total capital to assets thus rose from 9.2 percent in 1980 to 9.6 percent at the end of 1985.

Table 4 shows trends since 1970 in the way agricultural banks as a group earned and disposed of their income, with all data expressed as a percentage of total assets. The banks coped well with the introduction of money market certificates of deposit in the late 1970s, which led to a marked increase in their interest expense when interest rates rose in national money markets and depositors shifted funds into these instruments. Their interest income increased even more rapidly, helped in 1980 and 1981 by relatively high yields on those assets invested in short-term securities. Since 1981, their net interest margin has narrowed as interest received has fallen somewhat more than interest paid to depositors. After factoring in noninterest income and expenses, which are both less important at agricultural banks than at other banks, relative total net income before provision for loan losses has also declined somewhat from its peak in 1980.

But the provision for loan losses has increased sharply since 1980, reaching 1.2 percent of assets in 1985, and before-tax income has felt the full brunt of that increase. Average income taxes fell almost to zero in 1985 as many agricultural banks received refunds under the provision that permits banks to carry losses back as much as 10 years on their federal tax returns. In effect, therefore, the reduction in income taxes has absorbed roughly one-third of the increase in loan losses. Thus, although after-tax income has fallen considerably from its peak in 1980, it has remained high enough to permit the agricultural

4. Income, expenses, and profits of agricultural banks as a percentage of total assets, 1970–85

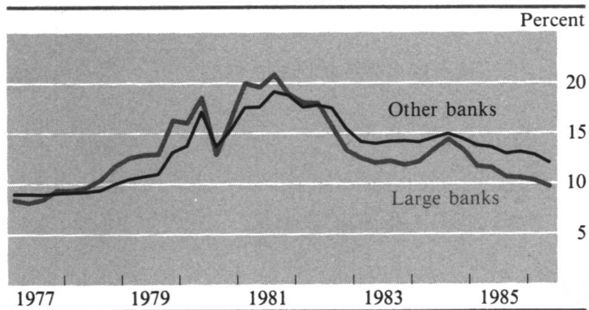
Item	1970	1971	1972	1973	1974	1975	1976	1977
Interest income	5.5	5.4	5.1	5.2	6.4	6.3	6.6	6.7
LESS: Interest expense	2.1	2.3	2.3	2.5	3.0	3.1	3.3	3.4
EQUALS: Net interest margin	3.3	3.2	2.8	2.7	3.5	3.2	3.3	3.3
PLUS: Noninterest income	.4	.4	.3	.3	.3	.3	.3	.3
LESS: Noninterest expense, excluding loan losses	2.2	2.2	2.1	2.0	2.1	2.2	2.2	2.2
EQUALS: Net income before loan losses	1.5	1.4	1.2	1.5	1.7	1.4	1.4	1.4
LESS: Provision for loan losses	.1	.1	.1	.1	.1	.1	.1	.1
EQUALS: Net income before taxes	1.4	1.2	1.1	1.4	1.5	1.3	1.3	1.3
LESS: Income taxes	.4	.3	.3	.4	.4	.3	.2	.3
EQUALS: Net income	.8	.9	.9	1.0	1.1	1.0	1.1	1.0
LESS: Cash dividends	.3	.3	.2	.2	.2	.2	.3	.2
EQUALS: Retained earnings	.7	.7	.7	.8	.9	.8	.8	.8

banks to pay dividends to their stockholders at the rate in effect since 1981. (On average, even the agricultural banks with operating losses paid dividends in 1985, although at less than half the rate of the banks with operating profits.) By 1985, however, the margin by which dividends were covered was slim, and so the banks added relatively little in retained earnings to their capital.

Interest Rate Trends. Rates on farm loans made by banks have dropped substantially since their cyclical peak in 1981, as chart 8 shows. The chart makes clear, however, that the decline at small banks has lagged that at larger banks, at which changes in farm loan rates—both up and down—have followed more closely changes in the prime rate at large banks.

Some observers have assumed that small banks have maintained higher rates on farm loans recently in order to cover some of the higher loan delinquencies and losses they have experienced on these loans. However, as has been noted, at agricultural banks the difference between interest expense and interest income has not widened during the period since 1980, when loan losses soared. Thus the recent lag in the downward trend of interest rates on farm loans at small banks appears attributable mainly to a corresponding lag in the downward movement of interest paid to depositors. Because small banks have limited control over their deposit inflows or maturities, they tend, prudently, to base their loan rates on their average (rather than marginal) cost of funds. And, because their depositors have maintained a substantial share of their funds in fixed-rate certificates of deposit with maturities of six months or longer, the average cost of funds has adjusted only gradually to changes in national money market rates.

8. Average effective interest rates on farm non-real-estate loans made by commercial banks



Quarterly estimates for loans made in the first full week of the second month of the quarter.
SOURCE. "Survey of terms of bank lending," Statistical Release E.2, Board of Governors of the Federal Reserve System.

Farm Loan Trends. In 1985, outstanding farm loans at banks joined in the general decline of total farm debt. Underlying trends in farm debt are more clearly evident if the widely fluctuating loans from the Commodity Credit Corporation are excluded from the totals, as shown on lines 3, 9, and 17 of table 5. Overall farm mortgage debt (line 9) and production debt (line 17) have exhibited similar patterns, rising rapidly through 1981 and then more slowly in 1982 and 1983 before beginning a decline in 1984 that accelerated in 1985. Charge-offs accounted for a minor portion of the recent decline; the major part reflected loan repayments. Some were involuntary repayments reflecting foreclosure and the like. On the

4. Continued

Item	1978	1979	1980	1981	1982	1983	1984	1985
Interest income	7.0	7.8	9.3	11.0	11.4	10.3	10.6	10.0
LESS: Interest expense	3.6	4.1	5.3	7.1	7.5	6.5	6.9	6.2
EQUALS: Net interest margin	3.5	3.7	4.0	4.0	3.9	3.8	3.7	3.8
PLUS: Noninterest income	.4	.4	.4	.5	.5	.5	.5	.5
LESS: Noninterest expense, excluding loan losses	2.3	2.3	2.4	2.5	2.6	2.6	2.6	2.7
EQUALS: Net income before loan losses	1.6	1.8	2.0	1.9	1.8	1.7	1.6	1.7
LESS: Provision for loan losses	.2	.2	.2	.3	.4	.6	.8	1.2
EQUALS: Net income before taxes	1.4	1.5	1.7	1.6	1.4	1.1	.8	.6
LESS: Income taxes	.3	.3	.4	.4	.3	.2	.1	.0
EQUALS: Net income	1.1	1.2	1.3	1.2	1.1	1.0	.7	.5
LESS: Cash dividends	.3	.3	.3	.4	.4	.4	.4	.4
EQUALS: Retained earnings	.8	.9	.9	.8	.7	.6	.3	.1

5. Change in farm debt outstanding, 1980–85

Percent

	Type of debt and lender group	1980	1981	1982	1983	1984	1985	MEMO: Amount outstanding, December 31, 1985 (billions of dollars)
1	Total debt	10	11	8	−1	−2	−3	205.2
2	Commodity Credit Corporation	−2	61	93	−30	−19	99	17.3
3	Total debt excluding CCC	10	9	4	2	−1	−8	187.8
4	Banks	2	2	8	8	3	−6	46.9
5	Farm Credit System	17	16	5	0	−2	−13	59.2
6	Life insurance companies	6	1	−2	−1	−2	−5	11.8
7	Farmers Home Administration	21	19	3	1	6	6	27.3
8	Individuals and others	8	6	2	−1	−7	−11	42.6
9	Real estate debt	12	10	4	2	−1	−6	105.6
10	Banks	1	−4	0	10	9	12	11.4
11	Federal Land Banks	21	21	9	2	1	−9	44.6
12	Life insurance companies	6	1	−2	−1	−2	−5	11.8
13	Farmers Home Administration	8	13	4	4	6	4	10.6
14	Individuals and others	8	5	1	1	−7	−9	27.2
15	Non-real-estate debt	8	11	11	−3	−3	−1	99.6
16	Commodity Credit Corporation	−2	61	93	−30	−19	99	17.3
17	Non-real-estate debt, excluding CCC	8	8	4	1	−1	−11	82.2
18	Banks	2	4	10	8	1	−10	35.5
19	Production credit associations	9	7	−3	−6	−7	−22	14.1
20	Federal Intermediate Credit Banks	22	13	−5	−2	3	−39	.5
21	Farmers Home Administration	31	23	2	−1	7	7	16.8
22	Individuals and others	7	6	4	−3	−5	−15	15.4

SOURCE. Data through 1984 are from *Economic Indicators of the Farm Sector: National Financial Summary, 1984*, Economic Research Service, U.S. Department of Agriculture. Data for 1985 are from reports and estimates available in May 1986.

other hand, over the past year, some farmers in good financial position have found that the rates they would get upon renewing their certificates of deposit and money market investments were so much below the rate charged on their farm mortgage or other loans that they used these funds to repay their loans.

The volume of farm mortgage loans at commercial banks has constituted one of the few exceptions to the general downward trend. It still represents less than one-fourth of farm loans at banks, but has risen by around 10 percent in each of the past three years. Initially, the gain may have consisted largely of production loans that were restructured using real estate as collateral. Recently, more of the gain probably has represented refinancing of Federal Land Bank loans; however, the total increase of $1 billion in farm mortgage loans at commercial banks during 1985 explains at most a small part of the total paydown of $5 billion experienced by Federal Land Banks. Later this year, farm mortgage loans made by banks will be included in the Federal Reserve's quarterly survey of terms of bank lending to farmers, and more information will thus become available on the purposes and other characteristics of this growing component of farm debt. □

Life Insurance Companies in a Changing Environment

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Major changes in the life insurance industry have occurred over the past two decades, especially in response to the high and volatile interest rates of the late 1970s. As the inflation rate climbed from 4 percent in 1971 to more than 13 percent in 1980, rising interest rates gave households opportunities to earn rates of return much higher than those on traditional cash-value life insurance policies, causing household savings to flow away from such products.

Voluntary terminations of ordinary life insurance policies in force (otherwise known as lapses and surrenders) accelerated as interest rates and inflation climbed, and sales of new policies slowed. The liquidity of life companies was further strained as policyholders borrowed heavily against accumulated cash values at contractual rates well below market yields. According to surveys conducted by the American Council of Life Insurance, policyholder loans absorbed more than 22 percent of funds available for investment by the general accounts of life companies in the early part of 1980, compared with only 4 percent in early 1978. Regulations were slow to adapt to the changing environment, creating a drag on the ability of the industry to offer competitive products for household savings. Moreover, in addition to the liquidity problems, the effective tax burden of the industry was growing with the inflation-boosted rise in nominal interest rates.

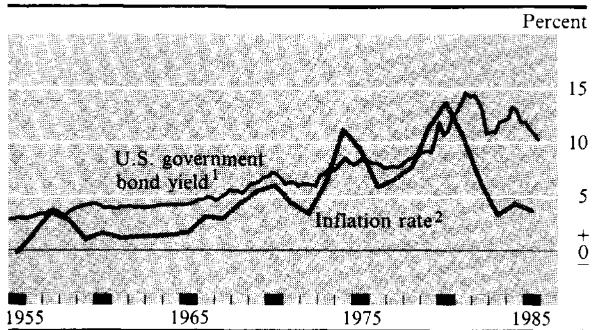
The life insurance industry has adapted to the new conditions through major changes in its products and investment strategy and more recently has been helped by changes in its tax and regulatory position. The types of life insurance products offered to the public have changed dramatically. Important regulations governing types of investments and loan rates have been eased. Tax rules have been redesigned. Investment managers of insurance company portfolios have sought to lessen their exposure to movements in interest rates by shortening maturities and by matching more closely the maturities of assets and liabilities. Liquidity building also has become more important, manifested by increased holdings of short-term investments and the purchases of long-term securities that have active secondary markets; and life companies have increased the equity component of their portfolios in order to boost returns.

Life insurance companies have been more successful in competing for pension reserves. The increase in pension reserves at life companies reflects both a generalized movement toward savings in the form of pensions and the ability of the industry to compete with other pension fund managers.

Life insurance companies in the United States traditionally have been important financial intermediaries. The life insurance and pension reserves they provide are savings instruments that help households accumulate wealth for retirement and bequests. Life companies in turn use the premiums paid for these products to invest in equities and bonds, thus efficiently helping to transform a large portion of the financial assets of households into real capital investment by business and government. Although insurance companies have made a successful transition into a new and more competitive economic environment, their smaller share of household savings has reduced their role in the intermediation process. However, despite currently low and stable rates of inflation and interest, the industry is likely to continue using its new strategies to compete for its lost share of household savings.

This article reviews the decline of life insurance reserves relative to other types of household assets and the growing importance of pension reserves to life insurance companies. It examines how changes in the economic climate in recent years have influenced investment strategies of these institutions, and it assesses the earnings performance and prospects for the industry. An appendix discusses changes in the federal taxation of life companies.

1. Interest and inflation rates



1. On 20-year Treasury securities.
2. Calculated from the consumer price index.

Decline in Life Insurance Reserves

Climbing inflation rates and high yields on alternative investments (chart 1) have created greater competition for household savings, and the evidence suggests that the life insurance industry has lost part of its share of the market for household savings. Life insurance reserves represent the cash value of life insurance policies, and pension reserves at life companies derive from individual purchases of annuity policies and payments by employers for group annuities under pension plans administered by life insurers. As table 1 indicates, life insurance reserves dropped steadily from about 7 percent of the total financial assets held by households in 1965 to about 3 percent by 1985. Pension reserves at life companies rose from about 2 percent of assets in 1965 to about 5 percent in 1985. Both these trends have been in evidence since the 1950s. Adding the two categories of reserves together shows that the total share of life companies in household asset holdings dropped from 9.2 percent in 1965 to 8.5 percent in 1985.

Low Returns on Cash-Value Policies

Several reasons have been cited to explain the relative decline in life insurance reserves; for the most part the explanation lies in the fact that traditional life insurance contracts with savings components have offered policyholders a substantially lower return, after taxes, than alternate investments. This point is illustrated by compar-

1. Distribution of financial assets of households, by type of asset, selected years, 1952–85

Percent except where otherwise noted

Year	Deposits	Securities				Life insurance reserves	Pension Reserves			Total	
							Private sponsors				
		U.S. government	Corporate and municipal bonds	Corporate equities	Other		Administered by life companies	Other	Government sponsors	Percent	Billions of dollars
1952	27.2	13.0	7.1	32.7	2.1	11.6	1.5	1.9	2.9	100	521.2
1955	24.2	9.8	6.9	40.5	1.7	9.8	1.6	2.5	3.0	100	707.7
1960	24.4	7.6	7.8	40.6	1.5	8.8	1.9	3.9	3.5	100	973.2
1965	25.7	5.4	6.4	43.3	1.3	7.3	1.9	5.0	3.7	100	1,466.4
1970	28.3	5.5	7.6	37.8	1.6	6.8	2.1	5.7	4.6	100	1,925.5
1975	36.7	5.4	8.3	25.4	1.8	6.5	2.9	7.3	5.7	100	2,541.1
1980	36.0	5.5	6.3	26.4	1.9	4.8	3.8	9.2	6.1	100	4,497.5
1984	37.8	5.9	6.5	22.6	1.8	3.7	5.0	9.4	7.3	100	6,613.1
1985	35.1	5.9	7.4	24.2	1.7	3.3	5.2	9.7	7.5	100	7,624.1

NOTE: Here and in the following tables, data may not add to totals because of rounding.

SOURCE. Flow of funds accounts, Board of Governors of the Federal Reserve System.

ing the after-tax return on a cash-value insurance policy to the after-tax return on an alternate plan that likewise combines saving and insurance—saving through periodic investments in a mutual fund buying newly issued corporate bonds and insurance through the purchase of a term life policy. Three reasons explain why a cash-value policy produces a lower after-tax return.

First, upon purchasing a cash-value policy, the individual receives the average rate of return on the insurer's portfolio. When rates in the market rose markedly, a big gap emerged between currently prevailing rates and the average return on life insurer portfolios, which contained a large share in fixed-rate bonds purchased many years ago. Yields on life insurance investment plans were further restrained by policy loans that were available to policyholders at fixed low rates. These loans were drawn when market yields and alternative borrowing costs rose, forcing life insurers to substitute these low-earning loans for higher-yielding market instruments in their portfolios. Thus, when newly issued bonds were yielding 12 percent in 1980, life insurers' portfolios were earning 8 percent (table 2).

Second, the returns on cash-value policies and alternate investments were spread further apart by differences in marketing costs. Life companies have traditionally distributed their policies through sales agents, who receive a large initial sales commission and smaller renewal commissions based on premiums paid for the policy.

2. Annual rates of return on invested assets of life companies and on corporate bonds, selected years, 1950–84

Percent

Year	Invested assets of life insurers[1]	Corporate bonds[2]
1950	3.13	2.62
1955	3.51	3.06
1960	4.11	4.41
1965	4.61	4.49
1970	5.34	8.04
1975	6.44	8.83
1980	8.06	11.94
1984	9.65	12.71

1. After investment expenses but before federal income taxes. Separate accounts are excluded.

2. New issues of Aaa corporate bonds.

SOURCE. For life company assets, American Council of Life Insurance; for corporate bonds, Moody's Investors Service.

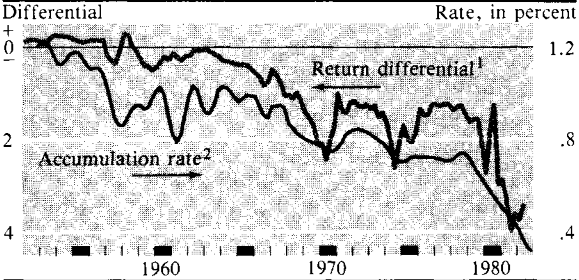
These sales costs are considerably larger than for other forms of financial investment. Vendors of other financial products progressively lowered the cost of their marketing strategies through the use of new, lower-cost distribution systems, while life companies retained their high-cost, labor-intensive system.

Third, an after-tax differential in returns appears. Interest income earned in a mutual fund is taxed under the individual income tax, whereas interest income on a cash-value life insurance investment is tax deferred, and in many cases tax free, at the individual level. However, on a cash-value policy, federal tax is levied on interest income at the corporate level. Before 1958, federal income taxes paid by life companies were minimal. The level of taxation increased with the passage of the 1959 Life Insurance Company Tax Act, which continued to operate, with modifications, until 1984. Under the 1959 act, life companies became subject to tax at the normal corporate tax rate on a portion of investment income. The portion depended on the amount by which the rate of return on the insurer's portfolio exceeded its promised rate of return on life insurance policies (see the appendix for details). During the 1960s and early 1970s, when interest rates were fairly stable, most investment income escaped untaxed. Toward the end of the 1970s, when interest rates increased far above promised rates, the portion of investment income subject to taxation at the corporate rate increased substantially.

The combination of these three factors meant that cash-value life insurance was no longer an attractive investment for individuals. The after-tax differential in returns between investment in life insurance and investment in a mutual bond fund decreased, and the accumulation of life insurance reserves as a proportion of personal disposable income declined (chart 2).

As mentioned earlier, policy loan activity increased as market interest rates rose, and these low-rate loans helped depress returns on insurer portfolios. Moreover, the surge in loans, along with the acceleration in policy surrenders, had the additional effect of severely reducing the liquidity of life insurers and their ability to meet claims. During periods when market interest rates exceeded the regulatory 5 to 8 percent rate

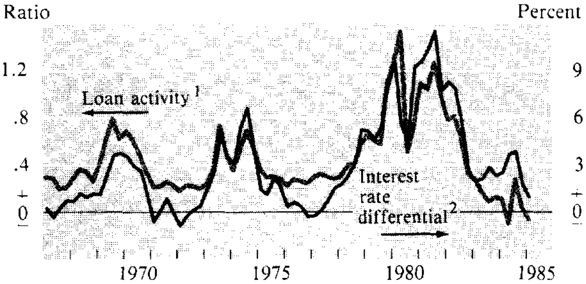
2. Return differential and accumulation of life insurance reserves



1. Difference in after-tax returns between cash-value life insurance and direct investment in corporate bonds.
2. Ratio of the accumulation of life insurance reserves to disposable personal income (four-quarter moving average).
SOURCE. Mark Warshawsky, "Life Insurance Savings and the After-Tax Life Insurance Rate of Return," *Journal of Risk and Insurance*, vol. 52 (December 1985), pp. 585–606.

on policy loans, policyholders exploited an arbitrage opportunity by borrowing against their cash values to invest directly in assets earning current market rates. Some policyholders used these loans as a cheap form of borrowing to finance consumption. The level of policy loan activity, as measured by the ratio of net policy loans extended during the quarter to available cash value, is highly correlated with the size of the arbitrage opportunity, as measured by the difference between the current market rate on certificates of deposit and the average contractual rate available on policy loans (chart 3). During the 1979–82 period of escalating interest rates, policy loans outstanding increased more than 50 percent (from \$35 billion to \$53 billion) and equaled almost 25 percent of life insurance reserves at the end of 1982.

3. Policy loan activity and interest rates



1. Ratio of policy loans extended (net of repayments) to available cash value.
2. The rate on certificates of deposit less the rate on policy loans.
SOURCE. For ratio of loans to cash value, flow of funds accounts, Board of Governors.

The Response of Life Companies and Other Changes

In response to the sagging sales and rising surrenders of traditional cash-value policies, life companies developed and marketed new types of cash-value plans. These new products offer rates on the savings portion of the policy that are more closely aligned with current rates on market credit instruments. For example, under one of these new types, the universal life plan, a policyholder pays for insurance coverage and separately places money in a savings account. The savings portion generally carries a rate of interest that varies with prevailing rates on short-term credit instruments, subject to a minimum rate. The policyholder can deposit into or withdraw from this account and vary the size of coverage and the amount and timing of premium payments.

Variable life is another plan that reflects current market rates. The size and timing of premium payments are fixed, and the rate of return varies depending on investment results. A minimum death benefit is guaranteed in the policy, and the benefit may be higher if the underlying investments have appreciated. Policyholders may choose to place their investments in stocks, bonds, or money market assets of various types.

According to industry estimates, premiums on universal and variable life policies accounted for almost 42 percent of new premiums on life insurance sales during 1985, up from 3 percent four years earlier. In recent years some companies have also adjusted the premium and dividend schedules on new issues of traditional cash-value policies to reflect yields on newly issued bonds rather than average portfolio rates of return.

Life companies have also found less costly methods of marketing their products. Many now sell their policies through direct-mail offerings, and some sell them through stock brokers or commercial banks—methods thought to be cheaper than maintaining a large sales staff.

Outside the corporation, changes in federal tax laws and in state regulations helped life companies compete for savings. The tax changes, made in 1982 and 1984, reduced effective marginal tax rates on investment in life insurance. The changes in state regulations, made in response to the rampant growth of policy loans, allowed new policies to be sold with floating loan rates. Most life insurance contracts sold after 1982 have this feature, and recent loan activity has subsided with the decline in interest rates. However, the existence of the older policies, with fixed loan rates, still leaves the industry somewhat vulnerable to large increases in interest rates.

The Rise of Pension Reserves

In the past two decades the balance of activity at life companies has shifted from life insurance products to group pension funds and individual annuities. This shift is evidenced on the industry's balance sheet by the changing nature of policy reserves, which constitute the major part of life company liabilities. Life insurance reserves have grown relatively slowly, making up a declining percentage of total life company liabilities (table 3). The share of total liabilities backing individual life policies fell by half in the 1960–84 period, dropping from 60 percent of total liabilities in 1960 to about 30 percent in 1984. In contrast, reserves backing individual and group annuities have grown sharply. During the 1970s, reserves in this category increased by $132 billion, and between 1980 and 1984 they almost doubled to $342 billion, surpassing the level of life reserves. As a share of total liabilities, individual and group annuity reserves increased from 22 percent to 47 percent in the 1960–84 period.

The growth of the pension business at life insurance companies has been part of an overall trend during the past decades in which employers are weighting their compensation to employees in the direction of pension coverage. This is reflected in the fact that all types of retirement annuities at life insurance companies and payments to private pension plans not administered by life insurers have been rising in relation to disposable personal income. The passage of the Employee Retirement Income Security Act of 1974 (ERISA) further increased the general level of investable funds generated by pension plans by tightening the mandatory funding provisions of plans.

Although the level of pension reserves at life companies has risen steadily in the last 35 years, the position of life companies relative to other pension managers in competing for pension business has fluctuated. The share of life insurers in total private (that is, non-government-sponsored) pension reserves declined to a little more than one-quarter in 1965 (table 4). By 1985,

3. Distribution of liabilities of life insurance companies, by type of liability, selected years, 1960–84

Dollars in billions

Type of liability	1960		1970		1980		1984	
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
Policy reserves								
Life insurance, total	70.8	59.2	115.4	55.7	197.9	41.3	225.9	31.2
Individual								
Ordinary	58.9	49.3	100.1	48.3	175.3	36.3	202.5	28.0
Industrial	10.6	8.9	12.3	5.9	12.6	2.6	12.8	1.7
Group[1]	1.3	1.1	3.1	1.5	10.0	2.1	10.6	1.5
Annuities, total	26.9	22.4	48.9	23.6	181.4	37.8	341.7	47.0
Group	15.0	12.5	34.0	16.4	140.4	29.2	254.6	35.0
Individual[2]	11.9	9.9	14.9	7.2	41.0	8.6	87.1	12.0
Health insurance	.9	.7	3.5	1.7	11.0	2.3	16.6	2.3
Total policy reserves	98.6	82.4	167.8	81.0	390.3	81.4	584.2	80.5
Other obligations and unassigned surplus[3]	21.1	17.6	39.5	19.0	88.9	18.6	138.8	19.2
Total liabilities	**119.6**	**100**	**207.3**	**100**	**479.2**	**100**	**723.0**	**100**

1. Includes reserves for credit life insurance.
2. Includes reserves for individual annuities and supplementary contracts with and without life contingencies.
3. Includes policy dividend accumulations and funds set aside for such dividends, securities valuation reserves, special surplus funds, unassigned surplus, capital and retained earnings of stock companies, and other items.

Source. American Council of Life Insurance.

4. Distribution of reserves of private pension plans, by plan issuer, selected years, 1950–85

Year	Reserves (billions of dollars)			Share of life insurers (percent)
	Plans issued by life insurers	Other plans	Total	
1950	5.6	6.5	12.1	46.3
1955	11.3	18.3	29.6	38.2
1960	18.9	38.1	57.0	33.2
1965	27.3	73.6	100.9	27.1
1970	41.0	110.4	151.4	27.1
1975	72.3	186.6	258.9	27.9
1980	172.0	412.5	584.5	29.4
1984	331.6	623.3	954.9	34.4
1985	394.1	738.5	1132.6	34.8

SOURCE. Flow of funds accounts, Board of Governors.

however, their share had bounced back to almost 35 percent. The shifts reflect changes in the tax, regulatory, and institutional environment of the life insurance companies competing for pension business.

In the 1950s, life companies paid corporate taxes on a portion of investment income earned on pension reserves and were burdened with contraints on portfolio investment strategies. Other fund managers were not so encumbered. The Life Insurance Company Tax Act of 1959 eliminated the tax disparity by canceling the tax for life companies. The investment constraints became looser beginning in the early 1960s, when most states began to permit life companies to invest pension fund assets in separate accounts not subject to the overall investment limitations for life insurance assets; in particular, life companies could invest in common stocks up to 100 percent of assets held in separate accounts.

Also, in crediting investment returns to group annuities, life companies began in the 1960s to use an interest rate related to current yields on new investments rather than the average investment return on the total portfolio. With such changes in tax, regulatory, and institutional factors, life companies were able to compete with bank-administered and other pension funds more effectively in the late 1960s and early 1970s. The passage of ERISA in 1974 gave an additional push to life companies seeking pension fund business. This legislation, which tightened the responsibilities of fiduciaries and increased the administrative burdens of pension fund management, prompted many smaller corporate sponsors to turn over management of the funds to insurance companies.

An additional factor in the recent growth of pension business at life insurance companies is the large number of terminations by corporate sponsors of overfunded pension plans. The recent boom in bond and stock markets has increased the value of pension assets beyond the actuarial liabilities of many plans. Many plan sponsors are choosing to terminate a defined benefit plan and replace it with a defined contribution plan in order to recapture surplus assets.[1] Such sponsors generally purchase annuities from life companies in order to provide the promised benefits to retired annuitants and vested plan participants. Life insurance industry officials report that a significant portion of their pension business in recent years has been generated from such terminations. For example, during the 1984–85 period, corporations canceled approximately 460 plans, with $9.4 billion in assets being used to purchase annuities from life companies, according to the Pension Benefit Guaranty Corporation.

Another important source of funds for life insurance companies in recent years has been the sale to individuals of single-premium deferred annuities.[2] These annuities feature the tax deferred build-up of funds at current market rates. In 1982, all issuers sold approximately $9 billion in single-premium deferred annuities. The bankruptcies of two providers that previously had accounted for the bulk of the deferred annuities market caused investors to shy away from these investments in late 1983; sales have picked up again as companies with solid reputations have entered the market.

1. A defined benefit plan states the benefits to be received by employees after retirement. The employer's contributions under such a plan are actuarially determined. Under a defined contribution plan, the contribution rate is fixed and benefits to be received by employees after retirement depend to some extent upon investment earnings experience.

2. A deferred annuity provides for periodic income payments to begin at some future date for a specified number of years or for life. A single-premium annuity is purchased with one lump-sum payment at the time the agreement is made.

Trends in Investment Strategies

Historically, insurers have attempted to match the maturity or duration of their investments to the long-term nature of their liabilities. The liabilities represent the anticipated future payment of death and retirement benefits. Until the 1970s these payments were reasonably predictable over time. Cash flow, derived from premium income and interest on investments, was always sufficient to meet benefit payments and operating expenses and still provide for increases in company surplus and capital. Thus, a portfolio manager operating under the usual condition of a positive yield curve would almost always find it optimal to obtain the higher yields attached to illiquid long-term securities rather than to sacrifice income by investing in relatively liquid short-term instruments.

The watershed period of the late 1970s and early 1980s generated sweeping changes in the portfolio strategies of life companies. These new investment trends have been concentrated in three areas. First, in liquidity—stung by the disintermediation caused by the high level of interest rates prevailing in the late 1970s and early 1980s, life companies have become more sensitive to the possible need for liquidity; although long-term assets still dominate their portfolios, the companies have strengthened short-term holdings and purchased assets that have active secondary markets. Second, in term structure—the companies have shortened the maturity of their long-term assets to lessen the interest-rate risk caused by disintermediation and to enhance asset–liability matching with new insurance products. Third, in equity—life companies have placed more emphasis on direct equity investments, either through whole ownership or joint ventures, in order to boost portfolio yields.

Greater Liquidity and Shorter Maturities

In recent years, life companies have sought greater liquidity by increasing their holdings of short-term credit market instruments such as Treasury bills and commercial paper. At year-end 1980, cash and short-term assets held by life companies totaled $14 billion, or about 3 percent of total assets (table 5). By year-end 1985 these assets had jumped to more than $40 billion, accounting for about 5 percent of the total. Life insurance companies have also enhanced liquidity through the acquisition of readily marketable intermediate and long-term U.S. government and agency debt instruments; since 1980, holdings of such securities have increased from 3 percent to 11 percent of total assets.

Life companies traditionally have been the most important source of long-term business finance in the United States; in 1985, for exam-

5. Distribution of assets of life insurance companies, by type of asset, selected years, 1970–85

Percent

Type of asset	1970	1975	1980	1981	1982	1983	1984	1985
Short-term								
Cash and other	1	1	1	1	1	1	1	1
Corporate securities	1	2	2	3	4	4	4	4
Long-term								
Corporate bonds	34	35	35	34	33	32	32	32
Government securities								
U.S.	2	2	3	4	5	7	9	11
State, local, and foreign	3	3	3	3	3	4	4	3
Corporate stock[1]	8	10	10	9	10	10	9	9
Mortgages	36	31	27	26	24	23	22	21
Real estate	3	3	3	4	4	4	3	4
Policy loans	8	8	9	9	9	8	8	7
Other[2]	4	5	6	7	7	8	8	8
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
MEMO: Total assets (billions of dollars)	207.3	289.3	479.2	525.8	588.2	654.9	722.9	816.2

1. Market value.
2. Includes due and deferred premiums, interest and other investment income due and accrued, and oil, mineral, timber, and other equity investments.

SOURCE. American Council of Life Insurance.

ple, they held more than half of all outstanding corporate bonds. Corporate bonds have remained a relatively stable share of life company portfolios since 1970, averaging about one-third. However, the same forces affecting other aspects of investments by life companies—fear of further disintermediation and the changing nature of life company products—have also generated significant changes in the nature of their corporate bond purchases. One trend has been for life companies to purchase corporate securities that have much shorter average maturities. Before the late 1970s the maturities of most corporate securities averaged 15 to 20 years or more. In recent years, average maturities generally have been less than 12 years. In addition, some corporate securities now have variable rates; these securities, even though they have a multiyear lifespan, have much lower price risk because the adjustment of the coupon rate to market yields ensures a price close to par.

The participation of life companies in the private placement market has also changed. Life companies purchase corporate bonds in the private placement market through forward commitments to issuers, and the 50 largest life companies have been the major outlet for this market. Issuers in the private placement market are primarily smaller, less well known nonfinancial corporations that require flexible loan terms and special provisions. Of all the purchasers in the market, only the major life companies have the large, highly specialized investment staffs necessary to analyze such transactions. The other purchasers, including smaller insurance companies, public and private pension funds, and bond funds and mutual savings banks, tend to follow the large insurance companies to participate in private placement offerings. Other institutional investors have been largely precluded from participating in private placements by the lack of secondary market trading.

For life insurance companies, the private placement market tended to be the preferred avenue for acquisitions of corporate bonds. Generally, the main attractions were rates higher than those of public-market bonds, attractive call option features, and protective covenant indentures. In recent years, however, life companies have been committing to private placements smaller percentages of their investable cash flow: 25 to 30 percent in 1984, down from a historical level of 40 to 50 percent. The primary explanation for this trend is the increased preference of life companies for securities with liquid secondary markets. Another possible explanation is the reduced supply of traditional, private-placement issues, especially among lower-rated industrial issuers. Many of these firms have found that public-market investors increasingly accept their securities, as evidenced by the large issuance of so called "high-yield" or "junk bond" securities in the public market in recent years. Also, Rule 415 of the Securities and Exchange Commission, which permits shelf registration, may have dented the private placement market because it allows issues to be brought to the public market as quickly as to the private market in most cases.

The Swing to Equities

Mortgage loans for commercial property also have been an important investment outlet for life companies, reaching 36 percent of their total assets in 1970. In the late 1970s life companies began to deemphasize this type of loan, so that by year-end 1985 it accounted for only about 21 percent of total assets. The shift away from mortgage lending in part reflects an increased preference by life companies to make equity investments in real estate, which have more than doubled over the past seven years, reaching $29 billion during 1985. The principal allure has been the fact that the rental income tends to rise with the general level of prices, partly because built-in escalator clauses are a common feature of rental agreements.

The share of corporate equities in the assets of life companies, which was only about 4 percent in 1960, began to expand rapidly during the 1970s and reached about 9 percent by year-end 1985. Much of this increase stemmed from aggressive competition for pension plans and the previously mentioned allowance granted by states for life companies to use common stocks to fund such plans.

Life companies have invested an increasing share of resources in other types of equity ownerships, often through joint ventures and limited partnerships. Investments such as oil and gas explorations, leveraged buyout pools, and venture capital projects have become common with life insurers in recent years. The assets in this "other" category have grown from about $28 billion to $65 billion, a 130 percent increase, during the past five years. As a share of their total investments, other investments by life companies increased from about 6 percent to almost 8 percent over this period.

Other, "off-balance-sheet" techniques are being used by life insurance companies to build liquidity and reduce rate risk exposure. Many companies "liquify" their mortgage portfolios via collateralized mortgage securities. Interest rate swaps convert fixed-rate loans into floating-rate loans. Risks arising from interest rate commitments in the private placement market are hedged within reasonable time limits through financial futures and options.

Life Insurance Industry Income Statement

Life insurance companies receive funds from two primary sources: premiums paid by policyholders and earnings on investment. For reasons already discussed, income from policyholders has shifted away from life insurance and toward annuity and health insurance plans. Indeed, the fastest growing share of total income for life companies over the past decade has come from individual and corporate retirement products such as single-premium deferred annuities, corporate thrift plans, and guaranteed investment contracts (table 6). During 1984, premium income from annuity products amounted to about $43 billion, up from less than $4 billion during 1970. Premiums on individual and group annuities increased from 8 percent to about 21 percent of total gross income during the 1970–84 period.

Between 1970 and 1984 the share of total income derived from investments rose from 21 percent to almost 29 percent. The annual rate of income on the portfolio of life companies, which consists mostly of interest income on bonds and mortgages, dividends on stocks, and rent on real estate, has been steadily rising; it increased nearly one-half percentage point to more than 9½ percent in 1984 (see table 2). This primarily reflected the retirement of bond issues with low coupons and the reinvestment of the proceeds in issues with higher yields.

Despite the volatile conditions in financial markets and the liquidity problems of many life insurers, the industry remained profitable throughout the 1970s and into the 1980s. Life insurance companies earned more than $13¼ billion after taxes in 1980, a year of severe disintermediation in the industry (table 7). This experience contrasts most notably with that of the thrift industry, which suffered large losses during the period of high interest rates. The difference between the two industries is primarily attributable to different growth patterns and the ability of the life companies to adjust the maturity structure of their assets. Also, earnings growth in the life insurance industry in recent years has been due to pension, term life, and health insurance products, which are relatively insensitive to changes in market interest rates. The persistent liability–asset mismatch of the thrift industry makes earnings in that industry very sensitive to changes in interest rates.

6. Distribution of gross income of life insurance companies, by source of income, selected years, 1950–84

Dollars in billions

Source of income	1950		1960		1970		1980		1984	
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
Life insurance	6.2	54.9	12.0	52.3	21.7	44.2	40.8	31.2	51.3	24.9
Annuities	.9	8.0	1.3	5.8	3.7	7.6	22.4	17.1	42.9	20.8
Health insurance	1.0	8.8	4.0	17.4	11.4	23.3	29.4	22.5	40.7	19.7
Investments	2.1	18.6	4.3	18.7	10.1	20.6	33.9	25.9	59.2	28.7
Other	1.1	9.7	1.3	5.8	2.1	4.3	4.3	3.3	12.1	5.9
Total	**11.3**	**100**	**23.0**	**100**	**49.1**	**100**	**130.9**	**100**	**206.1**	**100**

SOURCE. American Council of Life Insurance.

7. Income statement for the life insurance industry, selected years, 1960–84

Billions of dollars

Item	1960	1965	1970	1975	1980	1984
Gross income	**23.0**	**33.2**	**49.1**	**78.0**	**130.9**	**206.1**
Benefit and interest payments	10.9	15.5	24.1	35.7	56.3	87.0
Additions to policy reserves	4.8	7.1	9.3	19.4	35.7	61.8
Commissions	1.6	2.3	3.3	5.3	9.2	15.3
Home and field office expenses	2.3	3.1	4.8	7.4	12.1	18.4
Net income	**3.4**	**5.2**	**7.6**	**10.2**	**17.6**	**23.6**
Taxes						
Federal income	.6	.7	1.2	1.9	2.5	2.6
All other		.5	.8	1.2	1.8	2.7
Net income after taxes	**2.8**	**4.0**	**5.6**	**7.1**	**13.3**	**18.3**
Dividends						
Policyholders	1.9	2.8	3.8	5.1	8.1	11.4
Shareholders	.1	.2	.5	.7	1.4	3.2
Increases in surplus and retained earnings	**.8**	**1.0**	**1.3**	**1.3**	**3.8**	**3.7**

SOURCE. American Council of Life Insurance.

PROSPECTS FOR THE INDUSTRY

The near-term outlook for the flow of funds through the life insurance industry is still dependent in part on a forecast of the level of interest rates. Policy loans and terminations of older cash-value life insurance policies will increase if interest rates rise. If, however, interest rates remain stable or fall, the flow of funds to life companies will grow. Policy loans and terminations may be expected to decline, and sales of new insurance products will continue to be strong. Regardless of the future level of interest rates, the pension aspect of the business should continue to improve. Pension reserves at life companies will benefit from the secular trend toward increased pension coverage, while terminations of plans administered by nonlife managers and coincident purchases of group annuities will likely continue as a result of the very recent surges in the bond and stock markets.

In the longer term, the life insurance industry will try to improve its competitive position in the changing market for financial products and services. It will continue to expand the range of insurance products as well as design new channels of distribution. New combinations of insurance and investment, running the gamut of risk and return tradeoffs, are likely to emerge. The number of joint ventures with other financial institutions for the distribution of insurance products probably will grow.

APPENDIX: FEDERAL TAXATION OF LIFE INSURANCE COMPANIES

We describe here the federal income tax as applied to life insurance companies from 1959 to the present. Passage of the 1959 Life Insurance Company Tax Act raised taxes for life insurers, subjecting them to the statutory rate for corporations but on a "taxable income" basis specially designed for life companies. Income taxes were imposed on a portion of investment earnings, with the portion dependent on the amount by which the rate of return on the insurer's portfolio exceeded its promised rate of return on life insurance policies. Under the so-called Menge formula, the taxed percentage of investment earnings would be 10 times the percentage-point difference between the portfolio return and the promised rate.[3] The promised rate, which is

3. The formula is named for Walter Menge, an actuary who conducted studies on the relationship between interest rates and the level of life insurance reserves necessary to pay off all expected future claims.

regulated by state insurance commissioners, was less than 4 percent for most of the period during which the 1959 act operated. Thus, if a company earned 6 percent on its portfolio and had a promised rate of 4 percent, it paid taxes on 20 percent of its nonpension portfolio income; given a marginal corporate tax rate of 46 percent, taxes of the company would average 9 percent of its nonpension portfolio income. The effective tax rate would rise, however, as the rate of return on the portfolio increased.

During the 1960s and early 1970s when interest rates were fairly stable, the Menge formula produced a tax burden for life companies in line with tax burdens on other financial products. Toward the end of the 1970s, when market interest rates rose far above promised rates, the Menge formula produced substantial increases in the effective tax rate on insurance company earnings. For example, with a 10 percent portfolio yield, 60 percent of the investment income of the company would be taxed at the corporate tax rate; thus, savings in the form of life insurance would have a lower after-tax yield than direct investment in a bond fund for anyone whose personal tax rate was less than 28 percent (0.46×0.60).

By 1979 the marginal tax rate on investment income of life insurance reserves had increased dramatically because of the Menge formula. In 1980, some companies discovered that modified coinsurance arrangements could reduce significantly their federal tax liabilities under the 1959 act.[4] Also, the introduction of new insurance products interacted with provisions of the 1959 act so as to upset the delicate balance in the industry between stock and mutual companies. Stock companies, which are owned by shareholders, had a competitive advantage in sales of new universal life insurance products. These companies could treat interest credited in excess of the promised rate on these new products as interest paid and, therefore, deductible without limit from taxable income. However, mutual companies, which are owned by policyholders, could not deduct from their taxable income dividends paid to holders of these new policies. By 1982 it was quite clear that the 1959 act had become inequitable and needed to be changed. A stopgap law that corrected the most obvious failures of the 1959 act operated from 1982 until a complete reform package was assembled in 1984.

The stopgap measure imposed four main changes: (1) The section of the tax code that permitted the election for modified coinsurance was repealed. (2) A geometric formula replaced the Menge arithmetic formula in the calculation of taxable investment income. (3) Approximately 80 percent of policyholder dividends were made deductible expenses. (4) Universal life policies were required to have minimum amounts of life insurance coverage to qualify for tax deferrals in order to prevent their being used primarily as savings vehicles.

The stopgap measure lowered the efffective tax rate of the industry and restored competitive balance between stock and mutual companies. It also clarified the tax status of the universal life policy, thereby spurring sales of this new product.

The Tax Reform Act of 1984 completed the revision of life insurer taxation, which became similar to that for other corporations, with taxable income defined as gross income less deductions. Under the 1984 act, however, there are two major exceptions to the similarity. One is a special life insurance company deduction that was created in the belief that without it, life insurers would not be competitive with other financial institutions. The special deduction is generally equal to 20 percent of taxable income. The other exception arises from the fact that all dividends to policyholders are deductible. In order to "level the playing field" between stock and mutual companies, the deduction allowed to mutual companies for policyholder dividends is reduced by the "differential earnings amount." The reduction imposes a tax at the company level on the portion of dividends being paid to policyholders for ownership of the mutual company, while the portion of dividends being paid as returned premiums or savings on better-than-

4. Reinsurance is the assumption by an insurer of all or part of a risk previously carried by another insurer. Modified coinsurance is a form of reinsurance whereby the original insurer maintains the reserves on the policies and the assets held in relation to the policies, and all or a portion of the investment income derived from those assets is paid to the new insurer as payment for the reinsurance.

expected experience is tax free at the company level.

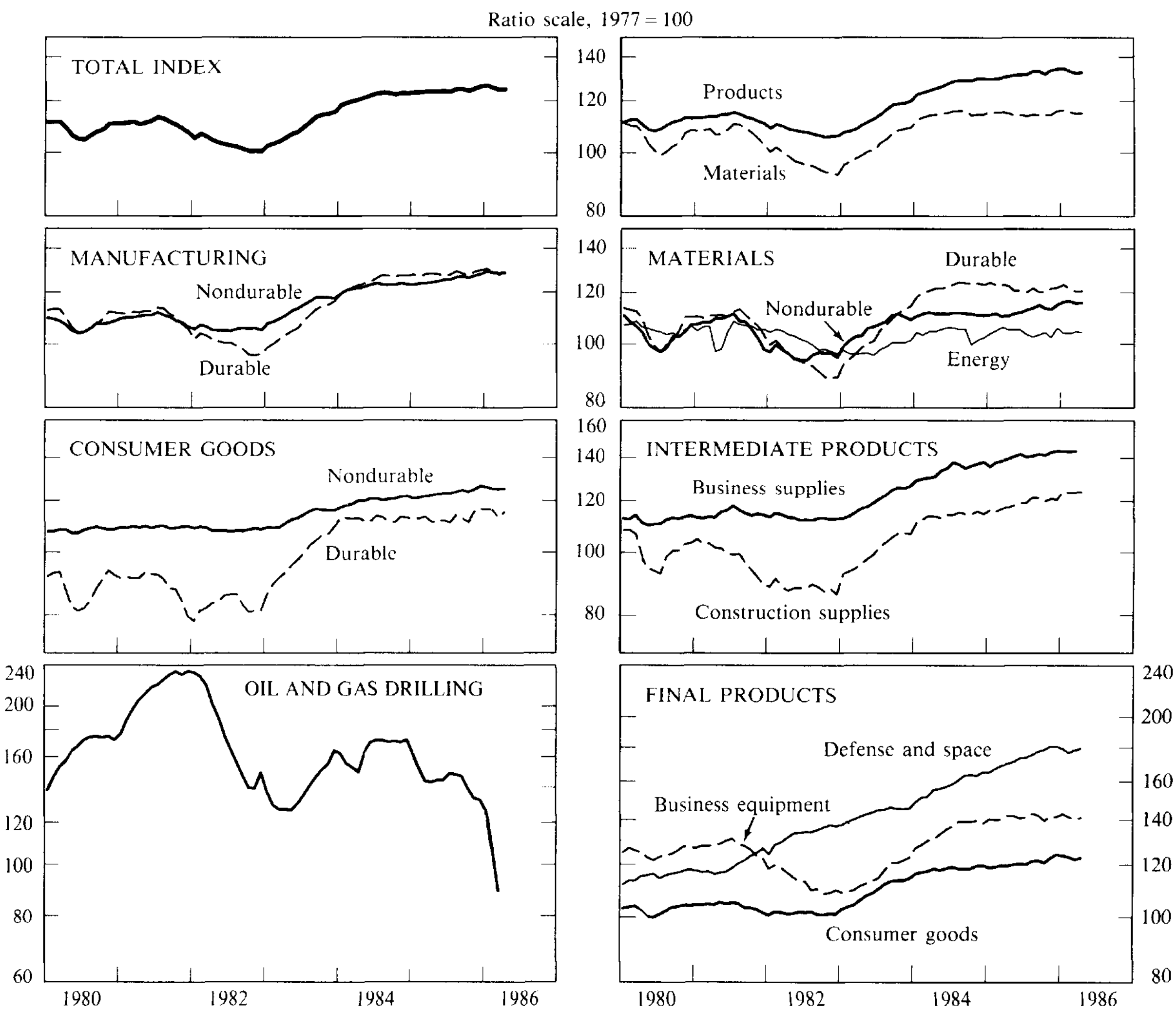
The tax law changes have reduced the federal tax burden on life insurance companies and have made the burden less likely to be influenced by changes in the level of nominal interest rates. These changes should enable life companies to compete more effectively for household savings under volatile as well as stable economic conditions. □

Industrial Production

Released for publication May 15

Industrial production increased an estimated 0.2 percent in April following revised declines of 0.8 and 0.7 percent in February and March respectively. The April increase was concentrated in motor vehicles for consumer and business use, as output rebounded from its March decline. Elsewhere, production on balance changed little over the month except for oil and gas well drilling, which continued to decline. At 125.1 percent of the 1977 average, the total index in April was only 0.8 percent higher than it was a year earlier.

In market groups, output of consumer goods increased 0.6 percent in April, after declines in the preceding three months, as auto assemblies rose to a seasonally adjusted annual rate of 8.1



All series are seasonally adjusted. Latest figures: April.

Group	1977 = 100		Percentage change from preceding month					Percentage change, Apr. 1985 to Apr. 1986
	1986		1985	1986				
	Mar.	Apr.	Dec.	Jan.	Feb.	Mar.	Apr.	
	Major market groups							
Total industrial production	**124.9**	**125.1**	**.8**	**.3**	**−.8**	**−.7**	**.2**	**.8**
Products, total	132.2	132.6	.4	.2	−.9	−.7	.3	1.3
Final products	131.6	132.1	.5	.0	−1.1	−1.0	.4	.6
Consumer goods	122.2	123.0	1.2	−.3	−.5	−.8	.6	2.9
Durable	113.2	115.5	1.1	−.1	−.3	−2.7	2.0	3.6
Nondurable	125.5	125.8	1.2	−.4	−.6	−.1	.2	2.7
Business equipment	140.2	141.1	−.2	1.0	−1.0	−.9	.6	−.7
Defense and space	178.5	179.5	.0	−.8	−1.4	1.0	.5	5.5
Intermediate products	134.3	134.2	.2	1.1	−.3	.2	−.1	3.8
Construction supplies	123.7	123.9	−.2	2.7	−.4	.1	.2	5.6
Materials	114.8	114.9	1.4	.3	−.6	−.6	.1	−.1
	Major industry groups							
Manufacturing	128.1	128.7	.5	.6	−.6	−.7	.5	1.7
Durable	127.8	128.8	.5	.4	−.9	−1.1	.7	.4
Nondurable	128.4	128.6	.5	.8	−.3	−.2	.2	3.4
Mining	103.2	102.0	.5	.1	−2.0	−2.1	−1.1	−7.0
Utilities	114.2	114.0	3.8	−1.6	−1.9	1.6	−.1	.4

NOTE. Indexes are seasonally adjusted.

million units following a 7.7 million unit rate in March. Production of durable consumer goods other than motor vehicles again changed little, while output of nondurable consumer goods edged up 0.2 percent. Output of business equipment rose 0.6 percent after declines of about 1 percent in each of the previous two months. The increase was spurred by a gain of 6.0 percent in transit equipment; besides a rise in output of autos for business use, production of trucks and aircraft also advanced. Production of manufacturing, power, and commercial equipment was about unchanged and has remained sluggish for about 1½ years; output of construction, mining, and farm equipment continued to contract and was almost 10 percent below the level of a year earlier. Production of construction supplies remained at a high level in April—almost 6 percent higher than that of a year earlier—but has changed little since January. Defense and space equipment, which had declined around the turn of the year, rose in April for the second successive month. Output of materials was again little changed and, on balance, has been stagnant since mid-1984.

In industry groups, manufacturing output rose 0.5 percent in April, with durables growing 0.7 percent and nondurables 0.2 percent. The continuing decline in mining, precipitated largely by the drop in oil and gas well drilling, was somewhat less steep this month; in April, mining output decreased 1.1 percent after declines of about 2 percent in each of the previous two months. Production at utilities was little changed.

Statements to Congress

Statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System, before the Subcommittee on Financial Insitutions Supervision, Regulation and Insurance of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, May 7, 1986.

I appreciate the opportunity to appear before this committee today to discuss H.R. 4701, the Financial Institutions Emergency Acquisition Amendments of 1986. That legislation would make a number of important, but still limited, changes to the emergency provisions of the Garn–St Germain Depository Institutions Deregulation Act of 1982.

For your convenience, I have attached to my statement a short, and I hope readable, explanation of the bill.[1] In this statement, I will focus on the principal issues involved—the urgent need for action, and the means of balancing the effectiveness of the proposed measures with appropriate protection of the interests of individual states.

The federal banking regulators—the Federal Reserve Board, the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency—have reached a common judgment that the tools we have now for dealing with emergency situations involving failed or failing banks, including those within sizable bank holding companies, are not fully adequate. That judgment was reached in the light of strains and pressures involving banks in entire states or regions of the country that, as a result of the turmoil in energy and agricultural markets, face unusually severe economic conditions.

The existing provisions of the Garn–St Germain Act provide for emergency interstate acquisitions of *failed* banks of $500 million or more. Companion provisions for thrift institutions are decidedly more liberal both with respect to size and other criteria. Both provisions have been decidedly helpful in dealing with points of strain. But the banking structure and economic conditions in states heavily impacted by energy and agricultural problems strongly indicate that these authorities need to be strengthened to provide further assurance that problems—actual and potential—can be dealt with expeditiously and in a manner that will avoid a potentially contagious and debilitating loss of confidence within a state.

Specifically, we are concerned that in states in which major banking organizations take the form of multibank holding companies, we have the tools to deal with banks within that holding company structure as a coherent whole rather than piece by piece. We also believe that, in some situations, we can act more expeditiously, with less risk to confidence and to other banks and with less cost to the FDIC insurance fund, if mergers with out-of-state institutions can be arranged before a bank actually fails or requires FDIC assistance.

Specifically, our strong recommendation is that the emergency acquisition powers be expanded to accomplish the following: (1) allow the interstate acquisition of a multibank holding company, or some or all of the banks within a holding company, when a significant portion of the banking assets of a holding company are impaired; (2) reduce the bank asset size criterion for such interstate acquisitions to $250 million; and (3) permit acquisition of *failing* as well as failed banks.

As members of this committee are aware, a series of developments over this decade have adversely impacted banks and led to an unusual number of failures and more generalized strains. Disinflation, strong competition, and rapid

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.

changes in technology and market values have all played a part.

Taken as a whole, the banking system has responded constructively and resiliently to these pressures. There is, indeed, highly encouraging evidence that the system as a whole is now gaining strength. Specifically, for most banks, capital ratios have improved, earnings have increased, and nonperforming assets have been reduced.

Nevertheless, in certain areas of the country, particularly where the economy is heavily dependent on agriculture and energy, these strains have been particularly great; and they have been aggravated by the sharp declines in energy, agricultural, and land prices. It is mainly in those areas that we face a compelling need to be in a position to deal with problem situations in a manner that will protect, rather than undermine, the strength and stability of the whole, including the vast majority of institutions that are fully capable of dealing with their own problems so long as general confidence is maintained.

Fortunately, the banks, large and small, that have served now-troubled energy and farming businesses have typically been in a relatively strong position. They have generally been characterized by historically high capital ratios, good earnings, and ample liquidity. The fact that they have been able to draw on these strengths has provided a strong first line of defense in dealing with the present pressures. Ordinarily, that should be adequate.

Supplementing their natural strength, the Federal Reserve is, of course, fully prepared to provide assistance as part of the process of making necessary adjustments to pressures through its discount window on liquidity and changes in deposit flows. The availability of that kind of normal and appropriate assistance by the central bank, backstopping the resources and resourcefulness of the banking organizations themselves, should in itself enable solvent institutions to adjust to the situation.

However, there is one remaining potential danger to stability of banking in these heavily impacted areas—and therefore to the entire economies of some states or regions.

The failure of a few important institutions—unless handled expeditiously and effectively—could raise unwarranted concerns about other, basically sound banks, and lead to a contagious and spreading loss of confidence. It is that contingency that we want to deal with and toward which the proposed legislation is directed. The powers sought are precautionary. Perhaps they will, in the end, not have to be used. I hope not. But it surely would be imprudent to rely on that hope. Recent earnings reports and other difficulties at a few institutions point to the danger. A prompt congressional response will, in itself, provide a strong message of reassurance.

The case for this legislation is, I believe, widely acknowledged in the states most directly concerned. The debate, as I have observed it, revolves around specific provisions of the proposed legislation that balance the need for effective action against the concerns of states, and banks within a state, that they be able to preserve their ability to determine the future of their state's banking structure.

In striking that public policy balance, the Congress has already concluded that interstate banking acquisitions are appropriate in certain emergency situations—those involving failed banks of $500 million or larger. In addition, separate provisions of present law permit out-of-state acquisitions of both failed and failing mutual savings banks meeting the minimum asset size requirement of $500 million and of savings and loan associations without any restrictions as to size. I would also point out that current provisions of law allow the interstate or interindustry acquisitions of thrift institutions "where severe financial conditions exist which threaten the stability of a significant number of insured institutions or of insured institutions possessing significant financial resources."

Those provisions of existing law were adopted because the Congress recognized the need for constructive preventative action to assure that a serious particular situation did not spread and get worse. The same motivation lies behind the present proposal. While the present situation, in our judgment, requires some further extension of authority for interstate bank acquisitions, care has been taken to limit the scope of that authority and to provide a key role for state bank supervisors; in fact, the proposal before you dealing with commercial banks is substantially narrower than the interstate acquisition arrangements for savings and loan associations that are now contained in the Garn–St Germain Act.

Main Provisions of the Legislation

Perhaps the most important change in the proposed legislation would be to permit the federal supervisory authorities to deal with the units of a multibank holding company as an integrated whole. This change is a recognition of simple reality.

A number of states, including typically those impacted by adverse energy and agricultural developments, have a banking structure built around multibank holding companies. Normally, units in those holding companies operate with a large degree of interdependence, under common management. However, the financial condition of different banking units within the holding company may vary substantially.

As things now stand, the law permits us to deal with those units of a holding company bank by bank. Some individual banks within the holding company may reach the size limit of $500 million specified by the Garn–St Germain legislation, but many units may not, even though the holding company is one of the major institutions in the state. In some cases, none of the units meets the present size test, even if the holding company is far larger. Yet, the failure of one or two important banking units of a holding company would be bound to affect the viability of the whole.

The proposed legislation deals with this situation by enabling the sale of some or all the banks within a holding company, or the holding company itself, to an out-of-state institution when at least one-third of the entire assets of the holding company are in failed or failing units, provided those troubled units collectively reach an aggregate asset size of $250 million.

The second proposal is to modify the asset size limit for an individual bank or for banking units within a holding company by reducing it from $500 million to $250 million. That reduction is in recognition of the fact that deeply troubled institutions of that size, particularly when incorporated in a larger holding company, may not in current circumstances be salable within a state. Indeed, in some cases the holding company involved may be among the largest banking institutions in the state. In other instances, the larger institutions in the state, while able to cope effectively with their own problems, may not be in a position to raise the amount of capital, or to provide the liquidity or management resources necessary for a major acquisition.

The third area of change would be to permit the sale of "failing"—defined as a bank in danger of closing—as well as "failed" institutions. The definition of failing is meant to be rigorous—that is, to only include an institution that, while technically still solvent, has no reasonable prospect for either maintaining the liquidity or raising the capital necessary to maintain itself as an independent institution without prolonged federal assistance.

The purpose is straightforward. Such a "failing" institution may be more attractive to a potential buyer than one actually in receivership. The sale might be arranged without disturbance to confidence. There would be no cost, or a lesser cost, to the FDIC.

Limitations on the Use of the Emergency Powers

As I indicated earlier, the debate on the proposed legislation appears to center much less on questions of basic purpose and rationale—which seems to be broadly accepted—than on the appropriate specific limitations designed to protect the rights of states. This matter is one to which we have devoted considerable attention. We believe that an appropriate balance has been struck consistent with the need for operational effectiveness. That need includes the simple fact that out-of-state purchasers of failed or very troubled institutions will simply not be available, or available only at very heavy cost to the FDIC, unless the acquired banks can be operated profitably in highly competitive markets.

Specifically, the following would apply:

1. Interstate acquisitions could only be made of banks (or units in a holding company system)

when their operation as independent going concerns is no longer feasible.

2. Only the chartering authority—state or federal as the case may be—could initiate the process of interstate acquisition by determining that the bank is failed or failing.

3. A minimum size requirement has been maintained, although at a lower level.

4. An out-of-state acquirer of a bank or bank holding company would have its subsequent expansion rights limited to the three largest metropolitan areas or cities within a state.

5. In all cases, consultation with the relevant state bank supervisor would be required as to the possibility of an in-state solution. In the case of a failing or failed institution when the FDIC provides assistance, bidding priorities of present law favoring an in-state solution are retained, and an objection by a state supervisor could be overridden only by a unanimous vote of the FDIC board. In the case of a failing institution when no FDIC assistance is provided, no interstate acquisition could proceed if the supervisor certifies that there is a qualified in-state (or, when regional arrangements exist, regional) acquirer unless the Federal Reserve Board determines that the proposed in-state buyer does not in fact have adequate financial resources.

6. Finally, the authorities provided would end after five years.

We believe that these safeguards are reasonable and workable, balancing the legitimate concerns of the states and competing banks with the broader interest in effective action to deal with emergency situations. They build upon concepts and tests in existing law, either for banks or thrift institutions. I am not aware of serious concerns that those existing authorities have been abused.

So far as the "failing bank" test is concerned, the intent is plainly only to deal with institutions that, in terms of strong liquidity pressures or impaired capital, would otherwise require large and prolonged official assistance if they are able to survive at all, with ancillary risks to the FDIC fund. In effect, the only alternative to merger would be to make them wards of the government for an indefinite period.

If such institutions were permitted actually to fail, it is widely accepted that they would be eligible for interstate acquisition. If that premise is accepted, the new provision for "failing" banks appears certainly reasonable as a matter of further protecting the FDIC fund and the stability of other banks that could be infected by a confidence crisis. Such a provision has already been adopted for thrift institutions. Strong preference would be provided for an in-state "solution," if in fact such a solution exists—in fact, that protection would be stronger than if, under current law, the banks failed and FDIC funds were more directly at risk.

In all cases of failing institutions, the board of directors or the stockholders of the institution itself would have to agree to a proposed merger. Some have questioned whether that might lead to a preference for an out-of-state partner willing to pay a higher price. That possibility is one reason why the relevant state supervisor has been provided an effective veto power so long as there is, in fact, a feasible in-state partner ready, willing, and able to provide the necessary capital and other support.

Other questions have arisen with respect to the necessity to deal with the units of a multibank holding company as a whole. In some instances, dismemberment of a holding company may indeed be possible. But that will not always, or even typically, be consistent with achieving the purposes of the legislation—speedy and orderly disposition of severe problems in a manner consistent with the stability of the banking system over an entire state or region.

Specifically, in cases in which the failed or failing units within a holding company are key units of the system, piece-by-piece disposition would imply that sister banks are cut adrift, without the operating, accounting, and product delivery systems often centered in lead banks or the holding company itself. Units that might have been both solvent and liquid within the holding company structure would find their viability undermined if they had to maintain themselves as independent units—units that would inevitably be tinged by their past association with a failed holding company organization. Nor are individual units of a holding company likely to be attractive to potential out-of-state acquirers. The associated uncertainties and potential disruptions are precisely what the bill is designed to avoid.

CONCLUSION

It is an unhappy fact that economic conditions in some states have brought strains and strong pressures on elements of the banking system in those areas. At the same time, there is every reason to believe that those problems can be contained and diffused in a manner that will preserve and support the essential stability of the banking system, and thus avoid aggravating already difficult economic circumstances.

To assure that result, supervisory and regulatory agencies do need some limited additional authorities so that they can act with dispatch and at minimum cost, both in financial terms and in terms of maintaining confidence. Those authorities would be provided by H.R. 4701.

The bill has been carefully drafted to limit its scope totally to emergency situations for a limited period, at the same time reconciling conflicting demands of public policy. The Congress in the past has acted with care and effectiveness in providing necessary authority to deal with problem areas in both the banking and thrift industries.

Failure to act now could only increase the risks that the ultimate costs would be far greater. We want to forestall a crisis, not to pick up the pieces after the damage has been done.

I strongly recommend that you take the crucial further steps required by the present situation with the clear sense of urgency the situation demands. □

Chairman Volcker presented identical testimony before the Senate Committee on Banking, Housing, and Urban Affairs, May 13, 1986.

Statement by Martha R. Seger, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Financial Institutions Supervision, Regulation and Insurance of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, May 14, 1986.

I appreciate the opportunity to appear before the subcommittee today on behalf of the Federal Reserve Board to discuss whether existing laws to protect our nation's financial institutions from becoming havens for tax evaders, drug traffickers, and other money launderers can be strengthened and whether new laws should be enacted.

I shall begin by focusing on the Bank Secrecy Act and on the various legislative proposals to strengthen the act. As requested, I will then discuss whether certain titles of the Financial Institutions Regulatory and Interest Rate Control Act of 1978 (FIRICA) need to be amended to provide the banking agencies with more effective means of curbing the use of financial institutions by criminal elements for illegal gains. Finally, I will offer the Federal Reserve's views on what might be done, in cooperation with foreign central banks and international organizations, to curtail money laundering activities.

BANK SECRECY ACT

The Federal Reserve, together with the other banking agencies, has the responsibility for monitoring financial institutions to determine their compliance with the Bank Secrecy Act. In this regard, the Federal Reserve monitors state member banks and Edge Act corporations, a responsibility delegated to it by the Department of the Treasury, which has primary responsibility for enforcement of the statute. Enacted in 1970, the Bank Secrecy Act, among other things, requires financial institutions to report certain currency transactions in excess of $10,000 to the Treasury Department. As you know, the reporting and recordkeeping requirements of the Bank Secrecy Act were designed to frustrate criminal activities that generate large sums of cash, such as drug trafficking, by putting the spotlight on large currency transactions.

As the subcommittee is aware, in recent years there have been an unfortunate number of instances, including some involving large banking organizations, in which financial institutions neglected to report currency transactions as required by law. In most cases these violations were not due to criminal intent on the part of financial institutions, but rather to their failure to put in place or enforce controls designed to ensure that transactions covered by the act would be properly reported.

The widespread publicity surrounding these reporting failures heightened the awareness of financial institutions as to the importance of complying with the Bank Secrecy Act. Many banks conducted in-house compliance audits to find transactions that should have been reported under the law. Many of those banks that did find them voluntarily admitted their failure to report the transactions and paid substantial fines. These banks and other institutions have since made special efforts to tighten their compliance controls. As a matter of fact, the volume of Currency Transaction Report (CTR) filings has increased dramatically.

Therefore, in my view, it is time to consider streamlining and modernizing the reporting process—especially for large institutions that must submit a high volume of CTRs to the Internal Revenue Service. This procedure could include, for example, the use of computer-generated tapes and other technology to minimize the avalanche of paper. An additional benefit of such an approach might be improved compliance.

Federal agencies have also recognized that their enforcement procedures needed to be strengthened and, as a result, have made a concerted effort to improve compliance under the Bank Secrecy Act. Specifically, they have expended additional time and effort to increase the awareness of both financial institutions and examiners as to the requirements of the Bank Secrecy Act. An interagency working group, composed of representatives of federal banking and law enforcement agencies, has been strengthening enforcement procedures and improving communication and coordination among government agencies. Among other things, the group agreed recently to adopt uniform Bank Secrecy Act examination procedures. The group meets on a regular basis and will continue to explore methods to enhance the agencies' abilities to carry out their responsibilities under the act.

In addition, the Federal Reserve has instructed its examiners to implement in-depth assessment procedures for Bank Secrecy Act compliance during all full-scope examinations. Previously, examiners conducted an in-depth review only when a preliminary assessment of a bank's internal systems revealed some reason to intensify the investigation. The Federal Reserve has also expanded coverage of the Bank Secrecy Act in its training program for bank examiners.

Proposed Money Laundering Bills

Despite improved compliance with the Bank Secrecy Act, we know that better recordkeeping alone will not put an end to money laundering in this country. Those who are engaged in money laundering are a resourceful lot and have incentives to circumvent even the most carefully crafted rules and regulations. Indeed, the ability to circumvent the law is an essential requirement for success in drug trafficking and other such activities. The use of "smurfs" to circumvent the existing law is a case in point. (Smurfs, or "runners," are couriers who convert funds derived from illicit activities into multiple transactions, each less than $10,000, to evade the currency reporting requirements of the Bank Secrecy Act.)

Yet efforts to curtail money laundering by making it more difficult and risky are clearly in the public interest and should continue. At present, however, the burden of the Bank Secrecy Act clearly falls more on depository institutions than on those institutions directly involved in money laundering. While the reports required under the act have been recently utilized to more effectively target money laundering, they cannot, in and of themselves, put an end to laundering activities. In the Board's view, it is more appropriate to strengthen enforcement through better utilization of current resources, and to strengthen prosecution by making money laundering a crime, rather than to increase reporting burdens.

Because of the link between money laundering and cash-based criminal activity, the Board supports legislative efforts to limit the use of financial institutions by money launderers. Four of the bills before the subcommittee (H.R. 2785, 1367, 1474, and 1945) would make money laundering a federal crime. This action would approach the problem more directly; under present law, criminal activities are only indirectly tracked by monitoring currency transactions involving financial institutions.

Two proposed bills (H.R. 4573 and 3892) are aimed at giving enforcement authorities additional tools to prevent one common means of evading the Bank Secrecy Act—namely, structuring transactions involving more than $10,000 into multiple transactions of a lesser amount. The Board supports efforts to limit such "structuring."

While we generally support the objectives of the bills before the subcommittee, it is important that their provisions be closely evaluated to ensure that they pass a reasonable cost-benefits test. It is not possible to review in detail all of the provisions of these bills at this hearing. However, we do want to stress that in this attempt to strengthen our laws, care should be taken to avoid the collection of more information than is necessary. For such an exercise does not significantly contribute to law enforcement efforts, and only adds to the costs of banking, which are passed on to the consumer.

With regard to specific bills, H.R. 1474 contains a provision that would require federal supervisory agencies to verify compliance with the Bank Secrecy Act in the course of every examination they perform. We currently check for such compliance when making regularly scheduled commercial bank examinations and are implementing numerous steps to strengthen our ability to carry out this function more effectively. We also perform carefully targeted examinations when the need arises. In those instances, to make more cost-effective use of our resources, we would like to retain the flexibility to determine the parameters and frequency of such visits. For these reasons, we suggest that the provision not be adopted by the subcommittee.

H.R. 1474 would also provide that every exemption to the Bank Secrecy Act's requirements be approved by the Treasury. Under current regulations, it is the responsibility of the financial institution to determine whether its customers are eligible for such exemptions. We agree with the testimony by the Treasury before this subcommittee that it is not desirable to shift this determination to the Treasury and away from the financial institutions that, after all, are in a better position to know the identity and the transactional habits of their customers. Such a shift would be unduly burdensome to the Treasury and to the financial institutions that would have to supply the Treasury with the detailed information needed to make its determinations. Perhaps it would be better to retain the current law, which allows the Treasury, by regulation, to make any such changes that it deems necessary. H.R. 3892 would require the Treasury to review annually all exemptions to currency reporting requirements granted by a financial institution to its customers. We suspect that this requirement might also prove unduly burdensome to the Treasury and to financial institutions.

H.R. 1474 would require that all outgoing international wire and other electronic transfers be reported on a Currency or Monetary Instrument Report. While we generally believe that wire and other electronic transfers should be included among the types of transactions regulated by the Bank Secrecy Act, we agree with the testimony given by the Treasury before this subcommittee, which stated that this particular reporting requirement should not be imposed by statute. We question whether the burden imposed by the reporting requirement would be offset by the usefulness of the information that the reports would generate. Such information is more effectively acquired through the Treasury's existing authority to require specific financial institutions to provide copies to the Treasury of all wire transfers taking place within a particular period of time.

H.R. 4280 would require a financial institution to keep special records relating to any cash transaction in excess of $3,000. It is already within the Treasury's ability to require this type of recordkeeping by regulation as needed, provided it would assist law enforcement efforts in ways that would justify the burden imposed on financial institutions.

H.R. 4280 would establish that the amounts that are subject to currency transaction reporting requirements be at least $10,000. Currently, the Treasury has the authority to vary this amount as necessary to carry out its enforcement responsibilities. We believe that it is useful for the Treasury to maintain its ability to respond to changing criminal practices rather than to mandate by statute, as this bill would do, a specific size of transaction to be covered.

H.R. 3892 contains a provision that would include any foreign subsidiary or affiliate of a U.S. commercial bank in the definition of financial institution for purposes of the Bank Secrecy Act. This provision would appear to subject these entities to reporting requirements, including filing CTRs for cash or currency transactions of $10,000, regardless of whether they involve U.S. dollars. The Treasury regulations, as we understand them, do not extend the reach of the present reporting requirements beyond our borders. H.R. 3892 would, for the first time, give extraterritorial effect to the reporting requirements, with the likely result of placing U.S. banks, in some instances, in conflict with local law and raising important areas of friction with many host countries who have been particularly sensitive to the extraterritorial application of U.S. law.

FIRICA: TITLE I, SUPERVISORY CONTROL OVER DEPOSITORY INSTITUTIONS

You asked that we revisit certain FIRICA titles to determine whether they too could be strengthened to keep criminal elements from using financial institutions for illegal gains.

The basic thrust of Title I is to provide the bank regulatory agencies with enhanced tools for combating violations of banking laws and unsafe and unsound activities. Title I authorizes, among other things, the use of civil money penalties for violations of various banking laws (including the Board's Regulations D and O, Section 23A of the Federal Reserve Act, and the Bank Holding Company Act) and provides for enforcement authority against individuals, as opposed to institutions.[1]

Important though these powers are, we should bear in mind that the Federal Reserve Board is not a criminal law enforcement agency. While our examiners are trained in detecting questionable transactions, any suspected criminal activities are referred to appropriate law enforcement authorities. Therefore, the referral process is critical to successful prosecution under Title I.

The Federal Reserve has been working diligently to improve the criminal referral process. In August 1985, the Federal Reserve distributed to the financial institutions that it supervises a uniform criminal referral form. Moreover, the Federal Reserve recently developed and implemented procedures to ensure that criminal referrals involving activities that may affect the safety and soundness of a bank or bank holding company are submitted directly to the Fraud Section of the Department of Justic for high level attention. In addition, procedures have been established to ensure that criminal forms submitted to the Federal Reserve are properly handled. Computer systems also have been developed to track and cross-check the referrals against the activities of the Enforcement Section of the Board's Division of Banking Supervision and Regulation. In this manner, we are better coordinating the actions that must be taken under both civil and criminal law when illegal activity is suspected.

TITLE VI, CHANGE IN CONTROL

Under the Change in Bank Control Act of 1978, bank regulatory agencies have the authority to act on notices involving changes in the control of insured banks and bank holding companies. The Federal Reserve is responsible, in particular, for notices involving state member banks and bank holding companies. Change in Control notices generally must be processed in 60 days. During this period, the reviewing agency considers among other factors, the financial condition and character of the prospective owner or owners.

1. With regard to the authority of the bank regulatory agencies to take enforcement actions directly against individuals, I note that the U.S. Court of Appeals for the Seventh Circuit, in the *Larimore v. Comptroller of the Currency* case, determined last week that the Comptroller of the Currency could not use its cease-and-desist authority to seek monetary damages from individuals for violations of law and unsafe or unsound banking practices. This decision was in conflict with other Court of Appeal's decisions, and it may severely limit the ability of the agencies to seek appropriate relief against individuals in matters, for example, involving unjust enrichment. To clarify the authority of the Federal Reserve as well as of the other bank regulatory agencies in this area, it may be useful for the Congress to consider legislation directed at this problem.

One important objective of this process is to weed out individuals with criminal backgrounds, either by disapproving the Change in Control or, in effect, by allowing them to disqualify themselves by withdrawing their notice.

Typically, supervisory authorities are familiar with individuals who are seeking to gain control of a financial institution. Change in Control investigations in such cases proceed in a timely fashion. However, there are sometimes cases, such as those involving foreign individuals or individuals who previously have not been involved in banking, in which the applicant's background is not known. These cases require the reviewing agency to draw on information from law enforcement agencies and foreign banking agencies. Such information often is not received until well into the 60-day review period, making it necessary to invoke the 30-day extension period allowed under the Change in Bank Control Act to make a thorough investigation. We can, however, conceive of situations in which even the 30-day extension period would not be sufficient. Thus, we would favor an amendment to the Change in Bank Control Act that would allow the Board to extend the processing period in those rare situations when it is necessary to collect and evaluate additional information about potential criminal activity.

Title XI, Right to Financial Privacy Act

The Right to Financial Privacy Act ("RFPA") was intended to protect bank customers' privacy rights, while enabling federal regulatory and law enforcement agencies to carry out their responsibilities under the law. The RFPA, among other things, prohibits access to the financial records of a customer of a financial institution by government authorities, unless the customer has authorized such disclosure, or the financial records are obtained pursuant to specified agency or law enforcement actions and the customer is given notice of such disclosure. Disclosure also may fall within one of the other limited exceptions to the notice requirement, such as when the information is obtained through the examination process.

The RFPA, however, does not preclude any financial institution from notifying a government authority that it has information that may be relevant to a possible violation of any statute or regulation. In August 1985, the Board adopted a uniform interagency criminal referral form for the use of the financial institutions under its jurisdiction. Similar forms subsequently were adopted by the other federal regulatory agencies. The form has been carefully structured to elicit information that we were not getting before, perhaps because of perceived RFPA problems. Out of the approximately 400 referrals made by these institutions since that time, only three have lacked necessary information because of perceived RFPA problems and these instances did not involve Bank Secrecy Act violations. We believe that the adoption of these forms by all supervisory agencies will address through administrative action many of the difficulties experienced by the law enforcement agencies in this area.

International Cooperation

I would now like to turn to the subject of international cooperation. In general, the Federal Reserve maintains extensive contact with foreign bank supervisory authorities to discuss broad supervisory issues relating to banking, such as capital adequacy and liquidity. The most visible example of such contact is the Basle Committee on Banking Regulations and Supervisory Practices, which consists of representatives from the central banks and bank supervisory agencies of the major industrial countries. In addition, the Federal Reserve regularly sends a representative to regional meetings of bank supervisors from the Caribbean, Latin America, and Asia.

In our view, international steps to assist enforcement efforts are best handled through initiatives such as those undertaken by the Department of Justice to institute mutual legal assistance treaties between the United States and other countries. Such treaties include specific provisions addressing the use of international banking facilities for criminal activities. The Federal Reserve stands ready to assist the Justice Department by making quick referrals of suspected criminal activity to the appropriate authorities and by providing advice on international transactions.

At the same time, the Federal Reserve will continue efforts to heighten the sensitivity of banking authorities abroad to the problems of money laundering through the international banking system. In June 1985, this subject was raised informally by the Federal Reserve's representative to the Basle Supervisory Committee. Another occasion for such discussions will be the forthcoming meeting of the committee, which is to be held in Washington at the end of June. A portion of the meeting has already been scheduled to include a discussion of current issues before U.S. banking authorities, and our representative plans to use this occasion to discuss the possibilities for greater cooperation and communication.

It is important to point out, however, that the ability of bank supervisors to deal with activities such as drug trafficking and money laundering is limited. It is, for example, difficult to monitor international financial transactions given the number and volume of such transactions each day. Moreover, even if such monitoring were feasible, it would be problematic, at best, to hope to draw valid conclusions regarding ultimate origins or destinations of individual transactions.

Further, both foreign and domestic bank supervisors usually are not empowered to investigate criminal activity and, therefore, must refer any evidence of illegal conduct to their respective law enforcement authorities. Foreign bank supervisors may also face serious legal obstacles when disclosure of information on individual customers is involved. It is with regard to these kinds of obstacles that mutual assistance treaties are particularly useful.

CONCLUSION

In conclusion, I would like to emphasize that the Federal Reserve Board, in conjunction with other federal agencies, has intensified its efforts to address the problem of criminal activity involving financial institutions. The Bank Secrecy Act is but one of the several areas on which we have focused. Bank fraud, officer and director misconduct, and insider abuse have also received special attention.

We understand the critical importance of promoting improved enforcement and prosecution of bank-related criminal activity, and we look forward to working with the subcommittee as it reviews and weighs the merits of the various proposals before it. □

Statement by Emmett J. Rice, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Financial Institutions and Consumer Affairs of the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, May 21, 1986.

I appreciate the opportunity to appear before this subcommittee to discuss the disclosure requirements of three bills dealing with credit card applications and solicitations: S. 2140, S. 2264, and S. 2421. All three bills would add an early disclosure requirement to the Truth in Lending Act for open-end credit card plans. S. 2421 is narrower than the other bills because it deals only with disclosures in mail solicitations, though it also addresses the balance computation methods used by certain credit card issuers. S. 2264 would also require credit card issuers to report certain cost terms to the Board, and would require the Board in turn to make this information available to the public and to report it annually to the Congress.

Currently, the law requires early disclosures only when creditors engage in advertising. Solicitations for credit are thus subject to some Truth in Lending disclosure requirements, since they are considered "advertisements" under the statute and the Board's implementing regulation, Regulation Z. Whenever certain credit terms are stated in an advertisement, the creditor must give additional information about the credit plan. For example, if the creditor advertises the plan's annual fee, the advertisement must state the annual percentage rate as well as any other finance charges that may be imposed.

If none of the specified credit terms is stated in the solicitation, however, the law does not require that cost information about the plan be given. Consequently, while the act does at times require that consumers receive cost information with solicitations, the present law does not always require that consumers are given this information before they receive a credit card.

Under the current law consumers must, however, be given full disclosure of the terms and conditions of the credit card program no later than the time that they receive the card. Therefore, consumers do have an opportunity to review all of the terms and conditions before using the account. In addition, the regulation provides that a consumer may not be obligated on a credit program before receiving complete disclosures; this would include, for example, the obligation to pay an annual membership fee.

The proposed bills go beyond the present act by requiring the creditor to include certain Truth in Lending disclosures in *any* application or solicitation for a credit card plan, without regard to whether the creditor mentions a particular term. The proposed legislation expands the current statutory requirements for advertising in another way as well. The card issuer would be required to disclose the conditions under which a finance charge may be imposed, including whether or not any time period exists for credit to be repaid without incurring a finance charge; in addition, S. 2140 would require disclosure of the balance computation method.

The issue of how much disclosure to require in advertisements has been considered before the Congress—most recently in 1980, when it simplified the Truth in Lending Act. At that time, the Congress cut back on the disclosures required in open-end credit advertisements in the hope that reducing the disclosure burden would promote more advertising, thereby increasing competition. To the extent that the proposed disclosure requirements might discourage open-end credit advertisements, this legislation could have the unintended effect of decreasing rather than increasing competition. We are inclined to think, however, that given the limited scope of the increased disclosure in S. 2421 it would not have that effect. Our impression is that many card issuers are already including in their mail solicitations much of the disclosure information proposed in the bill, and, presumably, have not viewed this information as an impediment to advertising. Requiring disclosure in all applications whether or not the application is part of a mail solicitation—as the two other bills do—might have the adverse effect that the Congress sought to avoid in 1980.

Increased disclosure requirements invariably result in some increased costs to the industry. Additional costs resulting from S. 2421 would probably not be substantial, because it focuses on the narrow area of mail solicitations. In mail solicitations creditors should be able to include current disclosure information without significant burden, since such solicitations are usually offered for a limited time with stated expiration dates. Broader legislation, as suggested by S. 2140 and S. 2264, that would require disclosures in all applications for open-end credit cards—not just in mail solicitations—could prove to be operationally difficult for card issuers and could result in costs that exceed consumer benefits. For example, card issuers would have to reprint credit card applications when the terms of their credit card plans change. The burden would vary depending on the creditor, however. National banks offering their credit cards nationwide, for example, may be able to have uniform credit terms so that a single solicitation or application would apply to all prospective cardholders. Retailers, in contrast, are generally subject to individual state laws, which would make the use of uniform nationwide documents more difficult. In addition, the burdens associated with additional disclosure requirements would probably be greater for small institutions.

The Truth in Lending Act and Regulation Z mandate that creditors disclose which balance computation method they intend to use—and provide an explanation of how that method works. The creditor must provide this information in its initial disclosure statement and must repeat it on each monthly bill.

S. 2421 would also require nonretailer card issuers, such as banks, to use one particular method—the average daily balance method—in calculating the finance charge, or an alternative method that results in a lower finance charge.

In general, the Truth in Lending Act does not involve the substantive regulation of credit terms, such as the rate of interest that can be imposed or the types of charges that are permissible. Rather, the focus of that act is on ensuring that consumers receive the most important credit information before becoming obligated. By venturing into the substantive regulation of credit terms via the Truth in Lending Act, the provisions of S. 2421 dealing with balance computations would be a departure from the current approach.

Over the years creditors have used various balance calculation methods for their open-end credit plans, some of which generally produce higher monthly finance charges than others. The "previous balance" method will often result in higher finance charges for consumers, for example. However, the timing of a customer's purchases and payments can influence which balance computation method results in the lowest finance charge. In addition, even within a single balance computation method, such as the average daily balance method, there are variations in how favorable or unfavorable one creditor's method may be to the consumer as compared with another creditor's.

Many of the other terms required to be disclosed, such as the annual fee or the annual percentage rate, are straightforward and easy for consumers to understand. The way the creditor figures the balance to which it will apply the annual percentage rate, however, is not so easily understandable—even with the disclosures required by the act and the regulation. Consequently, while a creditor might satisfy the Truth in Lending requirement by explaining how it calculates the customer's balance, the customer may not be able to fully appreciate how one creditor's method differs from another—and, consequently, how the difference might affect the amount of the finance charge.

One approach to this problem is the one taken by S. 2421: that is, to prohibit all balance computation methods except one. The purpose of such an action, presumably, would be to standardize that feature of credit card programs, so that consumers no longer would have to consider this particular term when comparing credit card programs.

While the approach of S. 2421 to balance computation may have some appeal, it may affect both the operations and yields of some creditors. If adoption of this approach results in increased operational costs or reduced revenue, the issuer is likely to pass such costs on to its customers in some way or other. Thus, regulating the balance computation method area might result in restricted credit availability; the elimination of grace periods; or higher interest rates, annual fees, or merchant discounts. It is uncertain, therefore, whether the benefit of having a uniform balance computation method would exceed the associated costs to consumers after such adjustments have taken place.

And we have more fundamental problems with this aspect of S. 2421. Traditionally, balance computation methods—like other yield-producing terms, such as interest rates, the amount of transaction charges, late charges, and so on—have been regulated by the states. In fact, over the years many states have specified the permissible balance methods as one aspect of their overall rate regulation. Because the states consider all determinants of the cost of credit in fashioning their regulations, they probably are in a better position to regulate the balance computation method in relationship to other credit terms. Moreover, federal legislation of the balance computation method could be viewed as the beginning of federal control of a host of other terms—such as rebate methods and delinquency charges—that have long been controlled by the states. Rate regulation has been an important state function, and we suggest great caution in overturning this tradition, particularly on a piecemeal basis.

An alternate approach to the problem is to seek increased consumer awareness of balance computation methods. One way of doing this involves educational efforts on the part of industry and consumer groups. A pamphlet dealing with how to shop for a credit card, for example, was just released by the American Institute of Certified Public Accountants in cooperation with the U.S. Office of Consumer Affairs, and we expect that it will receive wide distribution. As another example, the Federal Reserve prepares educational materials and conducts presentations for teachers and other groups regarding consumer credit, including credit cards. The

Federal Reserve Bank of Minneapolis has developed instructional materials for secondary school teachers, and is currently preparing additional material dealing with credit cards, including balance computation methods. These, and other, educational efforts should help alert consumers to the fact that differences in credit programs do exist and that "shopping around" may save them money.

S. 2264 would require each credit card issuer to report to the Board on a quarterly basis the average annual percentage rate and any annual or other fee applicable during the preceding quarter. While this idea may seem appealing on initial examination, there are a number of questions about its usefulness and cost that need to be considered. The Federal Reserve is currently analyzing the results of a study conducted at the request of the Congress to measure the benefits of providing consumers with comparative cost information about closed-end credit. While this demonstration project did not address credit cards, its findings should provide a means of better evaluating the use that consumers make of published lists of comparative rate data. In view of the costs associated with the collection and dissemination of comprehensive information about rates and fees from thousands of credit card issuers, the Board suggests postponing action in this area until the results of the demonstration project are available.

In conclusion, the Board believes in full disclosure—both because it is the fair way to deal with consumers and because it aids the competitive process. However, given the extensive disclosures already required by the Truth in Lending Act when the consumer receives the credit card, and the fact that many card issuers already supply much of the proposed information in their solicitations, we are not sure that legislation is needed. I might add that our files do not show any consumer complaints on the matter. On the other hand, we believe that the burden of the disclosure provisions contained in S. 2421 would not be substantial. In contrast, we believe that the scope of S. 2140 and S. 2264 is too broad, particularly in that the bills require disclosures in all applications.

With regard to S. 2421, we appreciate the difficulties that some consumers may have in comparing balance computation methods. However, because these methods have been a matter of state law for so long, and because they are so intimately tied to other state provisions, we do not favor this portion of S. 2421. In addition, the provision in S. 2264 for reporting credit cost terms to the Board is potentially costly, and until the Board completes its analysis of the demonstration project on closed-end credit rates, we cannot be sure about the extent of the benefits of such compilations. □

Announcements

MEETING OF CONSUMER ADVISORY COUNCIL

The Federal Reserve Board announced that its Consumer Advisory Council met on June 19 and 20, in sessions open to the public. The Council's function is to advise the Board on the exercise of the Board's responsibilities under the Consumer Credit Protection Act and on other matters on which the Board seeks its advice.

NEW POLICY ON LARGE BORROWINGS FROM THE DISCOUNT WINDOW

The Federal Reserve Board announced on May 19, 1986, a new policy to deal with exceptionally large borrowings from the discount window that arise from computer breakdowns or other operating problems associated with the payments mechanism.

Under the new policy, a rate higher than the basic discount rate will be applied to loans of unusual size that result from a major operating problem at the borrower's facility unless the problem is clearly beyond the reasonable control of the institution.

The rate to be charged will be the highest rate within the structure of discount rates at that time. Although the current basic discount rate is 6½ percent, the highest rate posted by the Federal Reserve is now 8½ percent, which can apply to extended credit borrowings outstanding for more than 150 days.

This action will assure that, in extraordinary circumstances arising from computer breakdowns or other operating problems, credit extended by the Federal Reserve will be at rates as high as or higher than those prevailing for short-term accommodation in the open market.

The new policy will encourage institutions to maintain or put in place the appropriate measures and precautions to reduce the chances that any major problems might develop.

REPORT ON FINANCIAL RESULTS OF PRICED SERVICE OPERATIONS

The Federal Reserve Board has reported financial results of Federal Reserve priced service operations for the quarter ending March 31, 1986.

The Board issues a report on priced services annually and a priced service balance sheet and income statement quarterly. The financial statements are designed to reflect standard accounting practices, taking into account the nature of the Federal Reserve's activities and its unique position in this field.

PROPOSED ACTIONS

The Federal Reserve Board issued for public comment a proposal to amend the definition of the term "deposit" in its Regulation D (Reserve Requirements of Depository Institutions). Comment is requested by July 11, 1986.

The Board has also requested public comment on whether conditions it imposed on the acquisition of thrift institutions by bank holding companies should be modified. Comment should be received by the Board no later than June 27, 1986.

CHANGE IN BOARD STAFF

Naomi Salus, Special Assistant to the Board, resigned, effective June 1, 1986.

SYSTEM MEMBERSHIP: ADMISSION OF STATE BANKS

The following banks were admitted to membership in the Federal Reserve System during the period May 1 through May 31, 1986:

Arizona
Sun City . . . . Sun City Bank
Maryland
Bethesda . . . . Mellon Bank (MD)
Missouri
St. Robert . . . First State Bank of St. Robert
New York
Flushing . . . . Great Eastern Bank
Texas
New Boston . . . . First Bank & Trust
Utah
Salt Lake City . . . . . . First Security Financial
Virginia
Richmond . . . . Commonwealth Bank

Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON APRIL 1, 1986

Domestic Policy Directive

The information reviewed at this meeting indicated a mixed pattern of developments. On balance it appeared that economic activity had picked up from the reduced fourth-quarter pace, although spending remained sluggish in some key sectors. Price developments thus far in 1986 had been dominated by sharp declines in oil prices. Energy prices fell substantially over the first two months of the year and food prices also declined somewhat, while prices of most other goods and services rose at a moderate pace.

Total nonfarm payroll employment, which had increased substantially in January, rose further in February, but employment in manufacturing fell after four months of gains. The average monthly rise in employment for the two months was about 325,000, somewhat higher than the average in the fourth quarter of 1985. Hiring was exceptionally brisk at retail trade and service establishments in both months. In contrast to the employment gains reported in the payroll survey, employment as measured by the household survey fell almost 400,000 in February, about offsetting the increase in January, and the civilian unemployment rate rose 0.6 percentage point to 7.3 percent. A sharp drop in agricultural employment, not measured by the payroll survey, accounted for about half of the decline; job losses in energy-related industries apparently also contributed to the decline.

The index of industrial production fell an estimated 0.6 percent in February after edging up only slightly in January. Although output of automotive goods was higher in February, production cutbacks were widespread for most other categories of goods. In particular, petroleum drilling activity was curtailed sharply in response to the dramatic declines in oil prices. Limited information available for March, including reported cutbacks in motor vehicle assemblies and steel production and a further decline in drilling activity, suggested continued sluggishness in production. The index of capacity utilization for total industry declined 0.6 percent to 80.0 percent; over the past year the index generally had fluctuated in a range of 80 to 81 percent.

Although retail sales changed little in January and February, they remained about 1.0 percent above the average in the fourth quarter, owing to a spurt in December. The rise relative to the level of the fourth quarter was attributable to gains in outlays for durable goods, particularly automobiles and furniture and appliances. Sales of domestic automobiles, boosted by additional financing incentive programs, rose to an average annual rate of 8.3 million units over the January–February period, about 1½ million units above the depressed fourth-quarter rate. However, sales slipped during the first 20 days of March to a rate of 7 million units.

Total private housing starts surged in the January–February period to an annual rate of more than 2 million units, compared with an average of about 1¾ million units for the fourth quarter and for the year 1985. The increase was concentrated in the single-family sector, though construction of multifamily structures remained at a relatively brisk pace despite continued high rental vacancy rates. Sales of new homes declined somewhat in February to a level about equal to the fourth-quarter average, while sales of existing homes remained at about their January pace and a little lower than in the fourth quarter. Over the period since the FOMC meeting in February, the average rate on commitments at savings and loan associations for conventional fixed-rate home mortgage loans had declined nearly 1 percentage point to about 10 percent, the lowest level since 1978.

Business capital spending apparently weakened somewhat in early 1986 after a surge around the end of last year. Shipments of nondefense capital goods from domestic producers rose 5 percent in February but remained well below the average in the fourth quarter. New orders for nondefense capital goods, after having been essentially flat in the fourth quarter, declined sharply in January but turned up in February. Outlays for nonresidential structures probably fell in early 1986, as spending on petroleum drilling activity reportedly plummeted.

Largely reflecting declines in energy prices, the producer price index for finished goods fell substantially in January and February, dropping 0.7 percent and 1.6 percent respectively. Producer prices for consumer foods and for crude food materials also declined appreciably over the two months. The consumer price index declined 0.4 percent in February—its first decline in more than three years—more than offsetting a rise in January. A sharp drop in prices for gasoline and fuel oil accounted for most of the February decline, but food prices also fell. Prices of other goods and services generally rose moderately. The index of average hourly earnings edged up on balance over the first two months of the year.

The trade-weighted value of the dollar against major foreign currencies continued to fall through about mid-March but recently rose somewhat; on balance the dollar had declined about 1¾ percent over the period since the February meeting. Disappointment among market participants about data released on U.S. economic activity and concerns about potential adverse effects of the sharp declines in oil prices on U.S. banks holding sizable loans to energy-related businesses and to oil-producing developing countries exerted downward pressure on the dollar, offset to some extent by views that foreign authorities, especially the Japanese, were reluctant to see further appreciation of their currencies. The merchandise trade deficit in January appeared to have been only slightly smaller than in December; preliminary data for February suggested that exports increased and that the price and quantity of oil imports declined.

At its meeting on February 11–12, 1986, the Committee had adopted a directive that called for maintaining unchanged conditions of reserve availability. The members expected such an approach to policy implementation to be consistent with growth in M2 and M3 at annual rates of about 6 percent and 7 percent respectively for the period from November to March. Over the same period they expected M1 to expand at an annual rate of around 7 percent, though the behavior of M1 was viewed as still subject to unusual uncertainty. The Committee agreed that somewhat greater or somewhat lesser reserve restraint might be acceptable over the intermeeting period, depending on the behavior of the aggregates, the strength of the business expansion, developments in foreign exchange markets, progress against inflation, and conditions in domestic and international credit markets. The intermeeting range for the federal funds rate was retained at 6 to 10 percent.

After growing little in January, M1 expanded at an annual rate of about 7¼ percent in February and was expected to grow at a rate of about 14 percent in March—leaving this aggregate at a level somewhat above the upper end of the Committee's range for the year. On the other hand, growth of M2 was generally sluggish over the first three months of the year, and expansion in M3 remained moderate. As a result, M2 was running below its long-run range while M3 was near the midpoint of its range for 1986. The expansion in total domestic nonfinancial debt appeared to have slowed appreciably over the first quarter, after extraordinarily rapid growth around the end of last year.

Open market operations during the intermeeting period were directed at maintaining about the prevailing degree of pressure on reserve positions. Seasonal plus adjustment borrowing from the discount window averaged about $350 million during the three full reserve maintenance periods after the February FOMC meeting. That level was inflated a bit by technical problems associated with wire transfers early in the interval; more recently, borrowing was running in the area of $225 million to $250 million.

Federal funds generally traded in the 7¾ to 8 percent area during the first half of the intermeeting period. After the announcement by the Federal Reserve on March 7 of a reduction in the discount rate from 7½ to 7 percent, the federal funds rate fell to around 7⅜ percent and generally fluctuated around that level throughout the remainder of the period. Other short-term interest rates declined about ½ to ⅞ percentage point over the intermeeting interval. Long-term rates dropped more sharply, falling by 1 to nearly 1¾ percentage points, against a background of further weakness in oil prices, mixed economic news, and declines in some aggregate measures of prices.

During the Committee's discussion of the economic situation and outlook, several members commented on the contrast between current indications of some sluggishness in economic activity and a number of underlying developments that pointed to stronger expansion later in the year and perhaps in 1987 as well. The incoming information on business activity was mixed, but it was thought that on balance such information suggested a pickup in economic growth in the first half of this year from the very slow pace in the fourth quarter. Several members observed, though, that the near-term outlook remained relatively weak, particularly taking account of substantial cutbacks in oil company investments associated with declining oil prices. At the same time a combination of developments—including reduced interest rates, higher stock prices, lower oil prices, and a decline in the dollar on exchange markets—was likely to exert an increasingly stimulative impact on the economy as the year progressed. The staff projection presented at this meeting had suggested that the expansion in real GNP would strengthen by the second half of the year, after relatively modest growth in the first half.

In evaluating the economic outlook, some members referred to the apparent improvement in business confidence over the course of recent weeks as the cost of capital declined and international competitiveness improved. It was thought that substantial declines in interest rates would have a stimulative impact on interest-sensitive sectors of the economy; indeed, that impact was already being felt in the housing sector. Members also reported that lower interest rates were leading to a large volume of mortgage debt refinancings. The latter would reduce monthly servicing costs and would therefore tend to support consumer spending over time. The rise in stock market prices and the decline in oil prices also were viewed as favorable for consumer spending. Taking account of these various factors, a few members commented that potential deviations from the staff projection were likely to be in the direction of more rapid growth.

Other members, while seeing some improvement as a likely prospect for the second half of the year, nonetheless emphasized the uncertainties—both domestic and international—that continued to trouble the business outlook and that could portend more restrained expansion than was currently anticipated. Consumer debt burdens remained large and one member observed that sales of new automobiles currently appeared to be inhibited to some extent by a reduced willingness or capacity of some consumers to borrow. In the business sector, while investment spending was likely to benefit considerably from the reduced cost of capital, its overall growth might well be restrained by weak demands for business equipment in important sectors of the economy such as agriculture and energy, and by the impact over time of apparent overbuilding, notably of office structures, in some parts of the country. One member also noted that uncertainties relating to tax reform legislation were continuing to inhibit business investment spending. Members also indicated that the improved conditions in financial markets stemmed to a large extent from expectations of future reductions in federal budget deficits and a failure to implement such reductions could have highly adverse consequences for financial markets and the economy.

With respect to exchange market developments, the decline in the dollar was viewed as implying upward pressures on domestic prices over time, but also as likely to stimulate business activity. While there were few actual indications to date of directly induced increases in export sales, contacts with business suggested that export markets were improving. The members continued to differ in their assessment of when and to what extent a lower dollar would exert its favorable effects on overall domestic economic activity or begin to show through significantly in prices. One emphasized that efforts by foreign firms to retain market shares, especially in the absence of strong economic growth abroad, would tend to reduce the expansionary and price effects of the dollar's depreciation.

Some members commented that the strength of the expansion in the U.S. economy over the next few quarters would depend to an important extent on the rate of economic growth in key industrial nations abroad and the resulting increase in their demands for U.S. exports. It was noted, however, that stronger expansion in some major foreign countries might well be contingent on their pursuit of more stimulative economic policies, and there was question about the willingness of some key countries to undertake such policies at this time. A member also commented on the importance of world commodity prices in maintaining the international purchasing power of many developing countries, in addition to those that exported oil, and the potentially adverse repercussions of lower commodity prices on world trade and U.S. export industries.

In their comments about the outlook for inflation the members gave considerable emphasis to the favorable impact of declining oil prices, but it was also noted that those prices remained vulnerable to a reversal. In the staff's economic projections, the rate of increase in prices was projected to slow over the near term, largely because of the favorable, one-time effects of lower oil prices. Members noted that the current downward pressures on prices provided an opportunity for the more effective pursuit of policies designed to foster a continuing reduction in the rate of inflation. It was observed in this connection that while considerable progress had been made in curbing inflation in key industries such as manufacturing and construction, the services industries appeared to be particularly resistant to further anti-inflationary progress. Partly for that reason but also in light of the recent weakness in productivity, the depreciation of the dollar, federal budget uncertainties, and the possibility of a reversal in oil prices, some members expressed concern about the underlying inflationary potential in the economy. They also cited recent price increases by a major automobile manufacturer as a worrisome development in terms of its broader implications for inflationary attitudes and future inflation.

At its meeting in February the Committee had agreed on policy objectives for monetary growth for the period from the fourth quarter of 1985 to the fourth quarter of 1986 that included ranges of 3 to 8 percent for M1 and 6 to 9 percent for both M2 and M3. The associated range for total domestic nonfinancial debt was set at 8 to 11 percent. In keeping with the Committee's usual procedures under the Humphrey–Hawkins Act, these ranges would be reviewed at the July meeting or sooner if warranted by unanticipated developments.

In the Committee's discussion of policy implementation for the weeks immediately ahead, all of the members favored directing open market operations at least initially toward maintaining essentially unchanged conditions of reserve availability. However, some shadings of opinion were expressed. A few preferred to tilt the provision of reserves toward slightly easier reserve conditions or at least to retain flexibility in that direction, depending on emerging market conditions. Others expressed the view that current reserve pressures should be well maintained, recognizing the possibility that such an approach to policy implementation might involve some little tightening of market conditions since market participants might be anticipating some easing. More generally, a number of members commented that policy implementation needed to take account of the already accommodative posture of monetary policy and the favorable, though somewhat uncertain, prospects for stronger expansion over the intermediate term, if not in the period immediately ahead.

The members anticipated that, with little or no change in reserve conditions, the monetary aggregates would tend to grow at rates that were broadly consistent with the Committee's target ranges for the year. M1 might remain on the high side in the weeks ahead, but it was emphasized that the behavior of M1 remained subject to considerable uncertainty. According to an analysis prepared for this meeting, M1 growth over the next three months might be close to that experienced over the December-to-March period, assuming unchanged conditions of reserve availability, somewhat slower expansion in nominal GNP, and no further declines in short-term market rates. However, demands for M1 balances were likely to be boosted, possibly substantially, if interest rates should decline further during the period ahead. Some members also stressed the desirability of focusing on the tendency for the velocity of M1 to remain relatively weak and the associated possibility that relatively rapid growth in M1 and in reserves might be needed to help sustain the expansion. In general, the members agreed that the behavior of M1 should continue to be evaluated in light of its consistency with M2 and M3 and also in the context of broader economic and financial developments, the potential for inflationary pressures, and exchange market conditions. Over the next three months M2 was expected to strengthen from its reduced pace in the first quarter, while M3 was likely to continue to expand at a moderate rate.

With regard to possible intermeeting adjustments in policy implementation, the members could foresee potential developments that might call for either some easing or some tightening, given the uncertainties about prospective economic and financial developments and the behavior of the monetary aggregates. In these circumstances, most of the members felt that there should be no presumptions about the likely direction of any intermeeting adjustments. However, some members believed that policy implementation should remain especially alert to developments that might call for some easing of reserve conditions, given the risks that the expansion might prove to be significantly weaker than expected over the period immediately ahead. It was noted that a further reduction in the discount rate, should market conditions here and policy developments abroad make such an action desirable, could have implications for monetary policy implementation and, depending on the circumstances, might require a consultation of the Committee prior to the next scheduled meeting on May 20.

At the conclusion of the Committee's discussion, all of the members indicated their acceptance of a directive that called for maintaining about the existing degree of pressure on reserve conditions. The members expected such an approach to policy implementation to be consistent with growth of both M2 and M3 at an annual rate of about 7 percent for the period from March to June. Over the same period, M1 was expected to expand at an annual rate of about 7 to 8 percent, but the members recognized that the behavior of M1 remained subject to unusual uncertainty. The Committee indicated that it might find somewhat lesser or somewhat greater reserve availability acceptable over the intermeeting period depending on the growth of the monetary aggregates, the strength of the business expansion, the performance of the dollar on foreign exchange markets, progress against inflation, and conditions in domestic and international credit markets. The Committee agreed that the current intermeeting range of 6 to 10 percent for the federal funds rate should be retained, although some members suggested that the current range might be lowered as a technical adjustment that would bring the present trading level of the federal funds rate closer to the midpoint of the range.

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

The information reviewed at this meeting indicates a mixed pattern of developments with evidence of a pickup in economic activity from the reduced fourth-quarter pace but with spending sluggish in some key sectors. Total nonfarm payroll employment increased appreciably further in February following a large rise in January, but employment in manufacturing fell after four months of gains and industrial production declined. The civilian unemployment rate rose sharply to 7.3 percent. Retail sales were little changed in January and February after rising over the previous two months, while housing starts were well above their pace in late 1985. Business capital spending apparently weakened somewhat in early 1986. The merchandise trade deficit for January appears to have been only slightly smaller than in December; preliminary data for February suggest that exports increased and that the price and quantity of oil imports declined. Largely reflecting declines in energy prices, consumer prices edged down on balance over the first two months of 1986 and producer prices fell substantially.

Growth in M1 picked up considerably over the course of the first quarter, leaving this aggregate by March somewhat above the upper end of its range for the year. On the other hand, growth of M2 was generally sluggish over the past 3 months and was running below its long-run range. Expansion of M3 was moderate during the winter months, with growth around the midpoint of its range for 1986. Interest rates have declined considerably since the February meeting of the Committee. On March 6, the Federal Reserve Board approved a reduction in the discount rate from 7½ to 7 percent. The trade-weighted value of the dollar against major foreign currencies continued to decline through mid-March but has risen somewhat more recently; on balance the dollar has declined slightly since the February meeting.

The Federal Open Market Committee seeks monetary and financial conditions that will foster reasonable price stability over time, promote growth in output on a sustainable basis, and contribute to an improved pattern of international transactions. In furtherance of these objectives the Committee agreed at its February meeting to establish the following ranges for monetary growth, measured from the fourth quarter of 1985 to the fourth quarter of 1986. With respect to M1, the Committee recognized that, based on the experience of recent years, the behavior of that aggregate was subject to substantial uncertainties in relationship to economic activity and prices, depending among other things on its responsiveness to changes in interest rates. It agreed that an appropriate target range under existing circumstances would be 3 to 8 percent, but it intends to evaluate movements in M1 in the light of its consistency with the other monetary aggregates, developments in the economy and financial markets, and potential inflationary pressures. It adopted a range of 6 to 9 percent for M2 and 6 to 9 percent for M3. The associated range for growth in total domestic nonfinancial debt was set at 8 to 11 percent for the year 1986.

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

Votes for this action: Messrs. Volcker, Corrigan, Angell, Guffey, Horn, Johnson, Melzer, Morris, Rice, Ms. Seger, and Mr. Wallich. Votes against this action: None. Absent and not voting: Mr. Martin.

On April 21, the Committee held a conference by telephone after the announcement of a reduction in the discount rate from 7 to 6½ percent effective on that date. The members reviewed recent economic and financial developments, including the behavior of the monetary aggregates and technical factors affecting the provision of reserves. At the conclusion of the discussion the members agreed that no changes were needed in the current directive adopted at the meeting on April 1. It was understood that in carrying out open market operations within the framework of that directive, and recognizing that partial data suggested a strengthening in all the monetary aggregates in recent weeks, a degree of caution should be exercised to avoid an impression that a further change in the discount rate was sought over the period immediately ahead.

Legal Developments

AMENDMENT TO RULES REGARDING DELEGATION OF AUTHORITY

The Board of Governors is amending 12 C.F.R. Part 265, its Rules Regarding Delegation of Authority, to delegate to the Secretary of the Board the authority to act on certain membership applications requiring the prior approval of the Board. The amendment authorizes the Secretary to take action on a membership application when a Reserve Bank could take action on the application under delegated authority but a director or senior officer of any holding company, bank, or company involved in the transaction is a director of the Federal Reserve Bank or branch. It is expected that this delegation of authority will expedite processing of membership applications when such an interlock exists.

Effective May 19, 1986, the Board amends 12 C.F.R. Part 265 as follows:

Part 265—Rules Regarding Delegation of Authority

1. The authority citation for 12 C.F.R. Part 265 is revised as follows:

Authority: Sec. 11, 38 Stat. 261 and 80 Stat. 1314; 12 U.S.C. 248.

2. Part 265 is amended by revising section 265.2(a)(2) as follows:

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

* * * * *

(a)(2) Under the provisions of sections 18(c) and 18(c)(4) of the Federal Deposit Insurance Act (12 U.S.C. 1828(c) and 1828(c)(4)), sections 3(a), 4(c)(8), and 4(c)(14) of the Bank Holding Company Act (12 U.S.C. 1842(a), 1843(c)(8), and 1843(c)(14)), sections 5(a), 5(b), and 7(d) of the Bank Service Corporation Act (12 U.S.C. 1865(a), 1865(b), and 1867(d)), the Change in Bank Control Act (12 U.S.C. 1817(j)), and sections 9, 25, and 25(a) of the Federal Reserve Act (12 U.S.C. 321 *et seq.*, 601–604a, and 611 *et seq.*), and section 225.14, 225.23, and 225.41–43 of Regulation Y (12 C.F.R. 225.14, 225.23, and 225.41–43), and sections 211.3(a), 211.4(c), 211.5(c), and 211.34 of Regulation K (12 C.F.R. 211.3(a), 211.4(c), 211.5(c), and 211.34), to furnish reports on competitive factors involved in a bank merger to the Comptroller of the Currency and the Federal Deposit Insurance Corporation and to take actions the Reserve Bank could take except for the fact that the Reserve Bank may not act because a director or senior officer of any holding company, bank, or company involved in the transaction is a director of a Federal Reserve Bank or branch.

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AMENDMENT TO RULES REGARDING DELEGATION OF AUTHORITY

The Board of Governors is amending 12 C.F.R. Part 265, its Rules Regarding Delegation of Authority, to redesignate the current paragraph 265.2(b)(10) as paragraph (b)(11), and to reinsert paragraph (b)(10) as it read previous to the amendment published on February 14, 1984, when it was inadvertently deleted.

Effective May 29, 1986, the Board amends 12 C.F.R. Part 265 as follows:

Part 265—Rules Regarding Delegation of Authority

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

Authority: Sec. 11, 38 Stat. 261 and 80 Stat. 1314; 12 U.S.C. 248.

2. Part 265 is amended by redesignating the current paragraph 265.2(b)(10) as paragraph 265.2(b)(11) and by adding a new paragraph 165.2(b)(10) to read as follows:

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

* * * * *

(b)(10) To revoke acceptance of and return as incomplete a notice filed pursuant to the Change in Bank Control Act (12 U.S.C. 1817(j)) or to extend the time during which action must be taken on a notice where the General Counsel determines, with the concurrence of the Board's Director of Banking Supervision and Regulation, that the notice is materially incomplete under the Change in Bank Control Act or the Board's regulation promulgated thereunder or contains material information that is substantially inaccurate.

* * * * *

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

Orders Issued Under Section 3 of the Bank Holding Company Act

CNB Bancshares, Inc.
Evansville, Indiana

CNB Acquisition Company
Evansville, Indiana

Order Approving Formation and Acquisition of Bank Holding Companies

CNB Bancshares, Inc., Evansville, Indiana, a bank holding company within the meaning of the Bank Holding Company Act ("Act") (12 U.S.C. §§ 1841 *et seq.*), has applied for the Board's approval under section 3(a)(5) of the Act (12 U.S.C. § 1842(a)(5)) to acquire Peoples First Bancorp of Madisonville, Inc., Madisonville, Kentucky ("Company"), a one-bank holding company, and thereby indirectly acquire Company's banking subsidiary, Peoples Bank & Trust Company of Madisonville, Madisonville, Kentucky ("Peoples Bank"). This transaction would be effected by merging Company with CNB Acquisition Company, Evansville, Indiana, a shell corporation organized and wholly owned by Applicant.[1]

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

Applicant's only banking subsidiary, The Citizens National Bank of Evansville, Evansville, Indiana, is the 12th largest commercial banking organization in Indiana, controlling deposits of $498.3 million, representing 1.4 percent of the total deposits in commercial banks in the state.[2] Peoples Bank is one of the smaller commercial banking organizations in Kentucky and controls deposits of $93 million, representing less than one percent of the total deposits in commercial banks in the state. Consummation of this proposal would have no effect on the concentration of banking resources in Indiana or Kentucky. In addition, because Applicant and Company do not operate in any of the same markets, approval would not have any effect on existing competition. The Board also examined the effect of the proposal on probable future competition in the relevant geographic markets and has concluded that consummation of this proposal would not have any significant adverse effects on probable future competition in any relevant market.

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

Effective July 13, 1984, the statute laws of Kentucky authorize any bank holding company having its principal place of business in a state contiguous to Kentucky to acquire control of a Kentucky bank or bank holding company, if the state where that bank holding company is located authorizes the acquisition of bank holding companies in the acquiror's home state under conditions that are "substantially no more restrictive" than those imposed by the Kentucky interstate banking law.[3]

Effective January 1, 1986, the statute laws of Indiana authorize a bank or bank holding company with its principal place of business in the region consisting of Ohio, Kentucky, Illinois, and Michigan to apply to acquire an Indiana bank or bank holding

1. CNB Acquisition Company has applied for the Board's approval pursuant to section 3(a)(1) of the Act (12 U.S.C. § 1842(a)(1)) to become a bank holding company by merging with Company and thereby acquiring Peoples Bank. In connection with this transaction, Peoples Bank will be consolidated with a phantom bank subsidiary of Applicant, CNB Interim Bank, N.A., a new shell national bank organized as a subsidiary of CNB Acquisition Company.

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

3. Ky. Rev. Stat. § 287.900(6) (Supp. 1984).

company if the Indiana Director of Financial Institutions determines that the laws of the acquiror's state would permit the applicant to be acquired by the Indiana bank holding company or bank sought to be acquired.[4] The Indiana and Kentucky banking commissioners, in a joint "Reciprocal Agreement Between the State of Indiana and the Commonwealth of Kentucky," have concluded that the interstate banking statutes of Indiana and Kentucky are reciprocal and authorize banking acquisitions between the two states.

Upon independent review, the Board has concluded that the two statutes are reciprocal and that Kentucky has by statute expressly authorized an Indiana bank holding company, such as Applicant, to acquire a Kentucky bank holding company, such as Company. Accordingly, the Board concludes that approval of Applicant's proposal to acquire indirectly a bank holding company in Kentucky is not barred by the Douglas Amendment.

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

Based on the foregoing and other facts of record, the Board has determined that the proposed acquisition is in the public interest and that the applications should be approved. Accordingly, the applications are approved for the reasons stated above. The transactions shall not be consummated before the thirtieth calendar day following the effective date of this Order or prior to the final approval of the Kentucky Commissioner of Banking or later than three months after the effective date of this Order, unless that period is extended for good cause by the Board or the Federal Reserve Bank of St. Louis, pursuant to delegated authority.

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

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

JAMES MCAFEE
[SEAL] *Associate Secretary of the Board*

4. Ind. Code § 28-2-15-18 (Supp. 1985).

First Fidelity Bancorporation
Newark, New Jersey

Order Approving Acquisition of a Bank

First Fidelity Bancorporation, Newark, New Jersey, a bank holding company within the meaning of the Bank Holding Company Act ("Act"), has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire all of the outstanding voting shares of The Morris County Savings Bank, Morristown, New Jersey ("Bank"). Bank is a state-chartered stock savings bank, the accounts of which are insured by the Federal Deposit Insurance Corporation.

Notice of the application, affording opportunity for interested persons to submit comments, has been given in accordance with section 3(b) of the Act (50 *Federal Register* 49,130 (1985)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)).

The Board has previously determined that a state guaranty savings bank is a "bank" under section 2(c) of the Act if it accepts demand deposits, engages in the business of making commercial loans, and is not covered by the exemption created by the Garn-St Germain Depository Institutions Deregulation Act of 1982 for thrift institutions insured by the Federal Savings and Loan Insurance Corporation ("FSLIC") or operating under a charter by the Federal Home Loan Bank Board.[1] Bank accepts demand deposits and NOW accounts and engages in the business of making commercial loans. Its deposits are not insured by the FSLIC. Accordingly, the Board has determined that Bank is a "bank" for purposes of the Act. The application has therefore been considered in light of the requirements of section 3 of the Act pertaining to the acquisition of banks.

Applicant is the largest bank holding company in New Jersey, controlling five banking subsidiaries, with deposits of $9.8 billion.[2] Bank is the 22nd largest depository institution among commercial banks and thrift institutions in New Jersey, with deposits of $859

1. *BankVermont Corporation*, 70 FEDERAL RESERVE BULLETIN 829 (1984); *The Frankford Corporation*, 70 FEDERAL RESERVE BULLETIN 654 (1984); *The One Bancorp*, 70 FEDERAL RESERVE BULLETIN 359 (1984); *Amoskeag Bank Shares, Inc.*, 69 FEDERAL RESERVE BULLETIN 860 (1983); *First NH Banks, Inc.*, 69 FEDERAL RESERVE BULLETIN 874 (1983).
2. Banking data are as of December 31, 1985.

million. Upon consummation, Applicant would control 8.6 percent of the total deposits in commercial banks and thrift institutions in the state,[3] and would thus remain the largest bank holding company in the state. Consummation of the proposed transaction would not have a significant effect upon the concentration of banking resources in New Jersey.

Bank is the 68th largest depository institution in the metropolitan New York-New Jersey banking market,[4] controlling 0.30 percent of the total deposits in depository institutions in the market. Four of Applicant's existing banking subsidiaries operate in the New York-New Jersey market. Applicant is the eighth largest of 162 commercial banking organizations and 397 depository institutions in the New York-New Jersey market, controlling 3.3 percent of the total deposits in commercial banks and 1.9 percent of the total deposits in depository institutions in the market. Following consummation of this transaction, the Herfindahl-Hirschmann Index ("HHI") among banking organizations in the market would rise by only four points, to 708.[5] Given Applicant's and Bank's relatively small share of deposits in the market and the large number of competitors remaining in the market, the Board concludes that consummation of the proposal would not have any significant effect on existing or probable future competition, nor would it significantly increase the concentration of banking resources in the market.

The financial and managerial resources of Applicant, its subsidiary banks, and Bank are regarded as satisfactory and consistent with approval of this proposal, particularly in light of certain commitments made by Applicant. Considerations relating to the convenience and needs of the community to be served are also consistent with approval.

Based on the foregoing and other facts of record, including the commitments made by Applicant, the Board has determined that consummation of the proposed transaction would be in the public interest and that the application should be, and hereby is, approved. The transaction shall not be consummated before the thirtieth calendar day following the effective date of the Order or later than three months after the effective date of the Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of New York acting pursuant to delegated authority.

By order of the Board of Governors, effective May 9, 1986.

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

JAMES MCAFEE
[SEAL] *Associate Secretary of the Board*

Concurring Statement of Governor Rice

I concur with the majority's opinion that this application should be approved. I note, however, that Bank engages directly in a limited amount of real estate investment activities under provisions of New Jersey law that authorize state savings banks in that state to engage directly in real estate investment activities. Real estate investment activities are not currently permissible nonbanking activities for bank holding companies and their subsidiaries under the Bank Holding Company Act and the Board's regulations. In this regard, the Board is currently considering whether, in light of recent state initiatives authorizing banks to directly conduct real estate investment activities, the Board should find these activities to be closely related to banking and, therefore, a permissible activity for bank holding companies.

I am concerned that the direct investment by banking organizations in real estate permits a bank holding company to engage indirectly through its subsidiary bank in activities that the holding company is prohibited from conducting directly, with the adverse consequence of conducting risky activities, such as real estate investment, in the bank. However, the Board's current regulations permit a state bank owned by a holding company to establish a wholly owned operating subsidiary to conduct activities that the bank may, under relevant state law, conduct directly. Thus, while I am concerned about the risk of the real estate activities of Bank and the fact that Applicant cannot currently conduct these activities directly, Applicant's proposal appears to be permissible under the Board's current regulations. Moreover, Applicant has committed to significantly limit the scope of these activities and to exclude real estate investments from calculations of the capital of Bank and Applicant, pending

3. Under New Jersey law, a single depository institution may not control more than a fixed percentage—12 percent during 1986—of deposits in depository institutions in the state.

4. Based on the results of a study of the Metropolitan New York-New Jersey banking market conducted by the Federal Reserve Bank of New York, including data regarding commuting patterns, population density, and other facts of record, the Board has determined that the Metropolitan New York-New Jersey banking market should be redefined to include all of New York City and Long Island, New York; Putnam, Westchester, Rockland and Orange Counties in New York; Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, Union and Warren Counties in New Jersey; and portions of Fairfield County in Connecticut.

5. The Department of Justice has indicated that it will not challenge acquisitions after which the HHI is less than 1000 except in extraordinary circumstances, and has not objected to the proposed acquisition in this case.

consideration by the Board of the general issue regarding the real estate investment activities of bank holding companies. Accordingly, I concur in approval of the application.

May 9, 1986

Ljubljanska Banka-Associated Bank
Ljubljana, Yugoslavia

Order Approving the Acquisition of a Bank

Ljubljanska Banka-Associated Bank, Ljubljana, Yugoslavia, has applied for Board approval under section 3 of the Bank Holding Company Act ("BHC Act") (12 U.S.C. § 1842) to acquire all of the voting shares of LBS Bank-New York, New York, New York ("Bank"), a proposed new state-chartered bank, and thereby to become a bank holding company subject to the BHC Act.

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

Applicant, with total assets of approximately $6.1 billion as of year-end 1985, is the second largest banking organization in Yugoslavia, and includes 22 so-called "basic banks," which are full service commercial banks that operate approximately 360 banking offices throughout Yugoslavia.[1] Applicant also has banking affiliates in Frankfurt, Germany; Vienna, Austria; London, England; and Paris, France. Applicant does not operate any banking or nonbanking affiliates in the United States, and proposes to establish Bank *de novo*. In view of the fact that Bank will be a new bank and based upon all the facts of record, the Board concludes that the proposed transaction will have no adverse effects on existing or probable future competition, and will not increase the concentration of resources in any relevant market. Thus, competitive factors are consistent with approval of the application.

Section 3(c) of the BHC Act requires in every case that the Board consider the financial resources of the applicant organization and the bank or bank holding company to be acquired. As the Board has previously stated, review of the financial resources of foreign banking organizations raises a number of complex issues that the Board believes require careful consideration and that the Board continues to have under review.[2] In this regard, the Board has initiated consultations with appropriate foreign bank supervisors and notes that work is currently in progress among foreign and domestic bank supervisory officials to develop more fully the concept of functional equivalency of capital ratios for banks of different countries. Pending the outcome of these consultations and deliberations, the Board has determined to consider the issues raised by applications by foreign banks to acquire domestic banks on a case-by-case basis.

In this case, the Board notes that the primary capital ratio of Applicant, after making certain adjustments in accord with U.S. regulatory and accounting practices, is below the minimum level established for domestic bank holding companies. The Board regards this as a negative factor. In other similar cases, the Board has considered mitigating factors, including adjustments to the applicant's capital that reflect differences in accounting and regulatory practices and that generally cause applicant's capital to reflect the levels required for domestic bank holding companies. In this case, the Board puts particular emphasis on the facts that Bank will be established *de novo*, strongly capitalized, and small in relation to Applicant; that Applicant has established a plan to increase its capital to a level that will equal or exceed the capital guidelines set for U.S. bank holding companies, and has already begun implementation of this capital plan through earnings retention and obtaining additional capital contributions from its indirect corporate founders; that Applicant is in compliance with the capital and other financial requirements of the appropriate supervisory authorities in Yugoslavia and that Applicant's resources and prospects are viewed as satisfactory by those authorities; and that Applicant is supported by the resources of its 22 basic banks and of the 7,000 corporate founders of those basic banks, all of which are, under Yugoslav law, jointly and severally liable to the full extent of their capital for the obligations of Applicant.

1. Under Yugoslav law, the 22 basic banks are the founders of Applicant and, through an Assembly, select Applicant's management and board of directors. Applicant, however, is responsible for, among other things, maintaining the liquidity of the basic banks, establishing and coordinating many of the key policies of the basic banks, and providing common services to the basic banks. All of the basic banks operate under the name "Ljubljanska Banka" and report on a consolidated basis within Applicant's financial statements.

In light of this relationship and all of the other facts of record in this case, the Board considers the 22 basic banks to be subsidiaries of Applicant for purposes of the BHC Act, the International Banking Act of 1978, the restrictions imposed on interaffiliate lending by section 23A of the Federal Reserve Act (12 U.S.C. § 371(c)), and all other relevant statutes and Board regulations.

2. *Bank of Montreal,* 70 FEDERAL RESERVE BULLETIN 664 (1984); *Mitsubishi Bank, Ltd.,* 70 FEDERAL RESERVE BULLETIN 518 (1984). *See also* Policy Statement on Supervision and Regulation of Foreign-Based Bank Holding Companies, 1 *Federal Reserve Regulatory Service* ¶ 4–835 (1979).

The Board expects that Applicant will maintain Bank as among the more strongly capitalized banking organizations of comparable size in the United States. In addition, the Board expects that Bank will be operated at all times in a manner consistent with U.S. banking principles and will conduct all credit transactions on an arms-length basis. Based on these and all of the other facts of record, including the commitments made by Applicant, the Board concludes that the financial and managerial factors are consistent with approval of this application.

The Board has also determined that considerations relating to the convenience and needs of the community to be served are consistent with approval. Based on the foregoing and all the facts of record, including the commitments made by Applicant, the Board has determined that consummation of the transaction would be consistent with the public interest. Accordingly, the Board has determined that the application should be and hereby is approved. The transaction shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of New York pursuant to delegated authority.

By order of the Board of Governors, effective May 30, 1986.

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

JAMES MCAFEE
[SEAL] *Associate Secretary of the Board*

Dissenting Statement by Governor Angell

I dissent from the Board's action in this case. I believe that an approximation of the same financial standards, including capital adequacy standards, that are applied to domestic bank holding companies should also be applied to foreign banking organizations seeking to acquire banks in the United States. To do otherwise allows foreign banking organizations a clear competitive advantage over domestic banking organizations and is inconsistent with the principles of competitive equality and national treatment embodied in the BHC Act. In order to prevent inconsistent treatment of foreign and domestic banking organizations, a high priority should be given to developing international standards for comparing capital adequacy.

May 30, 1986

Louisiana Bancshares, Inc. Baton Rouge, Louisiana

Order Approving the Acquisition of a Bank

Louisiana Bancshares, Inc., Baton Rouge, Louisiana, a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended ("Act") (12 U.S.C. §§ 1841 *et seq.*), has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire all of the voting shares of St. Tammany National Bank, Mandeville, Louisiana ("Bank").

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

Applicant is the largest commercial banking organization in Louisiana, controlling deposits of $3.8 billion, representing approximately 13 percent of the total deposits in commercial banking organizations in the state.[1] Bank is the 144th largest commercial banking organization in the state, controlling deposits of $47.9 million, representing 0.16 percent of the total deposits in commercial banking organizations in the state. Upon consummation of the proposed acquisition, Applicant would remain the largest commercial banking organization in the state, and would continue to control approximately 13 percent of the total deposits in commercial banking organizations in the state. Consummation of this transaction would not have any significant adverse effect upon the concentration of banking resources in the state.

Bank operates in the New Orleans banking market,[2] where it is the 17th largest of 31 banking organizations, controlling 0.7 percent of total deposits of commercial banks in the market.[3] Applicant does not compete in the New Orleans banking market and consummation of this proposal would not eliminate existing competition in any geographic market. Since the New Orleans banking market is not concentrated and there are numerous probable future entrants into the market, consummation of this proposal would not have any significant adverse effect on probable future competi-

1. Banking data are as of December 31, 1984, unless otherwise indicated.
2. The New Orleans banking market consists of the parishes of Orleans, Jefferson, St. Bernard and St. Tammany.
3. All market data are as of June 30, 1984.

tion in the New Orleans market. Accordingly, the Board concludes that factors relating to competition are consistent with approval of this application.

The financial and managerial resources of Applicant, its subsidiary banks and Bank are consistent with approval of the proposal. Considerations relating to the convenience and needs of the communities to be served are also consistent with approval of the proposal.

Based on the foregoing and other facts of record, the Board has determined that the application should be, and hereby is, approved. The transaction shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or the Federal Reserve Bank of Atlanta, acting pursuant to delegated authority.

By order of the Board of Governors, effective May 28, 1986.

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

JAMES MCAFEE
[SEAL] *Associate Secretary of the Board*

Marshall & Ilsley Corporation
Milwaukee, Wisconsin

Order Approving Acquisition of a Bank Holding Company

Marshall & Ilsley Corporation, Milwaukee, Wisconsin, a bank holding company within the meaning of the Bank Holding Company Act (12 U.S.C. § 1841 *et seq.* ("Act")), has applied foı .he Board's approval under section 3 of the Act (12 U.S.C. § 1842) to acquire First Affiliated Bancorporation, Inc., Stevens Point, Wisconsin ("First Affiliated"), and thereby to acquire the Bank of Park Ridge, Park Ridge, Wisconsin, and The First National Bank of Stevens Point, Stevens Point, Wisconsin ("Banks"). In connection with these applications, M&I Stevens Point Corporation, Stevens Point, Wisconsin, has applied to become a bank holding company by merger with First Affiliated.

Notice of the applications, affording interested parties an opportunity to submit comments, has been given in accordance with section 3(b) of the Act (51 *Federal Register* 7125 (February 28, 1986)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in section 3(c) of the Act.

Applicant, the second largest commercial banking organization in Wisconsin, controls 36 subsidiary banks with $3.6 billion total deposits, representing 12.1 percent of total deposits in commercial banks in the state.[1] First Affiliated is the 40th largest commercial banking organization in the state and controls deposits of $121.7 million, representing .4 percent of the total deposits in commercial banks in the state. Upon consummation of the proposed transaction, Applicant will remain the second largest commercial banking organization in Wisconsin, with total deposits of $3.7 billion, representing 12.5 percent of total deposits in commercial banks in the state. Consummation of the subject proposal would have no significant effect on the concentration of banking resources in Wisconsin.

Both Applicant and First Affiliated compete directly in the Stevens Point banking market.[2] Applicant is the third largest commercial banking organization in the market, with total deposits of $26.5 million, representing 7.3 percent of the deposits in commercial banks in the market. First Affiliated is the largest of 12 commercial banking organizations in the market, with deposits of $121.7 million, representing 33.9 percent of the deposits in commercial banks in the market. After consummation of the proposal, Applicant's share of the deposits in commercial banks in the market would be 41.2 percent. The market's four-firm concentration ratio would increase from 72.4 percent to 78.8 percent and the Herfindahl-Hirschman Index ("HHI") would increase by 495 points to 2447.[3]

In order to minimize the competitive effects of the proposal in the Stevens Point market, Applicant proposes to divest one of its two subsidiary banks in the market, M&I Bank of Portage County ("Portage Bank") to an individual who does not control any other bank in the market. This divestiture would be

1. Deposit data refer to total domestic deposits effective as of December 31, 1984, and include Applicant's recent acquisition of Lancaster State Bank, Lancaster, Wisconsin, consummated on December 31, 1985. Data for Applicant also include its pending acquisitions of Farmers & Merchants Bank, Marytown, Wisconsin ($10.3 million in total deposits), and Home State Bank of South Milwaukee, South Milwaukee, Wisconsin ($36.1 million in total deposits).

2. The Stevens Point banking market is approximated by Portage County plus Iola and Scandinavia townships in Waupaca County and Plainfield township in Waushara County, Wisconsin.

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

effected prior to or at consummation of this proposal.[4] Portage Bank, the largest of Applicant's subsidiaries in the Stevens Point market, controls deposits of $18.1 million, which represents 5 percent of the deposits in commercial banks in the market. After the proposed divestiture, Applicant would control approximately 36.2 percent of the total deposits in commercial banks in the market. Consummation of the proposed acquisition would increase the HHI in the market by 133 points to 2085, and increase the four-firm concentration ratio by 1.4 percentage points to 73.8 percent.

Although an acquisition of this size would normally cause concern, the Board believes that the anticompetitive effects of the proposal are mitigated by a number of factors. First, inasmuch as Applicant will divest the bank to an entity not presently in the market, the total number of competitors in the market will not decrease. In addition, the Board has considered the presence of thrift institutions in its analysis of this proposal.[5] Two thrift institutions compete with commercial banks in the Stevens Point market. These thrifts, which account for 31.9 percent of the market's total deposits, represent the market's largest and fourth largest organizations. Thrift institutions already exert a considerable competitive influence in the market as providers of NOW accounts and consumer loans. In addition, the larger of these institutions provides commercial and industrial loans in addition to traditional thrift services. Based upon the above considerations, the Board concludes that consummation of the proposal is not likely to substantially lessen competition in the Stevens Point market.[6]

The financial and managerial resources of Applicant, its subsidiaries and Banks are consistent with approval. Considerations relating to the convenience and needs of the community to be served are also consistent with approval. Based on the foregoing and other facts of record, the Board has determined that the proposed acquisition is in the public interest and that the applications should be, and hereby are, approved.

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

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

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

JAMES MCAFEE
[SEAL] *Associate Secretary of the Board*

Mellon Bank Corporation
Pittsburgh, Pennsylvania

Mellon Financial Corporation (MD)
Bethesda, Maryland

Order Approving Acquisition of Bank and Formation of Bank Holding Company

Mellon Bank Corporation, Pittsburgh, Pennsylvania ("Applicant"), a bank holding company within the meaning of the Bank Holding Company Act (the "BHC Act" or "Act"), and Mellon Financial Corporation (MD), Bethesda, Maryland ("Mellon Financial"), have applied for the Board's approval under section 3 of the Act (12 U.S.C. § 1842) and section 225.14(h)(2) of the Board's Regulation Y (12 C.F.R. § 225.14(h)(2)) to acquire all of the voting shares of Mellon Bank (MD), Bethesda, Maryland ("Bank"), a *de novo* state-chartered commercial bank. Applicant will form Bank to acquire certain assets and assume certain liabilities of Community Savings and Loan, Inc., Bethesda, Maryland ("Community"), a closed savings and loan association whose deposits were insured by the Maryland Savings-Share Insurance Corporation ("MSSIC"). Mellon Financial, a wholly owned subsidiary of Applicant, would become an intermediate bank holding company by acquiring Bank.

4. The Board's policy with regard to competitive divestitures requires that divestitures intended to cure the anticompetitive effects resulting from a merger or acquisition occur on or before the date of consummation of the merger to avoid the existence of anticompetitive effects. *See Barnett Banks of Florida, Inc.*, 68 FEDERAL RESERVE BULLETIN 190 (1982); *InterFirst Corporation*, 68 FEDERAL RESERVE BULLETIN 243 (1982). By letter dated April 29, 1986, the Department of Justice has indicated that it finds no objection to the proposed transaction on competition grounds, so long as the proposed divestiture of Portage Bank occurs prior to or concurrent with consummation of the proposal.

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

6. If 50 percent of deposits held by thrift institutions in the Stevens Point banking market are included in the calculation of market concentration, after consummation of the proposed divestiture, the share of total deposits held by the four largest organizations in the market would be 69.8 percent. Applicant's market share would increase by 1.9 to 29.4 percent and the HHI would increase by 88 points to 1613 upon consummation of the proposal.

Applicant's establishment and acquisition of Bank would be a major step toward resolving the financial crisis involving MSSIC-insured savings and loan associations, a crisis that began one year ago.[1] During that crisis, several such institutions were placed in conservatorship, and the Governor of Maryland limited withdrawals at the remaining institutions to $1,000 per month. The Maryland General Assembly abolished the MSSIC, merged it into the State of Maryland Deposit Insurance Fund Corporation ("MDIF"), and required all institutions previously insured by the MSSIC to apply for insurance from the Federal Savings and Loan Insurance Corporation ("FSLIC").

As of April 21, 1986, 91 of the 101 Maryland savings and loan associations formerly insured by the MSSIC were open on a full-service basis: 42 institutions, with combined assets of $6.5 billion, had received final approval for federal deposit insurance; 4 institutions, with combined assets of $21 million, had received conditional approval for such insurance; and 45 institutions, with combined assets of $267 million, were no longer subject to withdrawal restrictions, although they lacked final or conditional approval for FSLIC insurance. The 10 institutions still subject to withdrawal restrictions had combined assets of $1.5 billion. Four of those institutions, with combined assets of $1.3 billion (including Community, with assets of $389 million), were in receivership or conservatorship.

Because of Community's financial problems, the Circuit Court for Montgomery County, Maryland, placed Community in conservatorship on September 5, 1985, and in receivership on April 8, 1986. On May 2, 1986, in approving the MDIF's agreements with Applicant and Bank, the court found that Community was insolvent. Few withdrawals have been permitted since September 5, 1985, and no interest has accrued on Community's deposits since April 4, 1986.

The Bank Commissioner of Maryland has advised the Board that there is an emergency in Maryland involving savings and loan associations formerly insured by the MSSIC; that Community's assets, adjusted for anticipated losses, are far less than its liabilities; and that the proposed acquisition is "an integral part of the plan forged by the State of Maryland to avoid a complete collapse of the savings and loan industry and insure reasonable access to depositors' funds." Accordingly, the Commissioner has asked the Board to approve these applications expeditiously under the emergency procedures of the BHC Act.

In view of these and other facts of record, the Board believes that there is an emergency requiring expeditious action on the applications within the meaning of section 3(b) of the Act and section 225.14(h)(2) of Regulation Y. The Board has accordingly determined that it is appropriate to shorten the period in which interested persons may submit comments regarding the applications. Notice of the applications was promptly published in the *Federal Register* (51 *Federal Register* 11,838 (1986)) and in a newspaper of general circulation. The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in section 3(c) of the Act. No hearing has been requested.

Applicant, with total assets of $33.4 billion, has six subsidiary banks and is the ninth largest banking organization in the United States.[2] Applicant also engages in a variety of nonbanking activities.

The proposed acquisition would have no significant adverse effect on the concentration of banking resources in Maryland or on competition in the Washington, D.C., banking market,[3] where Community is located. Applicant currently has no subsidiary bank in the market or anywhere in Maryland. Moreover, Community is a relatively small institution, and is no longer a viable competitor: it is insolvent, its deposits are frozen, and there is no prospect that it will reopen. By allowing Bank to compete in place of Community, the proposed acquisition would tend to increase competition in the market.

The financial and managerial resources of Applicant are consistent with approval of the applications. Applicant would recapitalize Bank so that its primary capital will exceed the minimum standards set forth in the Board's Capital Adequacy Guidelines, and Applicant has committed to maintain Bank's capital. In view of that commitment, the financial and managerial resources and future prospects of Mellon Financial and Bank are also consistent with approval. While the Board considers as an adverse factor any significant dilution of capital or increase in off-balance-sheet risk in connection with a proposed acquisition, the Board believes that any adverse effects of this proposal are mitigated by the MDIF's agreement to contribute cash, provide certain indemnities, and make certain asset and income guarantees.[4] In addition, the Board

1. The Board's Orders in *Baltimore Bancorp*, 71 FEDERAL RESERVE BULLETIN 901 (1985), and *Chase Manhattan Corporation*, 71 FEDERAL RESERVE BULLETIN 960 (1985), have recounted the circumstances of that crisis.

2. Unless otherwise specified, financial data are as of December 31, 1985.

3. The market is coextensive with the Washington, D.C., RMA, which includes portions of Maryland and Virginia.

4. In its agreements with the MDIF, Applicant has taken precautions against being exposed to Community's non-deposit liabilities, including claims involving Equity Programs Investment Corporation and its affiliates.

notes that the proposed acquisition would have a minimal effect on Applicant's capital and leverage.

The acquisition would give Community's depositors full and immediate access to their funds—access that they have lacked for nearly twelve months—and would enable Bank to serve the convenience and needs of the relevant communities. The Board accordingly concludes that convenience and needs factors lend substantial weight toward approval of the applications.

On the basis of all of the above, particularly the compelling benefits of the proposed acquisition to the depositors of Community and to the public, the Board concludes that approval of the acquisition would be in the public interest.

Under section 3(d) of the BHC Act, a bank holding company may not acquire a bank located outside of the holding company's home state unless the acquisition is "specifically authorized by the statute laws of the state in which such bank is located." 12 U.S.C. § 1842(d). The Maryland Financial Institutions Code authorizes the State Bank Commissioner to allow an out-of-state bank holding company (such as Applicant) to acquire a commercial bank (such as Bank) that has been formed to assume a substantial portion of the liabilities of a savings and loan association that is in receivership (such as Community). *See* Md. Fin. Inst. Code §§ 1101–06 (as amended by Md. House Bill No. 905, 1986 Md. Laws, ch. 11, effective Apr. 3, 1986). The Code specifies that such an acquisition is "authorized for purposes of section 3(d)" of the BHC Act. *Id.* § 5–1102(b). The Maryland Bank Commissioner has informed the Board that she will soon approve the proposed acquisition. The Board has accordingly concluded that the acquisition is permissible under section 3(d).

Based on the foregoing and other facts of record, the applications of Applicant and Mellon Financial are approved for the reasons set forth above.

Bank has applied under section 9 of the Federal Reserve Act (12 U.S.C. § 321) and section 208.4 of the Board's Regulation H (12 C.F.R. § 208.4) to become a member of the Federal Reserve System upon being acquired by Applicant. Bank appears to meet all the criteria for admission to membership, including those relating to Bank's management, capital, assets and liabilities,[5] earnings prospects, and corporate powers, and to the convenience and needs of the communities to be served. Accordingly, Bank's membership application is approved.[6]

In light of the circumstances set forth above, the Board has determined that there is an emergency requiring expeditious action on the applications within the meaning of section 3(b) of the BHC Act and section 225.14(h)(2) of Regulation Y. Accordingly, the acquisition may be consummated on or after the fifth calendar day following the effective date of this Order. The acquisition shall not be consummated later than three months after the effective date of this Order unless that period is extended for good cause by the Federal Reserve Bank of Cleveland, pursuant to delegated authority, or by the Board.

By order of the Board of Governors, effective May 7, 1986.

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

JAMES MCAFEE
[SEAL] *Associate Secretary of the Board*

Simmer Development Company
Chillicothe, Missouri

CS Bancshares, Inc.
Chillicothe, Missouri

Order Approving Formation of Bank Holding Companies

CS Bancshares, Inc., Chillicothe, Missouri ("CSB"), has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act ("Act") (12 U.S.C. § 1842(a)(1)) to become a bank holding company by acquiring up to 92.8 percent of the voting shares of Chillicothe State Bank, Chillicothe, Missouri ("Bank"). Simmer Development Company, Chillicothe, Missouri ("SDC"), has also applied for the Board's approval under section 3(a)(1) of the Act to become a bank holding company by acquiring up to 50.5 percent of the voting shares of CSB.

Notice of the applications, affording opportunity for interested persons to submit comments, has been given in accordance with section 3 of the Act (51 *Federal Register* 6037 (1986)). The time for filing

5. Bank will have no assets that are ineligible for ownership by a state member bank.

6. In view of the facts of record and at the request of the Maryland Bank Commissioner, the Board has determined that there is an emergency requiring expeditious action on the membership application. Accordingly, the Board hereby waives the notice and other procedural requirements for membership set forth in section 262.3(l) of the Board's Rules of Procedure. 12 C.F.R. § 262.3(l).

comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in section 3(c) of the Act, including comments by the Missouri Division of Finance.

CSB is a nonoperating corporation formed for the purpose of acquiring Bank. SDC is a shell corporation owned by CSB's principal shareholder.[1] Bank is one of the smaller commercial banking organizations in the state of Missouri,[2] controlling less than 0.1 percent of the total deposits in commercial banking organizations in the state. Consummation of this proposal would not result in the concentration of banking resources or in any significant adverse competitive effects in the state of Missouri.

Bank competes in the Livingston County banking market,[3] where it is the second largest of four banking organizations, controlling 28.3 percent of total deposits in commercial banking organizations in the market. None of the principals of SDC, CSB, or Bank are associated with any other financial institutions located within the relevant banking market. Accordingly, consummation of this transaction would not result in the concentration of banking resources or in any significant adverse competitive effects in any relevant geographic area. Thus, competitive factors are consistent with approval.

The financial and managerial resources and future prospects of SDC, CSB and Bank are consistent with approval of the transaction.[4] Applicant has proposed no new services for Bank upon consummation of the transaction. There is no evidence in the record, however, that the banking needs of the community to be served are not being met. Accordingly, considerations relating to the convenience and needs of the community to be served are consistent with approval of the transaction.

Based on the foregoing and other facts of record, the Board has determined that the applications should be, and hereby are, approved. The acquisitions shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless the latter period is extended for good cause by the Board or the Federal Reserve Bank of Kansas City, acting pursuant to delegated authority.

By order of the Board of Governors, effective May 5, 1986.

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

JAMES MCAFEE
[SEAL] *Associate Secretary of the Board*

1. SDC currently owns certain nonbanking assets which are impermissible for bank holding companies. SDC has committed that it will divest all of its impermissible nonbanking assets within two years from the date that it becomes a bank holding company under the Act, consistent with the requirements of section 4(a)(2) of the Act, 12 U.S.C. § 1843(a)(2). SDC also commits to submit plans for such divestiture for the prior review of the Federal Reserve Bank of Kansas City.

2. All banking data are as of December 31, 1984.

3. The Livingston County banking market is comprised of Livingston County, Missouri.

4. In evaluating financial and managerial factors in connection with these applications, the Board has considered a protest by four directors and shareholders of Bank. Protestants allege that the applications should be denied because the holding companies resulting from approval of these applications would not be able to serve as a source of financial and managerial strength to Bank. In addition, Protestants allege that deficiencies in the condition of Bank are due to the managerial deficiencies of the controlling principal of SDC. After careful consideration of the protest and all of the facts of record, including recent improvements instituted in the management of Bank, and the comments by the Missouri Division of Finance, the Board has concluded that the protest does not support a finding of adverse banking factors.

Orders Issued Under Section 4 of the Bank Holding Company Act

Amsterdam-Rotterdam Bank, N.V.
Amsterdam, The Netherlands

Order Approving Application to Engage in Trust Company and Investment Advisory Activities

Amsterdam-Rotterdam Bank, N.V., Amsterdam, The Netherlands, a foreign bank subject to the provisions of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval, pursuant to section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.21(a) of the Board's Regulation Y (12 C.F.R. § 225.21(a)), to indirectly acquire voting shares of The Private Bank & Trust, National Association, Miami, Florida ("Trust Company"), a newly established limited purpose trust company. Trust Company will engage in trust services, investment advisory services, and discretionary management of financial assets primarily for wealthy individuals living outside the United States. These activities have been determined by the Board to be closely related to banking and permissible for bank holding companies under sections 225.25(b)(3) and (4) of the Board's Regulation Y (12 C.F.R. §§ 225.25(b)(3) and (4)). Trust Company will not make commercial loans or accept demand deposits, and will not, therefore, be a bank for purposes of the BHC Act. Applicant will acquire shares of Trust Company indirectly through Bank Oppenheim Pierson (Schweiz) A. G. ("BOP"), a bank chartered in Switzerland. BOP is owned jointly by Applicant and Sal Oppenheim, Jr., & Cie ("Oppenheim & Cie"), a private German bank. BOP will own 16.7 percent of the voting shares of T.P.B. Holdings, N.V., a Netherlands Antilles holding company that will, in turn, own all of the shares of The Private Bank & Trust Corporation, Miami, Florida, the immediate owner of all of the shares of Trust Company. In addition, BOP will own 50 percent of the voting shares of the sole general partner of T.P.B. Investments Ltd., a limited partnership formed by BOP and a number of individual investors to hold 66.6 percent of the voting shares of T.P.B. Holdings, N.V. The remaining shares of T.P.B. Holdings, N.V., and 50 percent of the shares of the general partner will be acquired by an individual investor.

Notice of the application, affording interested persons an opportunity to submit comments, has been duly published (51 *Federal Register* 6802 (1986)). The time for filing comments has expired and the Board has considered the application and all comments received in light of the factors set forth in section 4(c) of the BHC Act.

Applicant, with total assets of approximately $48.7 billion,[1] is the third largest bank in The Netherlands and the 58th largest banking organization worldwide. Applicant engages in a wide range of retail and wholesale banking activities, as well as securities underwriting and brokerage activities outside the United States. In the United States, Applicant operates a branch in New York, and representative offices in San Francisco, Los Angeles, and Houston. In addition, Applicant owns approximately 20 percent of the voting shares of European American Bancorp, New York, New York. BOP and Oppenheim & Cie do not have a banking presence in the United States.

In acting on this application, the Board must consider the standards enumerated in section 4(c)(8) of the BHC Act. As noted above, the proposed activities of Trust Company have been previously determined to be closely related to banking within the meaning of the BHC Act. The Board is also required under section 4(c)(8) of the BHC Act to determine whether the performance of the proposed activities by an applicant "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." (12 U.S.C. § 1843(c)(8)).

1. As of December 31, 1985.

The Board notes that the primary capital ratio of Applicant, as publicly reported, is below the minimum capital guidelines established by the Board for U.S. bank holding companies. The Board has also considered all of the information available to the Board regarding the financial condition of Applicant and made adjustments in accordance with U.S. regulatory and accounting practices. In light of these facts and the fact that Trust Company will be established *de novo*, will be small in comparison to Applicant, and will engage in permissible nonbanking activities, the Board has determined that the financial resources of Applicant are consistent with approval of this application.

Applicant's proposed acquisition would establish an additional competitor providing trust services in Florida. There is no evidence in the record that indicates that Applicant's proposal would result in any undue concentration of resources, decreased or unfair competition, conflicts of interest or unsound banking practices.[2] Accordingly, based on all the facts of record including the commitments made by Applicant, the Board has determined that the benefits to the public would outweigh any potential adverse effects.

Based on the foregoing, and all the facts of record, the Board has determined that the balance of public interest factors it is required to consider under section 4(c)(8) of the BHC Act is favorable. Accordingly, the application should be, and hereby is, approved. The Board's determination in this case is subject to all of the conditions set forth in Regulation Y, including sections 225.4(d) and 225.23(b) (12 C.F.R. §§ 225.4(d) and 225.23(b)), and to the Board's authority to require such 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, and prevent evasions of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder.

The transaction shall not be consummated later than three months after the date of this Order, unless such

2. In prior decisions, the Board has indicated concern that conducting nonbanking activities through a joint venture may "lead to a matrix of relationships between co-venturers that could break down the legally mandated separation of banking and commerce." *Amsterdam-Rotterdam Bank, N.V.*, 70 FEDERAL RESERVE BULLETIN 835 (1984); *see also The Maybaco Company and Equitable Bancorporation*, 69 FEDERAL RESERVE BULLETIN 375 (1983); and *Deutsche Bank AG*, 67 FEDERAL RESERVE BULLETIN 449 (1981). In this case, the joint ownership by Applicant and Oppenheim & Cie of BOP represents a longstanding relationship between two foreign banking organizations to conduct banking and financial activities primarily outside the United States, and does not raise the same concerns previously expressed by the Board. In addition, the fact that BOP has established a limited partnership with a number of private individual investors for the purpose of establishing Trust Company would not appear in this case to result in any adverse effects.

period is extended for good cause by the Board or by the Federal Reserve Bank of New York, pursuant to delegated authority.

By order of the Board of Governors, effective May 23, 1986.

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

JAMES MCAFEE
[SEAL] *Associate Secretary of the Board*

Citicorp
New York, New York

Order Approving Acquisition of Quotron Systems, Inc.

Citicorp, New York, New York, a bank holding company within the meaning of the Bank Holding Company Act of 1956 ("Act"), has applied for the Board's approval, pursuant to section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a) of the Board's Regulation Y (12 C.F.R. § 225.23(a)) to acquire all of the voting shares of Quotron Systems, Inc., Los Angeles, California ("Quotron"), a company that engages in a variety of data processing and data transmission activities for customers such as securities and commodities exchanges, brokerage firms, commercial banks, savings and loan associations, insurance companies, and investment managers.

Notice of the application, affording interested persons an opportunity to submit comments, has been duly published (51 *Federal Register* 11,501 (1986)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 4(c)(8) of the Act.

Citicorp, with total consolidated assets of $181.9 billion, is the largest banking organization in the nation.[1] It presently operates eight banking subsidiaries. Its lead bank, Citibank, N.A., New York, New York, accounts for approximately 79 percent of its consolidated assets and is a full-service commercial bank. Citicorp's other banking subsidiaries are located in South Dakota, Maryland, Nevada, Delaware, Maine, Utah, and New York State. Citicorp also engages, directly and through subsidiaries, in a variety of nonbanking activities, including data processing and data transmission services.

1. Banking data are as of March 31, 1986.

Quotron engages in the following nonbanking activities:

(1) Financial Information Service. This service consists of providing on-line transaction and quotation data regarding stocks, bonds, options, mutual funds, commodities, and a variety of other financial data.

(2) Financial Data Base Service. This service consists of providing Quotron's customers with access to a library of financial and economic data bases, prepared by third party data base services, that provide, among other things, financial information extracted from reports filed with the SEC, business and economic news, economic analysis, commentary and forecasts, and advisory services.

(3) Financial Office Service. This service includes word processing, electronic mail, automated client bookkeeping, a spreadsheet service, and business graphics.

(4) Hardware. This service consists of the design, assembly and provision (generally through lease) of the computer hardware that is used to conduct activities 1, 2 and 3.

Quotron is also involved in a joint venture with the Associated Press and Dow Jones & Company, which markets Quotron's services outside of North America. Quotron has also entered into an agreement with American Telephone & Telegraph ("AT&T"), that provides for the joint marketing of Quotron's services, along with certain computer hardware and software developed by AT&T.

Activities 1 and 2 involve the processing and transmission of banking, financial and economic data and the provision of hardware in connection therewith. Such activities have been determined by the Board to be closely related to banking and permissible for bank holding companies in section 225.22(b)(7) of Regulation Y (12 C.F.R. § 225.25 (b)(7)), which permits bank holding companies to provide to others data processing and data transmission services, facilities, data bases, or access to such services, facilities, or data bases by any technological means, if:

(i) the data to be processed or furnished are financial, banking, or economic, and the services are provided pursuant to a written agreement so describing and limiting the services;

(ii) the facilities are designed, marketed, and operated for the processing and transmission of financial, banking, or economic data; and

(iii) the hardware provided in connection therewith is offered only in conjunction with software designed and marketed for the processing and transmission of financial, banking, or economic data, and where the general purpose hardware does not constitute more than 30 percent of the cost of any packaged offering.

The financial office service and the design and assembly of data processing hardware have not been considered previously by the Board.

Section 4(c)(8) of the Bank Holding Company Act provides that a bank holding company may, with Board approval, engage in any activity "which the Board after due notice and opportunity for hearing has determined (by order or regulation) to be so closely related to banking or managing or controlling banks as to be a proper incident thereto."

The Board has relied on guidelines established by the federal courts to determine whether an activity is closely related to banking under section 4(c)(8).[2] Under these guidelines, 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 services;

(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 services; 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.

The Board also may consider other factors in determining whether an activity is closely related to banking and has stated that it will consider evidence of any reasonable connection to banking in making its analysis.[3] In addition, section 225.21(a)(2) of Regulation Y permits a bank holding company to engage in incidental activities that are necessary to carry on activities that the Board has determined are closely related to banking.

Financial Office Service

Quotron provides, in connection with the financial information and data base services, financial office services ("FOS") that include: a broker portfolio system; an automated client bookkeeping system that analyzes and maintains the value of clients' financial assets based on current market prices; a spreadsheet service, which permits financial calculations, forecasting and analysis; business graphics, which allow customers to plot and analyze financial information; and electronic mail and word processing systems. Quotron markets these financial office services with its financial information and financial data base services. The office services may be used on the same terminals that provide financial information and data bases.

The broker portfolio system, spreadsheet, business graphics, and automated client bookkeeping system components of the financial office service are designed for, and appear limited to, manipulating banking, financial or economic data, specifically data provided through Quotron's financial information and data base services, as well as certain customer information. Moreover, Citicorp has committed that the FOS services will be offered pursuant to a written contract that describes and limits the service to the transmission and processing of banking, financial or economic data. Based on the facts of record, including Citicorp's commitment, the Board concludes that the services listed above permit the processing and transmission of banking, financial and economic data and are therefore permissible for bank holding companies under Regulation Y.

The word processing and electronic mail components of the office service, as currently offered by Quotron, are not limited to the processing of banking, financial or economic data. Unlike the spreadsheet and other services discussed above, which are designed to process financial data, the word processing and electronic mail services are capable of being used for nonfinancial applications.

Applicant asserts that the office service (including word processing and electronic mail) is offered by Quotron solely to allow customers to manipulate banking, financial or economic data provided by Quotron. Applicant contends that since the office service may only be purchased by customers who have already purchased Quotron's financial information and data base services, the office service is associated only with the delivery of banking, financial, or economic data, and is permissible under section 225.25(b)(7) of Regulation Y.

To the extent that the word processing and electronic mail services are limited to data provided by Quotron, the services are permissible because they are limited to banking, financial or economic data—the only data provided by Quotron. However, Quotron provides its customers with the capacity to have access, through the Quotron computer, to information stored in its customers' data bases. Because of the nature of Quotron's customers and the financial orientation of the Quotron system and software, it is likely that the customer data to be accessed will be account information or similar financial data. In addition, the services will be provided pursuant to a contract that limits their use to banking, financial or economic data.

2. *National Courier Association v. Board of Governors*, 516 F.2d 1229 (D.C. Cir. 1975).

3. 49 *Federal Register* 806 (1984).

Moreover, the financial office service, including word processing and electronic mail, will not be provided to a customer unless the customer subscribes to the information and data base service. Because of this requirement and the design and pricing of the word processing and electronic mail services, a customer is not likely to subscribe to the Quotron service merely to obtain the word processing capability.

In order to insure that the word processing and electronic mail services will be limited to processing the financial, banking, or economic data, the Board is requiring, as a condition to its approval of this application, that these services be limited to processing only those data provided by Quotron or contained in the customers' own data bases and that such data be limited to banking, financial or economic data. The Board believes that, subject to this condition, the word processing and electronic mail services are permissible for bank holding companies under section 225.25(b)(7) of Regulation Y.

Hardware

Provision of Hardware. In addition to providing financial information, data base, and office services, Quotron provides the hardware that is used in connection with these services. Such hardware includes the desktop terminals used by brokers and the keyboards that enable brokers and other operators to use Quotron's services. The desktop terminals are linked to minicomputers, leased from Quotron, and located on customers' premises. Quotron's terminals and keyboards are designed to receive and manipulate banking, financial, and economic data and may also be capable of nonfinancial applications.

Regulation Y permits a bank holding company to provide hardware in conjunction with the provision of software used for the processing or transmission of banking, financial or economic data.[4] If the hardware provided is considered to be special-purpose hardware, its provision is considered closely related to banking.[5] If the hardware is general-purpose hardware, its provision is considered incidental to a closely related activity and the cost of the hardware must be limited to 30 percent of any packaged offering.

The hardware provided by Quotron is primarily special-purpose hardware. The hardware generally may not be used for general data processing purposes, and is limited to the specific applications designed and maintained by Quotron for the processing and transmission of banking, financial and economic data.[6]

As noted above, however, Quotron also provides its customers with the ability to gain access to information and data processing programs on the customers' own mainframe computers, through Quotron hardware. The Board believes that the possibility of extensive use of this capability for nonfinancial data processing applications is unlikely. However, in view of this capability and in order to assure that Quotron's hardware activities represent only a minor part of Quotron's business, the Board is conditioning its approval on the requirement that the cost of the hardware provided to Quotron's customers may not constitute more than 30 percent of the cost of any packaged offering.[7]

Design and Assembly of Hardware. Quotron also designs and assembles the hardware that is used in connection with software to provide the Quotron services. The Board has not previously considered whether the assembly of hardware designed for the processing or transmission of banking, financial and economic data is closely related to banking or permissible as an incidental activity.[8]

Applicant has not asserted, and the record does not support a finding, that the assembly of computer hardware is closely related to banking. Applicant argues that Quotron's assembly of its hardware is incidental to its provision of data processing services because such assembly is necessary for Quotron to assure the availability, reliability and quality of components used by Quotron, and that stock quotation companies like Quotron can assure such product characteristics only by the design and assembly of the hardware that provides quotation information. In support of the argument, Applicant asserts that competitors of Quotron also design and assemble the hardware that provides the Quotron service.

4. C.F.R. § 225.24(b)(7)(iii).

5. Special-purpose hardware is designed to provide a specific data processing or transmission service, and is not likely to be used, to any significant extent, for nonfinancial purposes.

6. Quotron maintains control over the uses of the hardware through its control of all the software that is loaded into its hardware. Any changes requested by a customer to the roster of software programs used by the customer must be processed by Quotron at a central Quotron facility.

7. The Board also notes that the facts of record show that the hardware constitutes less than 30 percent of the cost of any packaged offering, thus satisfying the condition imposed in this order.

8. In *Citicorp* ("Citishare"), the Board was not required to consider the permissibility of manufacturing either general or special-purpose hardware; in fact, the Board's order specifically noted that "Citicorp has not applied for approval to manufacture hardware or software and this activity is not intended to be encompassed by this order." 68 FEDERAL RESERVE BULLETIN at 509, n.17 (1982).

In *National Courier*, the court stated that an activity would be considered to be permissible as an activity that is incidental to a closely related activity if the former activity is "necessary" to the provision of the latter service. 516 F.2d 1229, 1240–41.

The record contains examples of competitors of Quotron that purchase finished hardware manufactured by outside vendors to provide their companies' services. In addition, the Board notes that numerous manufacturers and assemblers of mainframe and end-user terminal components exist, some of which currently supply components to Quotron.

In view of the fact that finished hardware of the type provided by Quotron is available and, in fact, is marketed by companies providing services similar to those provided by Quotron, the Board concludes that Applicant has not demonstrated that it could only ensure the availability and reliability of Quotron components through their continued design and assembly of components. Accordingly, the Board finds that the continuation of Quotron's design and assembly activities cannot be considered "necessary" to Quotron's provision of its permissible data processing services, and thus cannot be considered incidental to Quotron's provision of permissible services.

Accordingly, as a condition to its approval of this application, the Board is requiring Applicant to divest Quotron's hardware assembly activities within two years of its acquisition of Quotron. However, at any time during the two-year period, Applicant may submit arguments to the Board that, based on its experience operating Quotron, Applicant should be permitted to continue the assembly of hardware.

Other data base services. Quotron's library of third-party data bases provided to customers includes a program by which customers can receive airline and hotel information and make airline and hotel reservations. The receipt of such information and the ability to make airline and hotel reservations are not related to the provision of banking, financial, and economic data and are similar to travel agency services, which the Board has determined are not closely related to banking.[9] Thus, the Board is requiring, as a condition to approval of this application, that Applicant eliminate the travel reservation service from the roster of third-party data base programs provided by Quotron.

The Balance of Public Benefits Over Possible Adverse Effects. In determining whether an activity is a proper incident to banking, the Board must consider whether the proposal 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." 12 U.S.C. § 1443(c)(8).

Two subsidiaries of Applicant currently engage in some of the same lines of business as Quotron, and thus some existing competition would be eliminated by this proposal.[10] However, the market for the services provided by Quotron is nationwide, is characterized by a large number of competitors, and has few barriers to entry. In addition, neither Applicant nor Quotron holds a significant share of the relevant market. Accordingly, the Board concludes that although some existing competition would be eliminated upon consummation of this proposal, the amount of competition that would be eliminated is not significant.

There is no evidence in the record to indicate that consummation of the proposal would result in undue concentration of resources, conflicts of interest, unsound banking practices or other adverse effects on the public interest. In this connection, the Board notes that Quotron's system does not allow Quotron to have access to customer confidential or nonpublic information.

Quotron participates in several joint ventures with other nonbanking organizations to provide for the processing of banking, financial and economic data and data bases containing such data. The joint ventures include Quotron Systems International, a wholly owned subsidiary of Quotron, which owns a 50 percent interest in a joint venture with subsidiaries of the Associated Press ("AP") and Dow Jones & Company, Inc. ("Dow Jones"), for the purpose of marketing Quotron's services, including the AP-Dow Jones newswires, overseas. The activities of this joint venture are identical to Quotron's existing activities that the Board has previously and by this order determined to be permissible for bank holding companies.

Quotron also has an agreement with AT&T to develop, market and operate the financial information products of both parties. The agreement does not

9. 62 FEDERAL RESERVE BULLETIN 148 (1976).

10. The two subsidiaries are: Citishare Corporation, which provides several financial, banking, or economic data base services, including end-of-day prices of securities, a daily summary and historical data for foreign exchange rates, advice on portfolio positions in foreign currencies, money market instruments and gold, and other international, national and local financial and economic information; and Global Electronic Markets Company, a general partnership between a subsidiary of Citibank, N.A., and a subsidiary of McGraw Hill, which provides quotes and other financial information concerning petroleum products and petrochemicals.

provide for any equity investment by either party or for any profit-sharing by the parties, except to the extent that each party receives profits proportional to the contribution of resources that it has agreed to provide. The Board notes that the agreement would allow customers of AT&T's UNIX personal computer to have access to Quotron's data bases. Applicant has committed that the data processing services to be provided by the joint venture will be provided pursuant to a written agreement which describes and limits the data to be furnished or processed to banking, financial, and economic data.

Quotron also participates in an agency arrangement with Société de Documentations et Analyses Financieres SA ("DAFSA"), a French financial information and economic research firm, to market Quotron's services in the Benelux countries. DAFSA also provides banking, financial and economic data bases to Quotron, which Quotron provides to third parties. As is the case with Quotron's agreement with AT&T, Quotron's arrangement with DAFSA involves no equity investment by either party, and no profit-sharing agreement between the parties.

In view of the structure and limited purposes of these arrangements as discussed above, the Board believes that Applicant's acquisition of interests in these joint ventures would not have any effect on competition or present an impermissible "matrix of relationships" between Applicant and its nonbanking coventurers.[11]

Consummation of this proposal may be expected to result in public benefits, including increased competition and improved services. Applicant would be able to provide Quotron with additional capital and with additional and enhanced data bases.

The Board has stated that it expects banking organizations contemplating expansion proposals to ensure that *pro forma* capital ratios exceed the minimum capital levels without significant reliance on intangibles, particularly goodwill.[12] This proposal would result in a significant increase in Citicorp's intangible assets. The Board notes that Applicant's *pro forma* primary capital ratio on a tangible basis is just above the levels specified in the Board's Capital Adequacy Guidelines, assuming a $19 per share purchase price for Quotron's stock. In this regard, the Board has taken into account Applicant's demonstrated ability to raise substantial amounts of primary capital during the past year. The Board expects that Applicant will use its capacity to raise capital in order to maintain its tangible capital ratios at pre-acquisition levels. Accordingly, the Board concludes that Applicant's financial and managerial resources are consistent with approval.

Based on a consideration of all the relevant facts, the Board has determined that the balance of the public interest factors that it is required to consider under section 4(c)(8) is favorable. Accordingly, the application is hereby approved, subject to the conditions specified above, including the condition that Applicant divest Quotron's assembly activities within two years of its acquisition of Quotron.

This determination is also subject to all of the conditions set forth in Regulation Y, including sections 225.4(d) and 225.23(b)(3) (12 C.F.R. §§ 225.4(d) and 225.23(b)(3)), 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 transaction shall be made not later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of New York pursuant to delegated authority.

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

Voting for this action: Chairman Volcker and Governors Rice, Angell, and Johnson. Abstaining from this action: Governor Wallich. Absent and not voting: Governor Seger.

WILLIAM W. WILES
[SEAL] *Secretary of the Board*

Texas American Bancshares, Inc.
Fort Worth, Texas

Order Approving an Application to Purchase and Sell Precious Metals and Coins for the Account of Customers

Texas American Bancshares, Inc., Fort Worth, Texas, a bank holding company within the meaning of the Bank Holding Company Act, 12 U.S.C. § 1841 *et seq.* ("BHC Act"), has applied pursuant to section 4(c)(8) of the BHC Act and section 225.23(a) of the Board's

11. The Board has previously indicated its concerns regarding the potential for undue concentration of resources that could result from the combination in a joint venture of banking and nonbanking institutions. *See, e.g., Amsterdam-Rotterdam Bank, N.V.*, 70 FEDERAL RESERVE BULLETIN 835 (1984); *Deutsche Bank AG*, 67 FEDERAL RESERVE BULLETIN 449 (1981).

12. 50 *Federal Register* 16,057, 16,066–67 (1985).

Regulation Y, 12 C.F.R. § 225.23(a), to engage *de novo* through its wholly owned subsidiary, TABrokerage, Inc., Fort Worth, Texas ("TAB"), in the purchase and sale of gold and silver bullion and coins for the account of its customers.

Notice of the application, affording interested persons an opportunity to submit comments on the relation of the proposed activity to banking and on the balance of the public interest factors regarding the application, has been duly published (51 *Federal Register* 7638 (1986)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

TAB proposes to engage in the purchase and sale of silver and gold bullion and coins for the account of customers. TAB will not engage in the purchase and sale of platinum and palladium,[1] nor will it deal in gold or silver for its own account. In addition, TAB does not propose to extend credit, and does not propose to offer investment advice to customers in connection with the proposed services.

Applicant is a multibank holding company with 35 subsidiary banks, controlling total deposits of approximately \$5.11 billion.[2] Applicant is the seventh largest commercial banking organization in Texas, controlling 3.4 percent of the total deposits in commercial banks in the state. TAB has been approved as a discount broker to engage in securities brokerage activities permissible for bank holding companies under section 225.25(b)(15) of the Board's Regulation Y, 12 C.F.R. § 225.25(b)(15).

The proposed activities of TAB are essentially identical to activities previously approved by the Board.[3] In addition, banks have traditionally engaged in the purchase and sale of gold and silver bullion.[4] Thus, the Board concludes that Applicant's proposal to engage in the purchase and sale of bullion and coins for the account of customers is closely related to banking.

In order to approve this application, the Board is also required to determine that the performance of the proposed activities by Applicant "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects . . . ." (12 U.S.C. § 1843(c)(8)). Consummation of Applicant's proposal will result in increased convenience to customers. In addition, the Board expects that the entry of Applicant into the market for these services will increase the level of competition among providers of these services. Accordingly, the Board concludes that the performance of the proposed activities by Applicant can reasonably be expected to produce benefits to the public.

The Board has also considered the potential for adverse effects that may be associated with this proposal. There is no evidence in the record that consummation of the proposed transactions would result in any adverse effects such as decreased competition, undue concentration of resources, unfair competition, conflicts of interest, or unsound banking practices. Applicant's proposal to buy and sell gold and silver bullion and coins is a fee-generating, nonleveraged activity that the Board believes would not have an adverse effect on Applicant's financial resources. Accordingly, the financial and managerial resources of Applicant and its subsidiaries overall are consistent with approval of the application.

Based upon a consideration of all the facts of record, the Board concludes that the balance of the public interest factors that the Board is required to consider under section 4(c)(8) is favorable. Accordingly, the application is hereby approved.

This determination is subject to all of the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b) (12 C.F.R. §§ 225.4(d) and 225.23(b)), and to the Board's authority to require such 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 BHC Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

The activity shall be commenced 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 Dallas pursuant to delegated authority.

By order of the Board of Governors, effective May 22, 1986.

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

WILLIAM W. WILES
Secretary of the Board

[SEAL]

1. In *Standard and Chartered Banking Group Ltd.*, 38 *Federal Register* 27,552 (1973), the Board found that the activities of dealing in platinum and palladium were not authorized for national banks, and were not closely related to banking.
2. Data are as of June 30, 1985.
3. *First Interstate Bancorp*, 71 FEDERAL RESERVE BULLETIN 467 (1985). *See also The Hongkong and Shanghai Banking Corp.*, 72 FEDERAL RESERVE BULLETIN 345 (1986); *Standard and Chartered Banking Group Ltd.*, 38 *Federal Register* 27,552 (1973).
4. *See, e.g.*, 12 U.S.C. § 24(7) (national banks are explicitly permitted to buy and sell coins and bullion).

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

NBD Bancorp, Inc.
Detroit, Michigan

NBD Indiana, Inc.
Detroit, Michigan

Order Approving Acquisition of a Bank Holding Company and Its Nonbanking Subsidiaries

NBD Bancorp, Inc., Detroit, Michigan ("Applicant"), a bank holding company within the meaning of the Bank Holding Company Act ("Act"), and NBD Indiana, Inc., Detroit, Michigan ("NBD Indiana"), have applied for the Board's approval under section 3 of the Act (12 U.S.C. § 1842) to acquire Midwest Commerce Corporation, Elkhart, Indiana ("Midwest"), and thereby to acquire indirectly Midwest Commerce Banking Corporation, Elkhart, Indiana ("Bank"), a state-chartered commercial bank.[1]

Applicant and NBD Indiana have also applied for the Board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) to acquire the following nonbanking subsidiaries of Midwest: Midwest Commerce Leasing Corp., Elkhart, Indiana, which engages in personal property leasing; Midwest Commerce Data Corp., Elkhart, Indiana, which provides data processing services; and Midwest Commerce Insurance Corp., Elkhart, Indiana, which acts as agent and broker with respect to credit-related insurance. The Board has determined these activities to be closely related to banking and permissible for bank holding companies. 12 C.F.R. § 225.25(b)(5), (7), (8).

Notice of the applications, affording interested persons an opportunity to submit comments, has been given in accordance with sections 3 and 4 of the Act. 51 *Federal Register* 7853 (1986). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in section 3(c) and the considerations specified in section 4(c)(8) of the Act.

NBD, with total domestic deposits of $8.8 billion,[2] is the largest commercial banking organization in Michigan, controlling 16.5 percent of the total deposits in commercial banks in the state. Midwest, with deposits of $495 million, is the twelfth largest commercial banking organization in Indiana, controlling 1.4 percent of the total deposits in commercial banks in the state.

Under section 3(d) of the Act, a bank holding company may not acquire a bank located outside of the holding company's home state unless the acquisition is "specifically authorized by the statute laws of the state in which such bank is located, by language to that effect and not merely by implication."[3] 12 U.S.C. § 1842(d). The statute laws of Indiana authorize a Michigan bank holding company to acquire an Indiana bank or bank holding company if Michigan law "permit[s] Indiana bank holding companies to acquire banks and bank holding companies in that state," and would also permit the Michigan bank holding company "to be acquired by the Indiana bank holding company . . . sought to be acquired." Ind. Code § 28–2–15–18(e) (effective Jan. 1, 1986). Michigan law, in turn, authorizes an Indiana bank holding company to acquire a Michigan bank holding company, with the permission of the Commissioner of the Michigan Financial Institutions Bureau, if the Commissioner finds that Indiana law authorizes a Michigan bank holding company to acquire a bank in Indiana "under conditions that are not unduly restrictive." Mich. Comp. Laws § 487.430b(2)(a) (effective Jan. 1, 1986).

The Indiana Department of Financial Institutions approved the proposed acquisition on May 8, 1986, and the Michigan Commissioner approved it on April 25, 1986. Based on a review of the record, the Board concludes that the Michigan and Indiana statutes are reciprocal, and that the Indiana statute expressly authorizes a Michigan bank holding company, such as Applicant, to acquire an Indiana bank holding company, such as Midwest. Thus, the proposed acquisition is permissible under section 3(d) of the Act.

Bank operates in the Elkhart-Niles-South Bend banking market,[4] where Bank is the third largest of 19 commercial banking organizations and controls 15.3 percent of the total deposits in commercial banks in the market. Applicant currently has no subsidiary bank in the market or anywhere in Indiana. Accordingly, the Board concludes that the proposed acquisition would have no adverse effect on existing competition in the relevant market or on the concentration of

1. NBD Indiana has also applied under section 3(a)(1) of the Act to become a bank holding company. NBD Indiana is of no significance except as a means to facilitate the proposed acquisition.

2. All data are as of December 31, 1984, unless otherwise specified.

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

4. The Elkhart-Niles-South Bend banking market consists of Elkhart County, Indiana, St. Joseph County, Indiana (excluding Olive and Warren Townships), Cass County, Michigan, and the townships of Berrien, Bertrand, Buchanan, Niles, and Oronoko in Berrien County, Michigan.

banking resources in Indiana. Moreover, in light of the numerous other potential out-of-state entrants into the market, the acquisition would have no significant adverse effect on probable future competition in the market.

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

There is no evidence of record indicating that the acquisition of Midwest's nonbanking subsidiaries would result in undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices, or other adverse effects. Accordingly, the Board has concluded that the balance of the public interest factors it is required to consider under section 4(c)(8) is favorable and consistent with approval.

Based on the foregoing and other facts of record, the Board has determined that the proposed acquisition would be in the public interest, and that the applications should be approved. Accordingly, the applications are approved for the reasons set forth above. The banking acquisition shall not be consummated before the thirtieth calendar day following the effective date of this Order or later than three months after the effective date of this Order, unless that period is extended for good cause by the Board, or by the Federal Reserve Bank of Chicago pursuant to delegated authority. The determination regarding the acquisition of Midwest's nonbanking subsidiaries is subject to the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b) (12 C.F.R. §§ 225.4(d), 225.23(b)), 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, and prevent evasions of, the provisions and purposes of the Act and the Board's regulations issued thereunder.

By order of the Board of Governors, effective May 28, 1986.

Voting for this action: Chairman Volcker and Governors Wallich, Rice, Angell, and Johnson. Governor Wallich abstained from the insurance portion of this action. Abstaining from this action: Governor Seger.

JAMES MCAFEE
[SEAL] *Associate Secretary of the Board*

ORDERS APPROVED UNDER BANK HOLDING COMPANY ACT

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
ABC Holding Company, Moultrie, Georgia	Farmers and Merchants Bank of Thomas County, Coolidge, Georgia	Atlanta	May 12, 1986
Associated Banc-Corp., Green Bay, Wisconsin	Randall Bank, Madison, Wisconsin	Chicago	April 24, 1986
Brownstown CSB Bancorp, Brownstown, Indiana	The Citizens State Bank, Brownstown, Indiana	St. Louis	April 30, 1986
Central Banc System, Inc., Granite City, Illinois	American Heritage Bank of Granite City, Granite City, Illinois	St. Louis	April 30, 1986
The Central Bancorporation, Inc., Cincinnati, Ohio	Citizens National Bank, Fort Wright, Kentucky	Cleveland	May 6, 1986

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Chase Manhattan National Holding Corporation, Newark, Delaware	Chase Bank of Ohio, Mentor, Ohio	New York	May 13, 1986
Citizens Bancshares of Waterville, Inc., Waterville, Kansas	The Citizens State Bank of Waterville, Waterville, Kansas	Kansas City	May 7, 1986
Citizens Investments, Inc., Vineland, New Jersey	Capital State Bank, Trenton, New Jersey	Philadelphia	May 15, 1986
CNB Bancshares, Inc., Evansville, Indiana	The Posey County National Bank, Mount Vernon, Indiana	St. Louis	April 30, 1986
Community Group, Inc., Jasper, Tennessee	Fentress County Bank, Jamestown, Tennessee	Atlanta	May 1, 1986
East Side Bancorporation, Chicago, Illinois	East Side Bank and Trust Company, Chicago, Illinois	Chicago	April 22, 1986
Enterprise Bancshares, Inc., Del City, Oklahoma	First National Bank of Del City, Del City, Oklahoma	Kansas City	May 13, 1986
Farmers Capital Bank Corporation, Frankfort, Kentucky	Farmers Bancshares of Georgetown, Inc., Georgetown, Kentucky	St. Louis	April 30, 1986
Fidelity Holding Company, San Antonio, Texas	Fidelity Bank, N.A., San Antonio, Texas	Dallas	May 13, 1986
First Busey Corporation, Urbana, Illinois	Champaign County Bank and Trust Company, Urbana, Illinois	Chicago	April 11, 1986
First Commercial Bancshares, Inc., Metairie, Louisiana	First National Bank of St. Bernard Parish, Arabi, Louisiana Commercial Bank and Trust Company, Metaire, Louisiana	Atlanta	May 12, 1986
1st Community Bancorp, Inc., Sparta, Michigan	Sparta State Bank, Sparta, Michigan	Chicago	April 22, 1986
First Interstate Corporation of Wisconsin, Sheboygan, Wisconsin Outagamie Bancorp, Inc., Sheboygan, Wisconsin	Outagamie Bank Shares, Inc., Appleton, Wisconsin	Chicago	April 25, 1986
First Kansas Bancshares, Inc., Hutchinson, Kansas	The First National Bank of Hutchinson, Hutchinson, Kansas	Kansas City	April 30, 1986
First La Grange Bancshares, Inc., La Grange, Texas	The First National Bank of La Grange, La Grange, Texas	Dallas	May 16, 1986
First Sandoval Bancorp, Inc., Sandoval, Illinois	The First National Bank of Sandoval, Sandoval, Illinois	St. Louis	May 9, 1986
First Union Corporation of North Carolina, Charlotte, North Carolina	First Union National Bank, Charlotte, North Carolina	Richmond	May 19, 1986

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
First Wachovia Corporation, Winston-Salem, North Carolina First Atlanta Corporation, Atlanta, Georgia	First Atlanta Bank National Association, New Castle, Delaware	Richmond	May 9, 1986
Franklin Bancorp, Inc., Minneapolis, Minnesota	Franklin National Bank of Minneapolis, Minneapolis, Minnesota	Minneapolis	May 9, 1986
Fulton Financial Corporation, Lancaster, Pennsylvania	Albion Bancorp, Inc., Pen Argyl, Pennsylvania	Philadelphia	April 22, 1986
Houston State Holding, Inc., Houston, Minnesota	Houston State Bank, Houston, Minnesota	Minneapolis	May 7, 1986
Huntington Bancshares, Incorporated, Columbus, Ohio	Huntington Bancshares Indiana, Inc., Columbus, Ohio	Cleveland	May 9, 1986
Huntington Bancshares Indiana, Inc., Columbus, Ohio	Central Bancorp, Inc., Plainfield, Indiana	Cleveland	May 9, 1986
Independence Bancorp, Inc., Perkasie, Pennsylvania	Freedom Valley Bancshares, Ltd., West Chester, Pennsylvania	Philadelphia	April 28, 1986
International Bancorp of Miami, Inc., Miami, Florida Granvalor Holdings, S. A., Panama City, Panama International Bancorp of Miami, N. V., Curacao, Netherlands Antilles	The International Bank of Miami, N.A., Miami, Florida	Atlanta	April 29, 1986
King Financial Corporation, Louisville, Kentucky	The Central Bank of North Pleasureville, Pleasureville, Kentucky	St. Louis	May 12, 1986
Lincoln Financial Corporation, Fort Wayne, Indiana	Akron Financial, Inc., Akron, Indiana	Chicago	May 8, 1986
M & F Bancshares, Inc., Weatherford, Texas	Doss Financial Bancshares, Inc., Weatherford, Texas	Dallas	May 12, 1986
Madison Bancshares, Inc., Madison, Nebraska	Bank of Madison, Madison, Nebraska	Kansas City	May 23, 1986
Magna Group, Inc., Belleville, Illinois	First Banc Group, Inc., Centralia, Illinois	St. Louis	May 22, 1986
MarBanc Financial Corporation, Markle, Indiana	State Bank of Markle, Markle, Indiana	Chicago	May 7, 1986
Marshall & Ilsley Corporation, Milwaukee, Wisconsin	The Home State Bank of South Milwaukee, South Milwaukee, Wisconsin	Chicago	April 23, 1986
Mega Bancshares, Inc., St. Ann, Missouri	Mega Bank of St. Charles County, St. Charles County, Missouri	St. Louis	April 22, 1986
Mid-Wisconsin Financial Services, Inc., Medford, Wisconsin	State Bank of Medford, Medford, Wisconsin	Minneapolis	May 16, 1986

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Montecito Bancorp, Santa Barbara, California	The Bank of Montecito, Santa Barbara, California	San Francisco	May 8, 1986
Mount Sterling National Holding Corporation, Mount Sterling, Kentucky	The Mount Sterling National Bank, Mount Sterling, Kentucky	Cleveland	April 24, 1986
NBT Bancorp Inc., Norwich, New York	The National Bank and Trust Company of Norwich, Norwich, New York	New York	April 23, 1986
North Houston Bancshares, Inc., Houston, Texas	North Houston Bank, Houston, Texas	Dallas	May 16, 1986
Old National Bancorp, Evansville, Indiana	People's Bank & Trust Company, Mount Vernon, Indiana	St. Louis	May 9, 1986
Ossian Financial Services, Inc., Ossian, Indiana	Ossian State Bank, Ossian, Indiana	Chicago	May 27, 1986
Penn Central Bancorp, Inc., Huntingdon, Pennsylvania	The First National Bank of Saxton, Saxton, Pennsylvania	Philadelphia	May 5, 1986
Peoples Financial Services Corp., Hallstead, Pennsylvania	Peoples National Bank of Susquehanna County, Hallstead, Pennsylvania	Philadelphia	May 12, 1986
Pioneer Bancshares, Inc. of Horatio, Horatio, Arkansas	Horatio State Bank, Horatio, Arkansas	St. Louis	May 15, 1986
Progressive Bancshares, Inc., Lexington, Kentucky	The Anderson National Bank of Lawrenceburg, Lawrenceburg, Kentucky	Cleveland	May 13, 1986
Readlyn Bancshares, Inc., Readlyn, Iowa	The Readlyn Savings Bank, Readlyn, Iowa	Chicago	May 8, 1986
Saban S.A., Panama City, Republic of Panama	Republic New York Corporation, New York, New York	New York	April 23, 1986
Saver's Bancorp, Inc., Littleton, New Hampshire	United Savings Bank, Manchester, New Hampshire	Boston	April 25, 1986
Security Bancshares, Inc., Des Arc, Arkansas	Farmers and Merchants Bank, Des Arc, Arkansas	St. Louis	May 23, 1986
Security Dallas Bancshares, Inc., Dallas, Texas	Security Bank, Dallas, Texas	Dallas	April 22, 1986
Shawmut Corporation, Boston, Massachusetts	Home Bank and Trust Company, Meriden, Connecticut	Boston	May 13, 1986
Shell Lake Bancorp, Inc., Shell Lake, Wisconsin	Shell Lake State Bank, Shell Lake, Wisconsin	Minneapolis	April 22, 1986
Tanglewood Bancshares, Inc., Houston, Texas	Tanglewood Bank, N.A., Houston, Texas	Dallas	April 28, 1986
Tennessee National Bancshares, Inc., Maryville, Tennessee	Bank of Cannon County, Woodbury, Tennessee Citizens State Bank of McMinnville, McMinnville, Tennessee	Atlanta	April 30, 1986

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Tri-County Financial Group, Inc., Mendota, Illinois	First State Bank, Mendota, Illinois	Chicago	April 29, 1986
Trinity Bancorp, Inc., Benbrook, Texas	Trinity National Bank, Benbrook, Texas	Dallas	May 9, 1986
United Bank Corporation of New York, Downsville, New York	First National Bank of Downsville Downsvile, New York	New York	April 30, 1986
Whitley-Williamsburg Financial Corporation, Williamsburg, Kentucky	Farmers National Bank of Williamsburg, Williamsburg, Kentucky	Cleveland	May 5, 1986

Section 4

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
Banks of Iowa, Inc., Des Moines, Iowa	Banks of Iowa Credit Corporation, Des Moines, Iowa	Chicago	May 5, 1986
CITIZENS BANKING CORPORATION, Flint, Michigan Comerica Incorporated, Detroit, Michigan First of America Bank Corporation, Kalamazoo, Michigan Manufacturers National Corporation, Detroit, Michigan Michigan National Corporation, Bloomfield Hills, Michigan Union Bancorp Inc., Grand Rapids, Michigan	ML, Inc., Detroit, Michigan	Chicago	May 8, 1986
Citizens Financial Group, Inc., Providence, Rhode Island	Gulf States Mortgage Co., Inc., Atlanta, Georgia	Boston	May 22, 1986
Cullen/Frost Bankers, Inc., San Antonio, Texas	Cullen/Frost Discount Brokers, Inc., San Antonio, Texas	Dallas	May 1, 1986
Hamptons Bancshares Inc., East Hampton, New York The First of Long Island Corporation, Glen Head, New York Suffolk Bancorp, Riverhead, New York	Island Computer Corporation of New York, Inc., Bohemia, New York	New York	May 5, 1986
Mahaska Investment Company, Oskaloosa, Iowa	data processing services	Chicago	May 1, 1986

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Security Pacific Corporation, Los Angeles, California	Bankline, Inc., Phoenix, Arizona	San Francisco	April 23, 1986
Security Pacific Corporation, Los Angeles, California	acquire certain assets of Brokers Data Management Services, Inc., New York, New York	San Francisco	May 22, 1986
Ventura County National Bancorp, Oxnard, California	Strathearn Cattle Company, Simi Valley, California Venco Mortgage Corporation, Oxnard, California Venco Commercial Finance Corporation, Oxnard, California	San Francisco	May 8, 1986

Sections 3 and 4

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
First National Cincinnati Corporation, Cincinnati, Ohio	Peoples National Bancorp of America, Lawrenceburg, Indiana	Cleveland	April 30, 1986
Met Financial Corporation, Oakland, California	Metropolitan National Bank, Oakland, California, mortgage brokerage activities	San Francisco	May 6, 1986

ORDERS APPROVED UNDER BANK MERGER ACT

By Federal Reserve Banks

Applicant	Bank(s)	Reserve Bank	Effective date
First Community Bank, Inc., Princeton, West Virginia	First Community Bank—Castle Rock, Pineville, West Virginia	Richmond	May 23, 1986
Georgia Railroad Bank & Trust Company, Augusta, Georgia	Bank of Waynesboro, Waynesboro, Georgia	Atlanta	April 22, 1986
Manufacturers Hanover Trust Company, New York, New York	purchase certain assets and assume certain liabilities of six branches of Dollar Dry Dock Savings Bank, White Plains, New York	New York	May 9, 1986
Norstar Bank of Upstate NY, Albany, New York	purchase certain assets and assume certain liabilities of a branch of Chemical Bank, New York, New York	New York	April 25, 1986

Pending Cases Involving the Board of Governors

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

CBC, Inc. v. Board of Governors, No. 86–1001 (10th Cir., filed Jan. 2, 1986).

Howe v. United States, et al., No. 85–4504-C (D. Mass., filed Dec. 6, 1985).

Myers, et al. v. Federal Reserve Board, No. 85–1427 (D. Idaho, filed Nov. 18, 1985).

Souser, et al. v. Volcker, et al., No. 85-C-2370, *et al.* (D. Colo., filed Nov. 1, 1985).

Podolak v. Volcker, No. C85–0456, *et al.* (D. Wyo., filed Oct. 28, 1985).

Kolb v. Wilkinson, et al., No. C85–4184 (N.D. Iowa, filed Oct. 22, 1985).

Farmer v. Wilkinson, et al., No. 4–85-CIVIL-1448 (D. Minn., filed Oct. 21, 1985).

Kurkowski v. Wilkinson, et al., No. CV-85–0-916 (D. Neb., filed Oct. 16, 1985).

Jensen v. Wilkinson, et al., No. 85–4436-S, *et al.* (D. Kan., filed Oct. 10, 1985).

Alfson v. Wilkinson, et al., No. A1–85–267 (D. N.D., filed Oct. 8, 1985).

First National Bank of Blue Island Employee Stock Ownership Plan v. Board of Governors, No. 85–2615 (7th Cir., filed Sept. 23, 1985).

First National Bancshares II v. Board of Governors, No. 85–3702 (6th Cir., filed Sept. 4, 1985).

McHuin v. Volcker, et al., No. 85–2170 WARB (W.D. Okl., filed Aug. 29, 1985).

Independent Community Bankers Associaton of South Dakota v. Board of Governors, No. 84–1496 (D.C. Cir., filed Aug. 7, 1985).

Florida Bankers Association, et al. v. Board of Governors, No. 85–193 (U.S., filed Aug. 5, 1985).

Urwyler, et al. v. Internal Revenue Service, et al., No. CV-F-85–402 REC (E.D. Cal., filed July 18, 1985).

Johnson v. Federal Reserve System, et al., No. S85–0958(R) and S85–1269(N) (S.D. Miss., filed July 16, 1985).

Wight, et al. v. Internal Revenue Service, et al., No. CIV S-85–0012 MLS (E.D. Cal., filed July 12, 1985).

Cook v. Spillman, et al., No. CIV S-85–0953 EJG (E.D. Cal., filed July 10, 1985).

Florida Bankers Association v. Board of Governors, No. 84–3883 and No. 84–3884 (11th Cir., filed Feb. 15, 1985).

Florida Department of Banking v. Board of Governors, No. 84–3831 (11th Cir., filed Feb. 15, 1985), and No. 84–3832 (11th Cir., filed Feb. 15, 1985).

Lewis v. Volcker, et al., No. C-1–85–0099 (S.D. Ohio, filed Jan. 14, 1985).

Brown v. United States Congress, et al., No. 84–2887–6(IG) (S.D. Cal., filed Dec. 7, 1984).

Melcher v. Federal Open Market Committee, No. 84–1335 (D.D.C., filed Apr. 30, 1984).

Securities Industry Association v. Board of Governors, No. 80–2614 (D.C. Cir., filed Oct. 24., 1980), and No. 80–2730 (D.C. Cir., filed Oct. 24, 1980).

Financial and Business Statistics

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FEDERAL RESERVE BANKS

MONETARY AND CREDIT AGGREGATES

COMMERCIAL BANKING INSTITUTIONS

WEEKLY REPORTING COMMERCIAL BANKS

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

Item	Monetary and credit aggregates (annual rates of change, seasonally adjusted in percent)[1]								
	1985			1986[r]	1985[r]	1986			
	Q2	Q3	Q4[r]	Q1	Dec.	Jan.[r]	Feb.[r]	Mar.[r]	Apr.
Reserves of depository institutions[2]									
1 Total	17.0	15.7	12.5	13.1	20.5	7.1	12.8	12.8	10.5
2 Required	17.3	16.4	11.5	12.3	17.4	5.8	13.4	18.4	13.2
3 Nonborrowed	19.1	17.5	10.4	19.1	33.1	22.1	10.0	16.3	7.2
4 Monetary base[3]	8.2	9.6	8.2	8.6	8.2	9.3	7.6	8.0	6.0
Concepts of money, liquid assets, and debt[4]									
5 M1	10.5	14.5	10.7	7.7	12.6	1.1	7.5	13.9	14.5
6 M2	6.3	9.5	6.0	4.3	7.0	1.6	3.6	6.8	13.7
7 M3	5.5	7.7	6.4	7.4	7.3	8.9	6.1	6.8	10.6
8 L	6.2	7.9	9.3	8.1	12.0	7.2	6.1	3.6	n.a.
9 Debt	12.1	12.9	14.3	16.1	21.9	18.2	10.0	9.0	n.a.
Nontransaction components									
10 In M2[5]	5.0	8.0	4.6	3.2	5.3	1.7	2.4	4.4	13.5
11 In M3 only[6]	2.6	.2	8.0	19.8	8.2	38.8	15.9	6.9	−1.4
Time and savings deposits									
Commercial banks									
12 Savings[7]	−1.0	7.6	3.6	1.6	−2.9	1.9	2.9	6.7	8.6
13 Small-denomination time[8]	2.1	−3.3	−1.6	5.3	6.0	7.8	4.7	2.8	−3.4
14 Large-denomination time[9,10]	6.9	−3.6	14.1	18.5	10.4	45.6	7.5	−18.5	−1.3
Thrift institutions									
15 Savings[7]	3.8	12.9	7.5	3.4	.7	1.3	4.7	8.7	24.5
16 Small-denomination time	1.0	−2.8	−2.9	6.6	6.1	8.0	8.2	6.7	3.8
17 Large-denomination time[9]	5.5	−1.0	5.2	10.0	8.5	6.9	11.4	27.8	11.7
Debt components[4]									
18 Federal	12.6	14.6	15.1	17.9	29.1	17.0	10.4	5.0	n.a.
19 Nonfederal	12.0	12.4	14.0	15.5	19.7	18.6	9.9	10.2	n.a.
20 Total loans and securities at commercial banks[11]	9.7	9.6	8.8	12.7	16.6	15.3	4.1	9.5	1.7

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

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

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

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

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

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

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

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

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

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

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

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

7. Excludes MMDAs.

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

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

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

11. Changes calculated from figures shown in table 1.23.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT

Millions of dollars

Factors	Monthly averages of daily figures			Weekly averages of daily figures for week ending						
	1986			1986						
	Feb.	Mar.	Apr.	Mar. 19	Mar. 26	Apr. 2	Apr. 9	Apr. 16	Apr. 23	Apr. 30
SUPPLYING RESERVE FUNDS										
1 **Reserve Bank credit**	**199,811**	**199,955**	**203,014**	**199,346**	**198,876**	**201,735**	**201,426**	**202,326**	**204,287**	**204,676**
2 U.S. government securities[1]	174,309	174,710	177,563	173,891	173,841	176,049	176,160	177,365	178,753	178,351
3 Bought outright	174,088	174,492	176,389	173,891	173,466	176,049	176,160	176,281	177,055	176,103
4 Held under repurchase agreements	221	218	1,174	0	375	0	0	1,084	1,698	2,248
5 Federal agency obligations	8,248	8,246	8,384	8,187	8,335	8,187	8,187	8,309	8,410	8,685
6 Bought outright	8,204	8,187	8,187	8,187	8,187	8,187	8,187	8,187	8,187	8,187
7 Held under repurchase agreements	44	59	197	0	148	0	0	122	223	498
8 Acceptances	0	0	0	0	0	0	0	0	0	0
9 Loans	872	755	919	758	780	795	952	729	992	1,057
10 Float	1,056	773	432	619	231	1,060	684	123	316	520
11 Other Federal Reserve assets	15,326	15,471	15,716	15,890	15,690	15,643	15,443	15,799	15,816	16,063
12 Gold stock	11,090	11,090	11,090	11,090	11,090	11,090	11,090	11,090	11,090	11,090
13 Special drawing rights certificate account	4,718	4,718	4,718	4,718	4,718	4,718	4,718	4,718	4,718	4,718
14 Treasury currency outstanding	17,130r	17,183r	17,229	17,184r	17,198r	17,208	17,217	17,226	17,235	17,244
ABSORBING RESERVE FUNDS										
15 Currency in circulation	191,238r	192,441r	194,372	192,801r	192,469r	193,235	194,353	194,850	194,400	194,058
16 Treasury cash holdings	577r	609	607	605	614	619	635	629	577	582
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	7,282	3,399	3,870	3,044	3,610	2,926	3,365	3,393	2,221	6,769
18 Foreign	221	260	247	264	266	244	231	211	284	246
19 Service-related balances and adjustments	1,951	1,863	1,818	1,718	1,757	2,063	1,760	1,868	1,947	1,736
20 Other	445	487	448	690	427	454	469	467	415	414
21 Other Federal Reserve liabilities and capital	6,326	6,391	6,254	6,184	6,278	6,174	6,092	6,252	6,345	6,388
22 Reserve balances with Federal Reserve Banks[2]	24,709	27,497	28,435	27,033	26,462	29,035	27,545	27,690	31,140	27,534
	End-of-month figures			Wednesday figures						
	1986			1986						
	Feb.	Mar.	Apr.	Mar. 19	Mar. 26	Apr. 2	Apr. 9	Apr. 16	Apr. 23	Apr. 30
SUPPLYING RESERVE FUNDS										
23 **Reserve Bank credit**	**200,473**	**201,820**	**210,494**	**198,690**	**202,789**	**201,379**	**201,627**	**205,160**	**212,037**	**210,494**
24 U.S. government securities[1]	176,536	176,620	181,834	173,965	176,712	176,143	174,918	179,593	183,601	181,834
25 Bought outright	176,536	176,620	174,312	173,965	174,088	176,143	174,918	176,238	176,660	174,312
26 Held under repurchase agreements	0	0	7,522	0	2,624	0	0	3,355	6,941	7,522
27 Federal agency obligations	8,187	8,187	9,620	8,187	9,222	8,187	8,187	8,487	9,180	9,620
28 Bought outright	8,187	8,187	8,187	8,187	8,187	8,187	8,187	8,187	8,187	8,187
29 Held under repurchase agreements	0	0	1,433	0	1,035	0	0	300	993	1,433
30 Acceptances	0	0	0	0	0	0	0	0	0	0
31 Loans	661	818	954	702	895	683	2,519	699	1,233	954
32 Float	−212	560	851	402	−146	756	441	489	1,354	851
33 Other Federal Reserve assets	15,301	15,635	17,235	15,434	16,106	15,610	15,562	15,892	16,669	17,235
34 Gold stock	11,090	11,090	11,089	11,090	11,090	11,090	11,090	11,090	11,090	11,089
35 Special drawing rights certificate account	4,718	4,718	4,718	4,718	4,718	4,718	4,718	4,718	4,718	4,718
36 Treasury currency outstanding	17,154r	17,207r	17,252	17,196r	17,207r	17,216	17,225	17,234	17,243	17,252
ABSORBING RESERVE FUNDS										
37 Currency in circulation	191,033r	193,209r	194,503	192,736r	192,718r	193,887	194,834	194,871	194,163	194,503
38 Treasury cash holdings	604	617	638	613	617	627	638	578	573	638
Deposits, other than reserve balances, with Federal Reserve Banks										
39 Treasury	5,026	3,280	11,550	1,440	2,394	2,817	2,900	3,484	0	11,550
40 Foreign	277	274	326	248	187	249	251	235	317	326
41 Service-related balances and adjustments	1,525	1,542	1,590	1,536	1,537	1,542	1,536	1,542	1,541	1,590
42 Other	436	511	441	528	377	492	445	472	369	441
43 Other Federal Reserve liabilities and capital	6,735	6,162	6,680	5,976	6,144	5,896	6,093	6,043	6,234	6,680
44 Reserve balances with Federal Reserve Banks[2]	27,799	29,240	27,826	28,617	31,830	28,893	27,963	30,977	41,891	27,826

1. *Includes* securities loaned—fully guaranteed by U.S government securities pledged with Federal Reserve Banks—and *excludes* (if any) securities sold and scheduled to be bought back under matched sale-purchase transactions.

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

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

1.12 RESERVES AND BORROWINGS Depository Institutions

Millions of dollars

Reserve classification	1983 Dec.	1984 Dec.	1985 Dec.	1985 Sept.	1985 Oct.	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.	1986 Mar.
	Monthly averages[8]									
1 Reserve balances with Reserve Banks[1]	21,138	21,738	27,620	24,972	25,431	26,385	27,620	26,373	24,700	27,114
2 Total vault cash[2]	20,755	22,316	22,956	22,465	22,724	22,457	22,956	24,245	24,962	22,688
3 Vault cash used to satisfy reserve requirements[3]	17,908	18,958	20,522	19,475	20,038	19,997	20,522	21,687	21,952	20,160
4 Surplus vault cash[4]	2,847	3,358	2,434	2,990	2,686	2,460	2,434	2,559	3,010	2,528
5 Total reserves[5]	38,894	40,696	48,142	44,447	44,469	46,382	48,142	48,060	46,652	47,274
6 Required reserves	38,333	39,843	47,085	43,782	44,716	45,454	47,085	46,949	45,555	46,378
7 Excess reserve balances at Reserve Banks[6]	561	853	1,058	666	753	928	1,058	1,111	1,097	896
8 Total borrowings at Reserve Banks	774	3,186	1,318	1,289	1,187	1,741	1,318	770	884	761
9 Seasonal borrowings at Reserve Banks	96	113	56	203	172	107	56	36	56	68
10 Extended credit at Reserve Banks[7]	2	2,604	499	656	629	530	499	497	492	518
	Biweekly averages of daily figures for weeks ending, 1985 and 1986									
	Jan. 1	Jan. 15	Jan. 29	Feb. 12	Feb. 26	Mar. 12	Mar. 26	Apr. 9	Apr. 23	May 7
11 Reserve balances with Reserve Banks[1]	27,928	28,282	24,710	23,924	24,989	27,102	26,704	28,292	29,387	28,674
12 Total vault cash[2]	23,612	23,591	24,684	26,078	24,348	22,577	22,986	22,121	22,369	22,100
13 Vault cash used to satisfy reserve requirements[3]	21,022	21,288	21,961	22,891	21,424	20,016	20,409	19,809	20,191	19,818
14 Surplus vault cash[4]	2,590	2,304	2,723	3,187	2,924	2,561	2,577	2,312	2,178	2,282
15 Total reserves[5]	48,950	49,570	46,671	46,815	46,413	47,118	47,113	48,101	49,578	48,491
16 Required reserves	47,644	48,294	45,753	45,629	45,406	46,142	46,187	47,479	48,203	47,611
17 Excess reserve balances at Reserve Banks[6]	1,307	1,276	918	1,187	1,008	976	926	622	876	881
18 Total borrowings at Reserve Banks	1,338	614	903	662	1,100	704	769	874	861	981
19 Seasonal borrowings at Reserve Banks	51	28	42	44	66	65	69	76	64	89
20 Extended credit at Reserve Banks[7]	472	471	529	480	506	475	535	576	671	637

1. Excludes required clearing balances and adjustments to compensate for float.
2. Dates refer to the maintenance periods in which the vault cash can be used to satisfy reserve requirements. Under contemporaneous reserve requirements, maintenance periods end 30 days after the lagged computation periods in which the balances are held.
3. Equal to all vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.
4. Total vault cash at institutions having no required reserve balances less the amount of vault cash equal to their required reserves during the maintenance period.
5. Total reserves not adjusted for discontinuities consist of reserve balances with Federal Reserve Banks, which exclude required clearing balances and adjustments to compensate for float, plus vault cash used to satisfy reserve requirements. Such vault cash consists of all vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.
6. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements less required reserves.
7. Extended credit consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as there is with traditional short-term adjustment credit, the money market impact of extended credit is similar to that of nonborrowed reserves.
8. Before February 1984, data are prorated monthly averages of weekly averages; beginning February 1984, data are prorated monthly averages of biweekly averages.

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

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

Averages of daily figures, in millions of dollars

By maturity and source	Mar. 24	Mar. 31	Apr. 7	Apr. 14	Apr. 21	Apr. 28	May 5	May 12	May 19
	1986 week ending Monday								
One day and continuing contract									
1 Commercial banks in United States	67,991	66,593	77,453r	75,488	74,009	67,911	68,557	69,020	69,536
2 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies	39,070	38,368	39,712	40,106	37,981	36,133	36,603	38,851	36,495
3 Nonbank securities dealers	9,022	9,113	10,027	10,498	10,633	10,161	9,921	9,684	9,938
4 All other	27,653	23,446	26,583	25,542	25,239	25,852	25,433	25,321	26,337
All other maturities									
5 Commercial banks in United States	10,509	12,443	9,663r	9,301	9,472	9,598	10,167	9,464	9,394
6 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies	7,747	8,080	7,287	7,592r	7,702	7,359	7,915	6,853	6,632
7 Nonbank securities dealers	10,604	10,828	9,912	10,504r	10,199	11,550	10,670	10,127	10,180
8 All other	10,625	14,646	9,434	10,013	10,781	11,175	10,824	10,427	10,523
MEMO: Federal funds and resale agreement loans in maturities of one day or continuing contract									
9 Commercial banks in United States	26,605	25,894	33,684	31,752	30,450	29,310	28,673	24,906	26,736
10 Nonbank securities dealers	10,689	9,592	11,245	9,056	10,313	9,863	9,202	8,634	8,934

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

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per annum

Current and previous levels

Federal Reserve Bank	Short-term adjustment credit and seasonal credit[1]			Extended credit[2]						
				First 60 days of borrowing		Next 90 days of borrowing		After 150 days		Effective date for current rates
	Rate on 5/28/86	Effective date	Previous rate	Rate on 5/28/86	Previous rate	Rate on 5/28/86	Previous rate	Rate on 5/28/86	Previous rate	
Boston	6½	4/21/86	7	6½	7	7½	8	8½	9	4/21/86
New York		4/21/86								4/21/86
Philadelphia		4/23/86								4/23/86
Cleveland		4/21/86								4/21/86
Richmond		4/21/86								4/21/86
Atlanta		4/22/86								4/22/86
Chicago		4/21/86								4/21/86
St. Louis		4/22/86								4/22/86
Minneapolis		4/21/86								4/21/86
Kansas City		4/21/86								4/21/86
Dallas		4/21/86								4/21/86
San Francisco	6½	4/21/86	7	6½	7	7½	8	8½	9	4/21/86

Range of rates in recent years[3]

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1973	7½	7½
1974— Apr. 25	7½–8	8
30	8	8
Dec. 9	7¾–8	7¾
16	7¾	7¾
1975— Jan. 6	7¼–7¾	7¾
10	7¼–7¾	7¼
24	7¼	7¼
Feb. 5	6¾–7¼	6¾
7	6¾	6¾
Mar. 10	6¼–6¾	6¼
14	6¼	6¼
May 16	6–6¼	6
23	6	6
1976— Jan. 19	5½–6	5½
23	5½	5½
Nov. 22	5¼–5½	5¼
26	5¼	5¼
1977— Aug. 30	5¼–5¾	5¼
31	5¼–5¾	5¾
Sept. 2	5¾	5¾
Oct. 26	6	6
1978— Jan. 9	6–6½	6½
20	6½	6½
May 11	6½–7	7
12	7	7
July 3	7–7¼	7¼

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1978— July 10	7¼	7¼
Aug. 21	7¾	7¾
Sept. 22	8	8
Oct. 16	8–8½	8½
20	8½	8½
Nov. 1	8½–9½	9½
3	9½	9½
1979— July 20	10	10
Aug. 17	10–10½	10½
20	10½	10½
Sept. 19	10½–11	11
21	11	11
Oct. 8	11–12	12
10	12	12
1980— Feb. 15	12–13	13
19	13	13
May 29	12–13	13
30	12	12
June 13	11–12	11
16	11	11
July 28	10–11	10
29	10	10
Sept. 26	11	11
Nov. 17	12	12
Dec. 5	12–13	13
8	13	13
5	13–14	14
1981— May 8	14	14
Nov. 2	13–14	13
6	13	13

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1981— Dec. 4	12	12
1982— July 20	11½–12	11½
23	11½	11½
Aug. 2	11–11½	11
3	11	11
16	10½	10½
27	10–10½	10
30	10	10
Oct. 12	9½–10	9½
13	9½	9½
Nov. 22	9–9½	9
26	9	9
Dec. 14	8½–9	9
15	8½–9	8½
17	8½	8½
1984— Apr. 9	8½–9	9
13	9	9
Nov. 21	8½–9	8½
26	8½	8½
Dec. 24	8	8
1985— May 20	7½–8	7½
24	7½	7½
1986— Mar. 7	7–7½	7
10	7	7
Apr. 21	6½–7	6½
23	6½	6½
In effect May 28, 1986	6½	6½

1. After May 19, 1986, the highest rate within the structure of discount rates may be charged on adjustment credit loans of unusual size that result from a major operating problem at the borrower's facility.

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

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

3. Rates for short-term adjustment credit. For description and earlier data see the following publications of the Board of Governors: *Banking and Monetary Statistics, 1914–1941,* and *1941–1970; Annual Statistical Digest, 1970–1979, 1980, 1981,* and *1982.*

In 1980 and 1981, the Federal Reserve applied a surcharge to short-term adjustment credit borrowings by institutions with deposits of $500 million or more that had borrowed in successive weeks or in more than 4 weeks in a calendar quarter. A 3 percent surcharge was in effect from Mar. 17, 1980, through May 7, 1980. There was no surcharge until Nov. 17, 1980, when a 2 percent surcharge was adopted; the surcharge was subsequently raised to 3 percent on Dec. 5, 1980, and to 4 percent on May 5, 1981. The surcharge was reduced to 3 percent effective Sept. 22, 1981, and to 2 percent effective Oct. 12. As of Oct. 1, the formula for applying the surcharge was changed from a calendar quarter to a moving 13-week period. The surcharge was eliminated on Nov. 17, 1981.

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Percent of deposits

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

Type of deposit, and deposit interval[5]	Depository institution requirements after implementation of the Monetary Control Act[6]: Percent	Effective date
Net transaction accounts[7,8]		
$0–$31.7 million	3	12/31/85
Over $31.7 million	12	12/31/85
Nonpersonal time deposits[9]		
By original maturity		
Less than 1½ years	3	10/6/83
1½ years or more	0	10/6/83
Eurocurrency liabilities		
All types	3	11/13/80

1. For changes in reserve requirements beginning 1963, see Board's *Annual Statistical Digest, 1971–1975*, and for prior changes, see Board's *Annual Report* for 1976, table 13. Under provisions of the Monetary Control Act, depository institutions include commercial banks, mutual savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge Act corporations.

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

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

Effective Aug. 24, 1978, the Regulation M reserve requirements on net balances due from domestic banks to their foreign branches and on deposits that foreign branches lend to U.S. residents were reduced to zero from 4 percent and 1 percent respectively. The Regulation D reserve requirement of borrowings from unrelated banks abroad was also reduced to zero from 4 percent.

Effective with the reserve computation period beginning Nov. 16, 1978, domestic deposits of Edge corporations were subject to the same reserve requirements as deposits of member banks.

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

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

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

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

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

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

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

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

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

NOTE. Required reserves must be held in the form of deposits with Federal Reserve Banks or vault cash. Nonmembers may maintain reserve balances with a Federal Reserve Bank indirectly on a pass-through basis with certain approved institutions.

1.16 MAXIMUM INTEREST RATES PAYABLE on Time and Savings Deposits at Federally Insured Institutions[1]

Percent per annum

Type of deposit	Commercial banks		Savings and loan associations and mutual savings banks (thrift institutions)[1]	
	In effect May 31, 1986		In effect May 31, 1986	
	Percent	Effective date	Percent	Effective date
1 Savings	(2)	4/1/86	(2)	4/1/86
2 Negotiable order of withdrawal accounts	(3)	1/1/86	(3)	1/1/86
3 Money market deposit account	(4)	12/14/82	(4)	12/14/82
Time accounts				
4 7–31 days	(5)	1/1/86	(5)	9/1/86
5 More than 31 days	....	10/1/83	....	10/1/83

1. Effective Oct. 1, 1983, restrictions on the maximum rates of interest payable by commercial banks and thrift institutions on various categories of deposits were removed. For information regarding previous interest rate ceilings on all categories of accounts see earlier issues of the FEDERAL RESERVE BULLETIN, the *Federal Home Loan Bank Board Journal*, and the *Annual Report of the Federal Deposit Insurance Corporation*.
2. Effective Apr. 1, 1986, the interest rate ceiling on savings deposits was removed. Before Apr. 1, 1986, savings deposits were subject to an interest rate ceiling of 5½ percent.
3. Before Jan. 1, 1986, NOW accounts with minimum denomination requirements of less than $1,000 were subject to an interest rate ceiling of 5¼ percent. NOW accounts with minimum required denominations of $1,000 or more and IRA/Keough (HR10) Plan accounts were not subject to interest rate ceilings. Effective Jan. 1, 1986, the minimum denomination requirement was removed.
4. Effective Dec. 14, 1982, depository institutions are authorized to offer a new account with a required initial balance of $2,500 and an average maintenance balance of $2,500 not subject to interest rate restrictions. Effective Jan. 1, 1985, the minimum denomination and average balance maintenance requirements was lowered to $1,000. Effective Jan. 1, 1986, the minimum denomination and average balance maintenance requirements were removed. No minimum maturity period is required for this account, but depository institutions must reserve the right to require seven days, notice before withdrawals. Depository institutions may not guarantee a rate of interest for this account for a period longer than one month or condition the payment of a rate on a requirement that the funds remain on deposit for longer than one month.
5. Before Jan. 1, 1986, deposits of less than $1,000 were subject to an interest rate ceiling of 5½ percent. Deposits of less than $1,000 issued to governmental units were subject to an interest rate ceiling of 8 percent. Effective Jan. 1, 1986, the minimum denomination requirement was removed.

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS

Millions of dollars

Type of transaction	1983	1984	1985	1985				1986		
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
U.S. GOVERNMENT SECURITIES										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	18,888	20,036	22,214	1,171	0	1,180	4,515	286	0	396
2 Gross sales	3,420	8,557	4,118	0	265	0	0	225	2,277	0
3 Exchange	0	0	0	350	0	−350	0	0	0	0
4 Redemptions	2,400	7,700	3,500	0	0	0	0	0	1,000	0
Others within 1 year										
5 Gross purchases	484	1,126	1,349	0	0	0	143	0	0	0
6 Gross sales	0	0	0	0	0	0	0	0	0	0
7 Maturity shift	18,887	16,354	19,763	1,028	529	2,363	943	725	4,776	1,152
8 Exchange	−16,553	−20,840	−17,717	−1,807	−942	−615	−1,529	−596	−2,148	−1,458
9 Redemptions	87	0	0	0	0	0	0	0	0	0
1 to 5 years										
10 Gross purchases	1,896	1,638	2,185	0	0	0	868	0	0	0
11 Gross sales	0	0	0	0	0	0	0	0	0	0
12 Maturity shift	−15,533	−13,709	−17,459	−1,028	−520	−1,731	−943	−703	−4,776	−1,152
13 Exchange	11,641	16,039	13,853	1,457	942	650	1,529	596	1,548	1,458
5 to 10 years										
14 Gross purchases	890	536	458	0	0	0	345	0	0	0
15 Gross sales	0	300	100	0	0	0	0	0	0	0
16 Maturity shift	−2,450	−2,371	−1,857	0	−10	−600	0	−22	0	0
17 Exchange	2,950	2,750	2,184	0	0	184	0	0	350	0
Over 10 years										
18 Gross purchases	383	441	293	0	0	0	197	0	0	0
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shift	−904	−275	−447	0	0	−32	0	0	0	0
21 Exchange	1,962	2,052	1,679	0	0	131	0	0	250	0
All maturities										
22 Gross purchases	22,540	23,776	26,499	1,171	0	1,180	6,068	286	0	396
23 Gross sales	3,420	8,857	4,218	0	265	0	0	225	2,277	0
24 Redemptions	2,487	7,700	3,500	0	0	0	0	0	1,000	0
Matched transactions										
25 Gross sales	578,591	808,986	866,175	73,925	100,929	85,486	76,399	63,109	90,459	88,917
26 Gross purchases	576,908	810,432	865,968	72,347	100,197	84,769	78,962	61,156	94,368	88,604
Repurchase agreements										
27 Gross purchases	105,971	127,933	134,253	14,029	0	3,684	23,338	24,257	0	6,748
28 Gross sales	108,291	127,690	132,351	14,029	0	3,684	19,809	24,699	3,087	6,748
29 Net change in U.S. government securities	12,631	8,908	20,477	−408	−997	463	12,159	−2,335	−2,456	83
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
30 Gross purchases	0	0	0	0	0	0	0	0	0	0
31 Gross sales	0	0	0	0	0	0	0	0	0	0
32 Redemptions	292	256	162	0	0	0	0	0	40	0
Repurchase agreements										
33 Gross purchases	8,833	11,509	22,183	3,522	0	1,454	7,640	5,384	0	1,821
34 Gross sales	9,213	11,328	20,877	3,522	0	1,454	5,947	6,454	623	1,821
35 Net change in federal agency obligations	−672	−76	1,144	0	0	0	1,693	−1,070	−663	0
BANKERS ACCEPTANCES										
36 Repurchase agreements, net	−1,062	−418	0	0	0	0	0	0	0	0
37 Total net change in System Open Market Account	**10,897**	**8,414**	**21,621**	**−408**	**−997**	**463**	**13,853**	**−3,405**	**−3,119**	**83**

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		
		1986					1986		
		Apr. 2	Apr. 9	Apr. 16	Apr. 23	Apr. 30	Feb.	Mar.	Apr.
		Consolidated condition statement							
	ASSETS								
1	Gold certificate account	11,090	11,090	11,090	11,090	11,089	11,090	11,090	11,089
2	Special drawing rights certificate account	4,718	4,718	4,718	4,718	4,718	4,718	4,718	4,718
3	Coin	553	571	544	538	530	589	570	530
	Loans								
4	To depository institutions	683	2,519	699	1,233	954	661	818	954
5	Other	0	0	0	0	0	0	0	0
	Acceptances—Bought outright								
6	Held under repurchase agreements	0	0	0	0	0	0	0	0
	Federal agency obligations								
7	Bought outright	8,187	8,187	8,187	8,187	8,187	8,187	8,187	8,187
8	Held under repurchase agreements	0	0	300	993	1,433	0	0	1,433
	U.S. government securities								
	Bought outright								
9	Bills	83,770	82,545	83,865	84,287	81,939	84,163	84,247	81,939
10	Notes	67,397	67,397	67,397	67,397	67,397	67,397	67,397	67,397
11	Bonds	24,976	24,976	24,976	24,976	24,976	24,976	24,976	24,976
12	Total bought outright[1]	176,143	174,918	176,238	176,660	174,312	176,536	176,620	174,312
13	Held under repurchase agreements	0	0	3,355	6,941	7,522	0	0	7,522
14	Total U.S. government securities	176,143	174,918	179,593	183,601	181,834	176,536	176,620	181,834
15	**Total loans and securities**	**185,013**	**185,624**	**188,779**	**194,014**	**192,408**	**185,384**	**185,625**	**192,408**
16	Items in process of collection	7,561	7,373	9,113	8,242	7,798	6,295	5,495	7,798
17	Bank premises	618	617	621	621	623	616	618	623
	Other assets								
18	Denominated in foreign currencies[2]	7,674	7,678	7,681	7,696	8,260	7,829	7,673	8,260
19	All other[3]	7,318	7,267	7,590	8,352	8,352	6,856	7,344	8,352
20	**Total assets**	**224,545**	**224,938**	**230,136**	**235,271**	**233,778**	**223,377**	**223,133**	**233,778**
	LIABILITIES								
21	Federal Reserve notes	177,851	178,818	178,759	178,031	178,418	175,072	177,189	178,418
	Deposits								
22	To depository institutions	30,435	29,499	32,519	43,432	29,416	29,324	30,782	29,416
23	U.S. Treasury—General account	2,817	2,900	3,484	0	11,550	5,026	3,280	11,550
24	Foreign—Official accounts	249	251	235	317	326	277	274	326
25	Other	492	445	472	369	441	436	511	441
26	**Total deposits**	**33,993**	**33,095**	**36,710**	**44,118**	**41,733**	**35,063**	**34,847**	**41,733**
27	Deferred credit items	6,805	6,932	8,624	6,888	6,947	6,507	4,935	6,947
28	Other liabilities and accrued dividends[4]	2,139	2,136	2,080	2,268	2,217	2,273	2,184	2,217
29	**Total liabilities**	**220,788**	**220,981**	**226,173**	**231,305**	**229,315**	**218,915**	**219,155**	**229,315**
	CAPITAL ACCOUNTS								
30	Capital paid in	1,821	1,824	1,827	1,825	1,828	1,800	1,821	1,828
31	Surplus	1,781	1,781	1,781	1,781	1,781	1,781	1,781	1,781
32	Other capital accounts	155	352	355	360	854	881	376	854
33	**Total liabilities and capital accounts**	**224,545**	**224,938**	**230,136**	**235,271**	**233,778**	**223,377**	**223,133**	**233,778**
34	MEMO: Marketable U.S. government securities held in custody for foreign and international account	139,998	142,214	139,813	141,280	146,001	131,599	136,262	146,001
		Federal Reserve note statement							
35	Federal Reserve notes outstanding	211,304	211,515	211,921	212,299	211,992	210,237	211,323	211,992
36	LESS: Held by bank	33,453	32,697	33,162	34,268	33,574	35,165	34,134	33,574
37	Federal Reserve notes, net	177,851	178,818	178,759	178,031	178,418	175,072	177,189	178,418
	Collateral held against notes net:								
38	Gold certificate account	11,090	11,090	11,090	11,090	11,089	11,090	11,090	11,089
39	Special drawing rights certificate account	4,718	4,718	4,718	4,718	4,718	4,718	4,718	4,718
40	Other eligible assets	0	0	0	0	0	0	0	0
41	U.S. government and agency securities	162,043	163,010	162,951	162,223	162,611	159,264	161,381	162,611
42	**Total collateral**	**177,851**	**178,818**	**178,759**	**178,031**	**178,418**	**175,072**	**177,189**	**178,418**

1. *Includes* securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and *excludes* (if any) securities sold and scheduled to be bought back under matched sale-purchase transactions.
2. Assets shown in this line are revalued monthly at market exchange rates.
3. Includes special investment account at Chicago of Treasury bills maturing within 90 days.
4. Includes exchange-translation account reflecting the monthly revaluation at market exchange rates of foreign-exchange commitments.

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

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings

Millions of dollars

Type and maturity groupings	Wednesday 1986					End of month 1986		
	Apr. 2	Apr. 9	Apr. 16	Apr. 23	Apr. 30	Feb. 28	Mar. 31	Apr. 30
1 Loans—Total	683	2,519	699	1,233	954	661	818	954
2 Within 15 days	663	2,499	698	1,229	936	647	806	936
3 16 days to 90 days	20	20	1	4	18	14	12	18
4 91 days to 1 year	0	0	0	0	0	0	0	0
5 Acceptances—Total	0	0	0	0	0	0	0	0
6 Within 15 days	0	0	0	0	0	0	0	0
7 16 days to 90 days	0	0	0	0	0	0	0	0
8 91 days to 1 year	0	0	0	0	0	0	0	0
9 U.S. government securities—Total	176,143	174,918	179,593	183,601	181,834	176,536	176,620	181,834
10 Within 15 days[1]	9,010	5,740	11,413	12,530	13,456	4,893	4,190	13,456
11 16 days to 90 days	41,352	42,134	43,019	43,642	39,760	45,663	45,337	39,760
12 91 days to 1 year	56,038	57,301	55,418	57,686	58,193	56,543	57,350	58,193
13 Over 1 year to 5 years	32,621	32,621	32,626	32,626	33,308	32,315	32,621	33,308
14 Over 5 years to 10 years	15,113	15,113	15,108	15,108	15,108	15,113	15,113	15,108
15 Over 10 years	22,009	22,009	22,009	22,009	22,009	22,009	22,009	22,009
16 Federal agency obligations—Total	8,187	8,187	8,187	9,180	9,620	8,187	8,187	9,620
17 Within 15 days[1]	38	83	280	1,228	2,049	331	246	2,049
18 16 days to 90 days	760	715	502	581	159	704	617	159
19 91 days to 1 year	1,909	1,914	1,927	1,880	1,795	1,744	1,844	1,795
20 Over 1 year to 5 years	3,793	3,788	3,778	3,837	3,902	3,821	3,793	3,902
21 Over 5 years to 10 years	1,263	1,263	1,276	1,230	1,291	1,178	1,263	1,291
22 Over 10 years	424	424	424	424	424	409	424	424

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

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE

Billions of dollars, averages of daily figures

Item	1982 Dec.	1983 Dec.	1984 Dec.	1985 Dec.[r]	1985[r] Sept.	Oct.	Nov.	Dec.	1986[r] Jan.	Feb.	Mar.	Apr.
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[1]	Seasonally adjusted											
1 **Total reserves**[2]	**34.28**	**36.14**	**39.08**	**45.61**	**43.88**	**44.24**	**44.85**	**45.61**	**45.88**	**46.37**	**46.86**	**47.27**
2 Nonborrowed reserves	33.65	35.36	35.90	44.29	42.59	43.06	43.11	44.29	45.11	45.49	46.10	46.38
3 Nonborrowed reserves plus extended credit[3]	33.83	35.37	38.50	44.79	43.25	43.69	43.64	44.79	45.61	45.98	46.62	47.01
4 Required reserves	33.78	35.58	38.23	44.55	43.22	43.49	43.92	44.55	44.77	45.27	45.97	46.47
5 Monetary base[4]	170.04	185.39	198.80	216.72	212.29	213.57	215.25	216.72	218.40	219.79	221.26	222.36
	Not seasonally adjusted											
6 **Total reserves**[2]	**35.01**	**36.86**	**40.13**	**46.84**	**43.68**	**44.21**	**45.08**	**46.84**	**47.11**	**45.68**	**46.34**	**47.93**
7 Nonborrowed reserves	34.37	36.09	36.94	45.52	42.39	43.02	43.34	45.52	46.34	44.80	45.58	47.04
8 Nonborrowed reserves plus extended credit[3]	34.56	36.09	39.55	46.02	43.04	43.65	43.87	46.02	46.84	45.29	46.10	47.67
9 Required reserves	34.51	36.30	39.28	45.78	43.01	43.45	44.15	45.78	46.00	44.59	45.44	47.13
10 Monetary base[4]	173.07	188.66	201.94	220.36	212.16	213.36	216.04	220.36	218.74	216.78	218.98	222.14
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[5]												
11 **Total reserves**[2]	**41.85**	**38.89**	**40.70**	**48.14**	**44.45**	**45.47**	**46.38**	**48.14**	**48.06**	**46.65**	**47.27**	**48.88**
12 Nonborrowed reserves	41.22	38.12	37.51	46.82	43.16	44.28	44.64	46.82	47.29	45.77	46.51	47.99
13 Nonborrowed reserves plus extended credit[3]	41.41	38.12	40.09	47.41	43.83	44.90	45.07	47.41	47.79	46.22	47.17	48.21
14 Required reserves	41.35	38.33	39.84	47.08	43.78	44.72	45.45	47.08	46.95	45.55	46.38	48.08
15 Monetary base[4]	180.42	192.26	202.51	223.53	214.50	216.19	218.96	223.53	221.59	219.57	221.70	224.88

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

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

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

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

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

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

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

1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES

Billions of dollars, averages of daily figures

Item[1]	1982 Dec.	1983 Dec.	1984 Dec.	1985 Dec.	1986 Jan.	1986 Feb.r	1986 Mar.r	1986 Apr.
				Seasonally adjusted				
1 M1	479.9	527.1	558.5	626.6	627.2	631.1	638.4	646.1
2 M2	1,952.6	2,186.0	2,373.8	2,565.7r	2,569.1r	2,576.9	2,591.4	2,620.8
3 M3	2,443.5	2,697.3	2,986.5	3,200.3r	3,224.1r	3,240.6	3,259.0	3,287.7
4 L	2,850.1	3,163.5	3,532.3	3,837.0r	3,860.0r	3,879.5	3,891.0	n.a.
5 Debt	4,661.1	5,191.9	5,951.8	6,801.0r	6,904.3r	6,961.9	7,013.9	n.a.
M1 components								
6 Currency[2]	134.3	148.3	158.5	170.6	171.9	172.9	173.9	174.5
7 Travelers checks[3]	4.3	4.9	5.2	5.9	5.9	5.9	6.1	6.1
8 Demand deposits[4]	237.9	242.7	248.4	271.5	268.9	269.2	273.2	275.6
9 Other checkable deposits[5]	103.4	131.3	146.3	178.6	180.5	183.1	185.2	189.9
Nontransactions components								
10 In M2[6]	1,472.7	1,658.9	1,815.4	1,939.1r	1,941.9r	1,945.8	1,953.0	1,974.7
11 In M3 only[7]	490.9	511.3	612.7	634.5r	655.0r	663.7	667.6	666.9
Savings deposits[9]								
12 Commercial Banks	163.7	133.4	122.3	124.5r	124.7	125.0	125.7	126.6
13 Thrift institutions	194.2	173.2	167.3	179.1	179.3	180.0	181.3	185.0
Small denomination time deposits[9]								
14 Commercial Banks	380.4	351.1	387.2	384.1	386.6r	388.1	389.0	387.9
15 Thrift institutions	472.4	434.1	500.3	496.2	499.5r	502.9	505.7	507.1
Money market mutual funds								
16 General purpose and broker/dealer	185.2	138.2	167.5	176.5	177.7	181.0	186.2	191.8
17 Institution-only	51.1	43.2	62.7	64.6	67.3	67.7	70.2	74.1
Large denomination time deposits[10]								
18 Commercial Banks[11]	262.1	228.7	263.7	279.1	289.7	291.5	287.0	286.9
19 Thrift institutions	65.8	101.1	150.2	157.3	158.2	159.7	163.4	165.0
Debt components								
20 Federal debt	979.2	1,173.0	1,367.3	1,586.0	1,608.5	1,622.5	1,629.3	n.a.
21 Non-federal debt	3,681.8	4,019.0	4,584.6	5,215.0r	5,295.8r	5,339.4	5,384.6	n.a.
				Not seasonally adjusted				
22 M1	490.9	538.8	570.5	639.9r	633.5	619.2	630.5	652.9
23 M2	1,958.6	2,192.8	2,380.8	2,573.9r	2,577.9r	2,570.2	2,593.4	2,630.4
24 M3	2,453.3	2,707.9	2,997.9	3,213.0r	3,231.8	3,232.6	3,259.3	3,294.2
25 L	2,856.4	3,170.1	3,537.5	3,843.2r	3,865.2r	3,871.9	3,895.2	n.a.
26 Debt	4,655.7	5,186.5	5,946.2	6,793.9r	6,896.7r	6,940.2	6,985.3	n.a.
M1 components								
27 Currency[2]	136.5	150.5	160.9	173.1	170.5	170.6	172.3	173.7
28 Travelers checks[3]	4.1	4.6	4.9	5.5	5.5	5.6	5.8	5.8
29 Demand deposits[4]	246.2	251.3	257.3	281.3	275.1	262.0	267.1	278.6
30 Other checkable deposits[5]	104.1	132.4	147.5	180.1	182.4	181.0	185.3	194.8
Nontransactions components								
31 M2[6]	1,467.7	1,654.0	1,810.3	1,933.9r	1,944.3r	1,951.0	1,962.9	1,977.5
32 M3 only[7]	494.7	515.1	617.0	639.1r	653.9r	662.4	665.9	663.7
Money market deposit accounts								
33 Commercial banks	26.3	230.5	267.2	332.4	336.7	337.0	340.3	344.8
34 Thrift institutions	16.9	148.7	149.7	179.6	179.0	179.4	180.2	180.5
Savings deposits[8]								
35 Commercial Banks	162.1	132.2	121.4	123.5	123.9	123.6	124.9	127.2
36 Thrift institutions	193.1	172.3	166.5	178.3	178.8	179.1	181.6	186.0
Small denomination time deposits[9]								
37 Commercial Banks	380.1	351.1	387.6	384.8	386.5	387.0	387.2	384.4
38 Thrift institutions	471.7	434.2	501.2	497.6r	502.6r	504.7	504.6	504.3
Money market mutual funds								
39 General purpose and broker/dealer	185.2	138.2	167.5	176.5	177.7	181.0	186.2	191.8
40 Institution-only	51.1	43.2	62.7	64.6	67.3	67.7	70.2	74.1
Large denomination time deposits[10]								
41 Commercial Banks[11]	265.2	230.8	265.5	280.9	288.5	290.3	287.6	283.4
42 Thrift institutions	65.8	101.4	150.6	157.8	159.0	160.7	163.2	164.0
Debt components								
43 Federal debt	976.4	1,170.2	1,364.7	1,583.7	1,606.7	1,621.0	1,633.2	n.a.
44 Non-federal debt	3,679.3	4,016.3	4,581.5	5,210.2r	5,290.0r	5,319.2	5,352.0	n.a.

For notes see following page.

NOTES TO TABLE 1.21

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

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

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

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

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

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

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

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

4. Demand deposits at commercial banks and foreign-related institutions other than those due to domestic banks, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float. Excludes the estimated amount of demand deposits held at commercial banks by thrift institutions to service their OCD liabilities.

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

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

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

8. Savings deposits exclude MMDAs.

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

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

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

NOTE: Latest monthly and weekly figures are available from the Board's H.6 (508) release. Historical data are available from the Banking Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

1.22 BANK DEBITS AND DEPOSIT TURNOVER

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

Bank group, or type of customer	1983[1]	1984[1]	1985[1]	1985 Oct.	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.	1986 Mar.
				Seasonally adjusted					
DEBITS TO									
Demand deposits[2]									
1 All insured banks	109,642.3	128,440.8	154,556.0	162,205.4	163,038.1	189,203.0	169,894.2	179,139.6	182,841.8
2 Major New York City banks	47,769.4	57,392.7	70,445.1	76,706.3	77,069.6	89,415.1	79,324.3	85,298.6	89,350.3
3 Other banks	61,873.1	71,048.1	84,110.9	85,499.2	85,968.5	99,787.9	90,569.9	93,841.0	93,491.5
4 ATS–NOW accounts[3]	1,405.5	1,588.7	1,920.8	2,212.7	2,227.8	2,452.5	2,027.5	2,193.5	2,266.0
5 Savings deposits[4]	741.4	633.1	539.0	562.0	533.4	418.6	362.4	364.6	356.7
DEPOSIT TURNOVER									
Demand deposits[2]									
6 All insured banks	379.7	434.4	496.5	513.2	508.1	581.9	531.8	560.8	566.0
7 Major New York City banks	1,528.0	1,843.0	2,168.9	2,422.2	2,368.5	2,567.0	2,306.3	2,473.8	2,517.7
8 Other banks	240.9	268.6	301.8	300.6	298.1	343.7	317.7	329.3	325.1
9 ATS–NOW accounts[3]	15.6	15.8	16.7	18.4	18.2	19.8	16.1	17.2	17.7
10 Savings deposits[4]	5.4	5.0	4.5	4.6	4.3	3.4	2.9	3.0	2.9
				Not seasonally adjusted					
DEBITS TO									
Demand deposits[2]									
11 All insured banks	109,517.6	128,059.1	154,108.4	167,639.3	157,070.9	192,060.0	180,495.6	161,655.6	179,715.2
12 Major New York City banks	47,707.4	57,282.4	70,400.9	78,010.5	73,982.4	92,551.5	84,880.9	77,376.9	87,757.0
13 Other banks	64,310.2	70,776.9	83,707.8	89,628.8	83,088.6	99,508.5	95,614.7	84,278.6	91,958.3
14 ATS–NOW accounts[3]	1,397.0	1,579.5	1,903.4	2,157.7	2,007.8	2,354.4	2,406.1	2,065.3	2,349.0
15 MMDA[5]	567.4	848.8	1,179.0	1,293.0	1,221.5	1,493.2	1,543.8	1,334.9	1,600.4
16 Savings deposits[4]	742.0	632.9	538.7	579.9	496.3	405.3	392.4	331.1	362.3
DEPOSIT TURNOVER									
Demand deposits[2]									
17 All insured banks	379.9	433.5	497.4	532.1	489.3	574.9	554.2	520.0	569.5
18 Major New York City banks	1,510.0	1,838.6	2,191.1	2,507.4	2,332.4	2,594.1	2,393.7	2,314.0	2,494.1
19 Other banks	240.5	267.9	301.6	315.7	287.2	333.4	329.4	303.8	328.0
20 ATS–NOW accounts[3]	15.5	15.7	16.6	18.1	16.4	18.8	18.9	16.4	18.3
21 MMDA[5]	2.8	3.5	3.8	4.0	3.7	4.5	4.6	4.0	4.7
22 Savings deposits[4]	5.4	5.0	4.5	4.8	4.0	3.3	3.2	2.7	3.0

1. Annual averages of monthly figures.
2. Represents accounts of individuals, partnerships, and corporations and of states and political subdivisions.
3. Accounts authorized for negotiable orders of withdrawal (NOW) and accounts authorized for automatic transfer to demand deposits (ATS). ATS data availability starts with December 1978.
4. Excludes ATS and NOW accounts, MMDA and special club accounts, such as Christmas and vacation clubs.
5. Money market deposit accounts.

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

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

1.23 LOANS AND SECURITIES All Commercial Banks[1]

Billions of dollars; averages of Wednesday figures

Category	1985								1986			
	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
	Seasonally adjusted											
1 **Total loans and securities[2]**	**1,788.5**	**1,802.7**	**1,819.0**	**1,828.8**	**1,841.3**	**1,844.4**	**1,869.6**	**1,895.5**	**1,919.6**	**1,926.2**	**1,941.5**	**1,944.2**
2 U.S. government securities	266.3	267.1	271.6	271.4	273.1	270.0	275.0	270.7	264.6	270.8	268.0	264.7
3 Other securities	142.2	144.5	145.4	148.2	151.3	154.8	160.7	174.5	189.6	184.9	180.5	179.2
4 Total loans and leases[2]	1,380.0	1,391.0	1,402.1	1,409.2	1,416.9	1,419.7	1,433.9	1,450.3	1,465.4	1,470.5	1,493.0	1,500.2
5 Commercial and industrial	484.3	484.3	484.1	485.7	487.2	487.0	490.6	493.9	494.2	495.3	502.1	504.4
6 Bankers acceptances held[3]	4.9	4.7	5.1	5.0	4.7	4.7	4.9	5.2	5.3	4.8	5.0	5.1
7 Other commercial and industrial	479.3	479.6	479.0	480.7	482.5	482.3	485.7	488.6	489.0	490.5	497.1	499.3
8 U.S. addressees[4]	469.2	470.1	469.6	471.1	473.3	473.7	477.3	479.8	479.1	480.8	487.3	489.0
9 Non-U.S. addressees[4]	10.1	9.5	9.4	9.6	9.2	8.6	8.4	8.8	9.8[r]	9.7	9.8	10.3
10 Real estate	394.8	398.7	403.7	407.1	409.9	414.5	419.2	423.2	426.1	430.5	435.6	440.6
11 Individual	269.9	272.7	276.3	278.5	280.3	281.3	283.8	286.5	289.4	292.3	294.8	296.4
12 Security	37.5	40.0	40.3	36.7	38.2	37.9	37.8	38.7	43.1	41.8	48.3	46.4
13 Nonbank financial institutions	31.4	31.1	31.4	32.1	32.3	32.0	32.8	34.1	33.7	32.2	32.2	32.5
14 Agricultural	39.4	39.4	39.6	39.6	40.1	40.3	40.5	40.8	40.9	41.0	41.0	40.7
15 State and political subdivisions	47.5	47.5	47.9	48.8	48.8	49.3	50.0	52.4[r]	58.3	58.1	58.0	57.6
16 Foreign banks	10.7	10.4	10.4[r]	10.3[r]	10.0	9.8[r]	9.5[r]	9.6	9.6	9.8	9.9[r]	9.7
17 Foreign official institutions	6.9	6.7	6.6	6.4	6.6	6.8	6.9	7.0	7.0	7.0	6.8	6.9
18 Lease financing receivables	16.7	17.0	17.3	17.5	17.6	17.7	17.9	18.2	18.7	18.9	19.0	19.2
19 All other loans	41.0[r]	43.3	44.5[r]	46.5	45.9[r]	43.1[r]	45.0[r]	46.1	44.4	43.5	45.4[r]	45.8
	Not seasonally adjusted											
20 **Total loans and securities[2]**	**1,784.6**	**1,803.6**	**1,812.5**	**1,822.1**	**1,839.8**	**1,846.1**	**1,870.8**	**1,908.5**	**1,929.0**	**1,924.2**	**1,937.2**	**1,943.9**
21 U.S. government securities	268.4	270.8	271.4	269.8	270.7	266.9	270.6	267.2	264.5	271.8	270.1	270.3
22 Other securities	142.8	144.2	144.0	147.7	150.7	154.2	160.8	176.5	190.8	185.2	180.7	178.7
23 Total loans and leases[2]	1,373.4	1,388.6	1,397.2	1,404.6	1,418.4	1,424.9	1,439.4	1,464.8	1,473.7	1,467.2	1,486.4	1,494.9
24 Commercial and industrial	482.8	482.8	483.2	483.5	487.2	488.0	491.0	497.3	496.4	494.9	501.8	504.6
25 Bankers acceptances held[3]	4.9	4.8	5.0	4.9	4.6	4.6	4.8	5.5	5.4	4.7	5.0	5.1
26 Other commercial and industrial	477.9	477.9	478.2	478.6	482.6	483.4	486.2	491.8	491.0	490.1	496.8	499.5
27 U.S. addressees[4]	468.3	468.6	468.7	469.0	473.1	474.3	477.1	481.8	481.1[r]	481.1	487.7	490.1
28 Non-U.S. addressees[4]	9.6	9.3	9.5	9.6	9.4	9.1	9.1	10.0	9.9[r]	9.0[r]	9.1	9.4
29 Real estate	393.8	398.1	403.1	407.3	411.2	415.9	420.3	423.8	426.8	430.0	434.3	439.1
30 Individual	267.7	270.7	274.5	278.3	281.5	283.4	285.8	290.0	292.2	292.0	292.3	293.9
31 Security	36.0	39.9	38.3	35.8	36.7	37.7	39.7	43.4	44.5	40.6	47.4	46.3
32 Nonbank financial institutions	31.2	31.1	31.5	32.3	32.4	32.0	32.7	34.2	33.7	31.9	32.1	32.6
33 Agricultural	39.3	39.9	40.4	40.5	40.9	40.9	40.6	40.4	40.3	40.1	40.1	40.0
34 State and political subdivisions	47.5	47.5	47.9	48.8	48.8	49.3	50.0	52.4[r]	58.3	58.1	58.0	57.6
35 Foreign banks	10.4	10.1	10.3	10.0	10.1	10.0	9.9	10.1	9.8	9.8	9.7	9.5
36 Foreign official institutions	6.9	6.7	6.6	6.4	6.6	6.8	6.9	7.0	7.0	7.0	6.8	6.9
37 Lease financing receivables	16.7	16.9	17.2	17.4	17.5	17.6	17.7	18.1	18.9	19.1	19.2	19.3
38 All other loans	41.1	44.9	44.2	44.4	45.5	43.4	44.7	48.0	45.7[r]	43.6	44.7	45.2

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

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

3. Includes nonfinancial commercial paper held.

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

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

1.24 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS[1]

Monthly averages, billions of dollars

Source	1985								1986			
	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
Total nondeposit funds												
1 Seasonally adjusted[2]	109.2	110.9	106.3	109.8	111.6	115.2	118.4	123.8	127.1r	127.5	136.6	128.7
2 Not seasonally adjusted	113.7	112.2	105.4	111.4	112.4	116.2	121.9	125.9	129.5	132.5	141.5	132.0
Federal funds, RPs, and other borrowings from nonbanks[3]												
3 Seasonally adjusted	137.7	143.5	143.4	139.8	140.5	141.0	145.9	150.4	147.6	148.5	156.1	155.1
4 Not seasonally adjusted	142.1	144.8	142.4	141.5	141.4	142.0	149.4	152.4	150.1	153.5	161.0	158.4
5 Net balances due to foreign-related institutions, not seasonally adjusted	−28.4	−32.6	−37.1	−30.0	−29.0	−25.8	−27.6	−26.6	−20.5r	−21.0	−19.5	−26.4
MEMO												
6 Domestically chartered banks' net positions with own foreign branches, not seasonally adjusted[4]	−29.5	−32.5	−38.3	−32.8	−30.7	−28.7	−30.3	−31.6	−28.0	−25.8	−26.5	−30.2
7 Gross due from balances	74.5	76.4	79.2	75.8	74.7	74.2	74.1	76.1	74.4	69.5	71.7r	75.3
8 Gross due to balances	44.9	44.0	40.8	43.0	44.0	45.4	43.8	44.5	46.5r	43.7	45.2	45.1
9 Foreign-related institutions' net positions with directly related institutions, not seasonally adjusted[5]	1.1	−.2	1.3	2.8	1.7	2.9	2.7	5.1	7.4	4.8r	7.0r	3.7
10 Gross due from balances	51.7	53.0	54.6	55.1	56.0	55.4	56.1	56.8	57.7	60.0	60.7	62.6
11 Gross due to balances	52.9	52.8	55.9	57.9	57.8	58.3	58.8	61.9	65.1	64.8r	67.7	66.3
Security RP borrowings												
12 Seasonally adjusted[6]	81.4	83.5	83.7	83.3	85.3	84.7	84.8	88.0	86.1	87.7	87.6	87.1
13 Not seasonally adjusted	83.4	82.3	80.4	82.6	83.7	83.4	85.9	87.7	86.1	90.3	90.1	88.0
U.S. Treasury demand balances[7]												
14 Seasonally adjusted	20.3	16.9	20.5	16.1	14.9	4.7	13.5	17.5	19.0	21.1	15.7	17.4
15 Not seasonally adjusted	20.9	14.9	23.1	13.4	16.8	5.4	7.9	14.6	24.0	24.2	15.7	17.7
Time deposits, $100,000 or more[8]												
16 Seasonally adjusted	330.4	328.9	324.2	327.2	330.8	333.9	335.9	337.6	349.4	351.8	347.7	346.8
17 Not seasonally adjusted	329.6	327.2	323.2	327.7	332.7	336.3	337.5	339.4	348.3	350.7r	348.2	343.3

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

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

2. Includes seasonally adjusted federal funds, RPs, and other borrowings from nonbanks and not seasonally adjusted net Eurodollars. Includes averages of Wednesday data for domestically chartered banks and averages of current and previous month-end data for foreign-related institutions.

3. Other borrowings are borrowings on any instrument, such as a promissory note or due bill, given for the purpose of borrowing money for the banking business. This includes borrowings from Federal Reserve Banks and from foreign banks, term federal funds, overdrawn due from bank balances, loan RPs, and participations in pooled loans.

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

5. Averages of daily data.

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

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

8. Averages of Wednesday figures.

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

Billions of dollars

Account	1985							1986			
	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
ALL COMMERCIAL BANKING INSTITUTIONS[1]											
1 Loans and securities	1,927.3	1,948.5	1,952.1	1,969.9	1,979.1	2,027.7	2,059.3	2,057.9	2,071.6	2,084.6	2,106.0
2 Investment securities	392.1	392.3	393.7	397.0	396.3	404.6	413.6	427.2	427.3	422.1	423.6
3 U.S. government securities	255.3	256.1	254.2	254.4	249.3	251.8	249.9	249.0	252.1	250.9	252.4
4 Other	136.8	136.2	139.6	142.6	147.0	152.8	163.6	178.3	175.1	171.2	171.2
5 Trading account assets	23.1	22.3	24.2	26.4	25.0	32.0	31.1	30.1	33.9	30.1	27.9
6 Total loans	1,512.1	1,534.0	1,534.1	1,546.5	1,557.8	1,591.2	1,614.6	1,600.6	1,610.4	1,632.3	1,654.5
7 Interbank loans	123.1	133.0	128.6	129.1	131.7	147.0	149.6	136.5	139.2	141.1	151.4
8 Loans excluding interbank	1,388.9	1,401.0	1,405.5	1,417.5	1,426.1	1,444.1	1,465.0	1,464.1	1,471.2	1,491.3	1,503.1
9 Commercial and industrial	484.3	485.9	484.6	489.2	488.8	493.1	495.9	496.9	502.1	509.2	510.7
10 Real estate	400.0	405.6	409.3	412.8	418.3	421.8	425.0	428.6	431.6	436.1	442.1
11 Individual	272.1	276.1	280.0	282.1	285.1	286.8	291.1	292.7	292.3	292.6	295.7
12 All other	232.6	233.4	231.5	233.4	233.9	242.5	253.0	245.8	245.1	253.4	254.6
13 Total cash assets	190.4	198.0	188.4	188.2	190.1	207.7	211.6	188.1	194.6	199.4	211.1
14 Reserves with Federal Reserve Banks	21.6	21.0	24.5	24.9	19.6	20.5	27.6	22.0	26.3	29.2	25.6
15 Cash in vault	22.2	22.0	22.7	22.1	22.6	21.4	22.2	23.0	22.6	21.8	22.3
16 Cash items in process of collection	68.4	70.5	62.5	61.4	67.9	81.9	79.3	63.9	66.7	68.6	80.4
17 Demand balances at U.S. depository institutions	31.3	33.5	30.6	30.8	31.6	35.8	36.1	31.4	31.9	31.4	34.8
18 Other cash assets	46.8	51.0	48.2	49.1	48.4	48.1	46.5	47.8	47.1	48.4	48.0
19 Other assets	189.4	194.5	180.8	185.8	178.1	185.0	189.4	178.0	177.1	185.4	196.8
20 Total assets/total liabilities and capital	**2,307.1**	**2,341.1**	**2,321.3**	**2,344.0**	**2,347.3**	**2,420.5**	**2,460.3**	**2,424.0**	**2,443.3**	**2,469.3**	**2,513.9**
21 Deposits	1,659.8	1,685.0	1,676.9	1,683.0	1,705.6	1,743.9	1,763.6	1,729.5	1,736.9	1,754.2	1,789.4
22 Transaction deposits	474.0	492.3	475.4	474.9	491.4	521.9	536.4	488.2	491.3	502.1	540.3
23 Savings deposits	425.6	434.3	436.4	438.3	443.8	448.4	450.0	451.9	455.1	459.8	465.5
24 Time deposits	760.1	758.4	765.0	769.8	770.4	773.6	777.1	789.4	790.4	792.2	783.5
25 Borrowings	315.8	321.6	308.9	323.2	309.0	350.8	361.5	359.7	370.2	369.2	387.4
26 Other liabilities	179.7	181.1	182.0	183.6	177.9	170.6	178.5	177.9	178.7	187.5	177.6
27 Residual (assets less liabilities)	151.8	153.4	153.4	154.1	154.8	155.1	156.7	156.9	157.6	158.5	159.5
MEMO											
28 U.S. government securities (including trading account)	271.0	270.0	268.3	271.5	265.1	271.7	265.7	266.9	275.4	270.9	270.6
29 Other securities (including trading account)	144.3	144.6	149.7	151.9	156.2	164.9	178.9	190.4	185.8	181.3	180.8
DOMESTICALLY CHARTERED COMMERCIAL BANKS[2]											
30 Loans and securities	1,829.2	1,847.9	1,850.8	1,863.6	1,872.3	1,917.7	1,944.2	1,943.6	1,953.8	1,961.9	1,982.8
31 Investment securities	385.1	385.1	386.5	389.1	388.1	396.6	405.9	417.3	416.9	412.4	412.2
32 U.S. government securities	251.4	252.4	250.4	250.5	245.0	248.0	246.0	244.9	247.6	246.5	246.7
33 Other	133.8	132.7	136.0	138.6	143.1	148.7	159.9	172.4	169.3	165.8	165.5
34 Trading account assets	23.1	22.3	24.2	26.4	25.0	32.0	31.1	30.1	33.9	30.1	27.9
35 Total loans	1,420.9	1,440.5	1,440.1	1,448.1	1,459.2	1,489.1	1,507.2	1,496.3	1,502.9	1,519.5	1,542.8
36 Interbank loans	100.6	110.0	104.7	103.8	106.8	121.1	121.2	113.0	112.6	116.5	126.2
37 Loans excluding interbank	1,320.3	1,330.5	1,335.5	1,344.2	1,352.4	1,368.0	1,386.0	1,383.3	1,390.3	1,402.9	1,416.6
38 Commercial and industrial	436.0	437.6	435.7	437.9	437.4	440.0	442.0	439.7	443.4	445.5	449.3
39 Real estate	394.4	399.9	403.7	407.0	412.7	416.3	419.4	423.1	426.1	430.5	436.3
40 Individual	271.8	275.9	279.8	281.8	284.8	286.5	290.9	292.5	292.0	292.3	295.5
41 All other	218.1	217.2	216.3	217.5	217.5	225.2	233.7	228.0	228.8	234.5	235.5
42 Total cash assets	179.2	185.3	176.4	176.1	178.0	195.8	199.3	173.2	181.2	185.3	196.7
43 Reserves with Federal Reserve Banks	20.9	20.4	23.8	24.4	18.6	19.5	26.1	21.2	25.8	28.7	24.7
44 Cash in vault	22.2	22.0	22.6	22.0	22.6	21.4	22.2	23.0	22.6	21.7	22.2
45 Cash items in process of collection	68.2	70.3	62.2	61.1	67.7	81.6	79.0	63.5	66.3	68.1	80.0
46 Demand balances at U.S. depository institutions	29.8	32.2	29.0	29.4	30.2	34.0	34.4	29.6	30.3	29.8	33.1
47 Other cash assets	38.1	40.4	38.8	39.2	38.9	39.2	37.7	35.9	36.2	36.9	36.6
48 Other assets	137.7	144.9	132.6	133.3	132.0	137.1	141.2	130.0	126.4	135.5	141.1
49 Total assets/total liabilities and capital	**2,146.2**	**2,178.1**	**2,159.8**	**2,173.0**	**2,182.3**	**2,250.6**	**2,284.8**	**2,246.8**	**2,261.3**	**2,282.7**	**2,320.5**
50 Deposits	1,617.2	1,642.3	1,631.9	1,636.6	1,659.5	1,697.5	1,716.7	1,681.2	1,689.9	1,705.8	1,741.0
51 Transaction deposits	467.7	486.0	468.9	468.3	484.9	515.2	529.3	481.3	484.3	494.8	533.0
52 Savings deposits	424.3	432.9	435.1	436.9	442.4	446.9	448.5	450.4	453.5	458.2	463.8
53 Time deposits	725.2	723.3	727.9	731.4	732.2	735.4	738.9	749.5	752.1	752.7	744.2
54 Borrowings	253.8	258.4	249.6	259.0	248.0	280.5	290.0	292.2	299.2	299.7	304.5
55 Other liabilities	126.1	126.8	127.4	125.9	122.7	120.2	124.0	119.1	117.2	121.4	118.2
56 Residual (assets less liabilities)	149.1	150.7	150.8	151.5	152.2	152.5	154.0	154.3	154.9	155.8	156.8

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

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

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

Millions of dollars, Wednesday figures

Account	1986								
	Mar. 5	Mar. 12	Mar. 19r	Mar. 26r	Apr. 2	Apr. 9	Apr. 16	Apr. 23	Apr. 30
1 Cash and balances due from depository institutions	100,133	99,573	96,650	97,031	102,206	90,940	104,818	109,111	101,622
2 **Total loans, leases and securities, net**	**935,662r**	**932,783r**	**925,806**	**922,278**	**928,144**	**931,187**	**936,016**	**938,517**	**943,552**
3 U.S. Treasury and government agency	92,193	91,492	89,854	90,179	91,343	95,459	94,860	91,684	92,526
4 Trading account	21,782	20,819	20,324	19,986	21,576	23,792	22,559	19,661	21,495
5 Investment account, by maturity	70,411	70,673	69,530	70,193	69,767	71,666	72,301	72,023	71,031
6 One year or less	18,533	18,871	19,371	18,930	19,732	20,072	19,735	19,292	19,227
7 Over one through five years	34,613	34,593	33,522	34,566	33,396	33,891	34,337	33,921	33,249
8 Over five years	17,264	17,208	16,636	16,697	16,639	17,702	18,230	18,809	18,554
9 Other securities	70,485	69,527	68,814	68,781	67,630	67,226	68,512	68,587	69,268
10 Trading account	5,547	5,017	4,825	4,821	4,534	4,252	5,414	5,238	5,206
11 Investment account	64,939	64,510	63,988	63,960	63,096	62,974	63,098	63,349	64,062
12 States and political subdivisions, by maturity	58,695	58,208	57,712	57,485	56,465	56,245	56,148	56,349	56,912
13 One year or less	10,840	10,493	10,303	10,388	9,793	9,702	9,635	9,592	9,759
14 Over one year	47,854	47,716	47,408	47,097	46,672	46,543	46,513	46,757	47,154
15 Other bonds, corporate stocks, and securities	6,244	6,302	6,277	6,475	6,631	6,730	6,950	7,000	7,149
16 Other trading account assets	4,696	5,124	5,529	5,246	5,260	4,886	4,902	4,510	4,821
17 Federal funds sold[1]	70,522	69,885r	59,723	60,679	62,291	66,791	64,049	71,815	70,343
18 To commercial banks	40,082	40,867r	32,360	34,442	38,077	43,366	39,242	43,868	44,000
19 To nonbank brokers and dealers in securities	19,923	19,574	19,138	18,617	17,306	15,284	16,655	18,847	17,379
20 To others	10,517	9,443	8,224	7,620	6,909	8,141	8,152	9,100	8,964
21 Other loans and leases, gross[2]	717,077r	716,103r	721,261	716,639	720,907	716,240	723,380	721,647	726,502
22 Other loans, gross[2]	701,242r	700,211r	705,378	700,744	705,011	700,356	707,484	705,745	710,608
23 Commercial and industrial[2]	259,750r	258,721r	260,386	258,580	261,191	258,575	261,495	258,778	260,964
24 Bankers acceptances and commercial paper	2,162	2,223	2,328	2,231	2,296	2,235	2,259	2,166	2,155
25 All other	257,588r	256,498r	258,058	256,349	258,895	256,340	259,237	256,611	258,809
26 U.S. addressees	253,023	251,941	253,546	251,812	254,415	251,950	254,530	252,105	254,261
27 Non-U.S. addressees	4,565r	4,557r	4,512	4,537	4,479	4,390	4,706	4,506	4,548
28 Real estate loans[2]	183,536	184,188	185,203	185,265	185,680	185,884	186,774	187,028	187,513
29 To individuals for personal expenditures	132,878r	132,856r	132,817	132,723	132,726	132,816	133,492	133,876	134,305
30 To depository and financial institutions	43,314r	42,512r	42,651	42,365	42,406	42,225	43,054	44,104	43,641
31 Commercial banks in the United States	13,539	13,079r	13,252	13,172	12,748	12,762	12,950	14,796	13,893
32 Banks in foreign countries	5,730r	5,143r	5,096	5,141	5,106	4,838	4,915	5,543	5,420
33 Nonbank depository and other financial institutions	24,045	24,289	24,303	24,052	24,552	24,625	25,189	23,764	24,328
34 For purchasing and carrying securities	19,695	21,252	22,210	20,704	20,071	20,253	21,152	20,435	21,964
35 To finance agricultural production	6,308	6,255	6,264	6,236	6,202	6,186	6,207	6,217	6,226
36 To states and political subdivisions	36,807	36,751	36,754	36,640	36,416	36,364	36,469	36,581	36,416
37 To foreign governments and official institutions	3,249r	3,160r	3,145	3,287	3,246	3,138	3,095	3,293	3,292
38 All other	15,704r	14,517r	15,949	14,944	17,073	14,914	15,745	15,434	16,286
39 Lease financing receivables	15,835	15,892	15,883	15,895	15,896	15,884	15,895	15,902	15,894
40 LESS: Unearned income	4,948	4,985	4,983	4,976	4,918	4,898	4,926	4,924	4,960
41 Loan and lease reserve[2]	14,364	14,365	14,391	14,270	14,368	14,517	14,760	14,802	14,947
42 Other loans and leases, net[2]	697,765r	696,754r	701,886	697,392	701,621	696,825	703,693	701,921	706,594
43 All other assets	126,894	122,385	127,153	127,056	130,332	132,844	133,072	130,386	131,848
44 **Total assets**	**1,162,689r**	**1,154,740r**	**1,149,609**	**1,146,365**	**1,160,683**	**1,154,972**	**1,173,906**	**1,178,014**	**1,177,022**
45 Demand deposits	211,800r	202,584r	205,084	200,630	218,000	206,395	222,191	213,028	222,160
46 Individuals, partnerships, and corporations	157,112r	157,315r	156,123	152,903	168,203	158,847	167,996	158,423	167,022
47 States and political subdivisions	4,846	4,137	4,829	5,012	5,099	4,618	5,988	5,017	6,072
48 U.S. government	4,856	2,834	4,162	2,520	1,666	1,674	4,029	3,743	4,754
49 Depository institutions in United States	24,904r	21,925r	23,032	23,009	25,003	22,705	25,329	22,787	24,601
50 Banks in foreign countries	6,495r	5,946r	5,500	5,827	6,158	5,557	6,225	6,832	6,450
51 Foreign governments and official institutions	779	868r	776	897	939	891	930	985	878
52 Certified and officers' checks	12,808	9,559r	10,661	10,461	10,932	12,104	11,694	15,241	12,382
53 Transaction balances other than demand deposits	44,767r	43,754r	43,599	43,330	45,925	46,483	48,150	45,807	44,323
54 Nontransaction balances	493,337r	493,907r	493,030	493,407	493,910	493,925	490,885	490,617	490,165
55 Individuals, partnerships and corporations	454,028r	454,734r	454,118	454,472	455,638	455,657	453,052	452,318	451,865
56 States and political subdivisions	26,142	26,190	25,879	25,845	25,429	25,614	25,308	25,823	25,786
57 U.S. government	766	550	596	637	692	700	691	689	683
58 Depository institutions in the United States	10,687r	10,827r	10,818	10,836	10,483	10,323	10,221	10,182	10,260
59 Foreign governments, official institutions and banks	1,714	1,606	1,619	1,616	1,669	1,630	1,612	1,606	1,571
60 Liabilities for borrowed money	249,321r	250,293r	242,870	241,764	236,144	242,454	247,063	258,854	252,670
61 Borrowings from Federal Reserve Banks	120	1,182	145	173	110	2,019	245	547	305
62 Treasury tax-and-loan notes	8,553	6,122	11,844	9,405	2,308	6,366	11,134	15,731	17,532
63 All other liabilities for borrowed money[3]	240,648r	242,988r	230,881	232,186	233,727	234,070	235,684	242,576	234,833
64 Other liabilities and subordinated note and debentures	82,968r	83,324r	84,351	86,579	85,547	84,339	84,727	88,703	85,844
65 **Total liabilities**	**1,082,193r**	**1,073,862r**	**1,068,934**	**1,065,710**	**1,079,528**	**1,073,597**	**1,093,016**	**1,097,010**	**1,095,162**
66 Residual (total assets minus total liabilities)[4]	80,496	80,878	80,675	80,655	81,155	81,375	80,890	81,004	81,861
MEMO									
67 Total loans and leases (gross) and investments adjusted[5]	901,353r	898,185r	899,568	893,910	896,605	894,474	903,511	899,579	905,566
68 Total loans and leases (gross) adjusted[2,5]	733,978r	732,042r	735,372	729,704	732,373	726,903	735,237	734,798	738,952
69 Time deposits in amounts of $100,000 or more	163,172r	162,666r	161,850	161,925	159,428	159,116	156,948	156,783	156,074
70 Loans sold outright to affiliates—total[6]	1,754r	1,816r	1,910	1,910	1,647	1,743	1,803	1,637	1,713
71 Commercial and industrial	1,033r	1,092r	1,186	1,206	942	1,044	1,102	973	1,049
72 Other	721	724	724	704	705	699	700	664	664
73 Nontransaction savings deposits (including MMDAs)	196,695	197,694r	197,783	198,102	200,782	201,518	200,257	200,150	200,633

1. Includes securities purchased under agreements to resell.
2. Levels of major loan items were affected by the Sept. 26, 1984, transaction between Continental Illinois National Bank and the Federal Deposit Insurance Corporation. For details see the H.4.2 statistical release dated Oct. 5, 1984.
3. Includes federal funds purchased and securities sold under agreements to repurchase; for information on these liabilities at banks with assets of $1 billion or more on Dec. 31, 1977, see table 1.13.
4. This is not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.
5. Exclusive of loans and federal funds transactions with domestic commercial banks.
6. Loans sold are those sold outright to a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.

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

Millions of dollars, Wednesday figures except as noted

Account	1986								
	Mar. 5	Mar. 12	Mar. 19	Mar. 26	Apr. 2	Apr. 9	Apr. 16	Apr. 23	Apr. 30
1 Cash and balances due from depository institutions	26,055	27,675	25,493	27,075	25,650	22,834	25,555	31,870	26,606
2 **Total loans, leases and securities, net**[1]	**201,402r**	**203,712**	**199,994**	**198,136**	**197,961**	**198,032**	**200,446**	**203,880**	**204,206**
Securities									
3 U.S. Treasury and government agency[2]	...	...	...	...	...	...	...	...	...
4 Trading account[2]	...	...	...	...	...	...	...	...	...
5 Investment account, by maturity	10,988	10,682	9,747	10,171	10,288	10,587	11,192	11,145	10,673
6 One year or less	1,299	1,215	1,492	1,596	1,597	1,574	1,442	1,522	1,375
7 Over one through five years	5,712	5,635	4,643	5,570	5,608	5,732	6,322	6,017	6,087
8 Over five years	3,976	3,832	3,612	3,004	3,083	3,280	3,428	3,606	3,210
9 Other securities[2]	...	...	...	...	...	...	...	...	...
10 Trading account[2]	...	...	...	...	...	...	...	...	...
11 Investment account	15,624	15,626	15,515	15,567	15,228	15,183	15,276	15,319	15,462
12 States and political subdivisions, by maturity	13,495	13,490	13,399	13,382	13,141	13,110	13,106	13,144	13,262
13 One year or less	1,842	1,847	1,818	1,915	1,684	1,666	1,656	1,655	1,706
14 Over one year	11,653	11,643	11,581	11,467	11,456	11,443	11,449	11,489	11,557
15 Other bonds, corporate stocks and securities	2,129	2,136	2,116	2,186	2,087	2,074	2,170	2,174	2,200
16 Other trading account assets[2]	...	...	...	...	...	...	...	...	...
Loans and leases									
17 Federal funds sold[3]	30,107	33,921	28,733	29,414	27,532	29,172	28,173	32,777	31,808
18 To commercial banks	11,670	16,347	11,886	13,755	13,319	15,660	14,180	17,499	16,289
19 To nonbank brokers and dealers in securities	11,172	10,889	10,807	9,642	9,343	7,479	8,433	9,539	8,800
20 To others	7,265	6,684	6,040	6,018	4,869	6,033	5,560	5,740	6,719
21 Other loans and leases, gross	150,315r	149,182	151,728	148,642	150,434	148,666	151,388	150,235	151,907
22 Other loans, gross	147,236r	146,099	148,644	145,551	147,345	145,633	148,348	147,189	148,870
23 Commercial and industrial	58,951	58,298	58,396	57,635	58,975	58,019	59,041	57,514	57,988
24 Bankers acceptances and commercial paper	546	541	547	495	462	516	483	492	488
25 All other	58,406	57,757	57,849	57,140	58,513	57,503	58,558	57,022	57,500
26 U.S. addressees	57,833	57,180	57,271	56,551	57,986	56,982	57,780	56,261	56,738
27 Non-U.S. addressees	573	578	578	588	527	522	779	762	762
28 Real estate loans	30,421	30,630	31,014	30,924	31,003	30,964	31,288	31,433	31,286
29 To individuals for personal expenditures	17,863r	17,837r	17,849	17,872	17,737	17,731	17,800	17,855	17,926
30 To depository and financial institutions	13,932r	13,099	13,322	13,380	13,489	13,390	14,038	14,575	14,849
31 Commercial banks in the United States	4,745	4,439	4,586	4,487	4,524	4,639	4,981	5,487	5,880
32 Banks in foreign countries	2,773r	2,174	2,308	2,232	2,318	2,080	1,955	2,576	2,293
33 Nonbank depository and other financial institutions	6,414	6,487	6,428	6,661	6,647	6,670	7,102	6,512	6,676
34 For purchasing and carrying securities	11,122	11,898	12,794	11,163	10,580	11,180	11,214	10,575	11,664
35 To finance agricultural production	344	322	324	321	317	316	312	323	319
36 To states and political subdivisions	9,411	9,369	9,347	9,244	9,196	9,187	9,279	9,391	9,259
37 To foreign governments and official institutions	870	761	749	866	818	764	716	922	856
38 All other	4,321r	3,883r	4,849	4,144	5,229	4,082	4,661	4,600	4,722
39 Lease financing receivables	3,079	3,083	3,084	3,091	3,089	3,033	3,040	3,046	3,037
40 LESS: Unearned income	1,424	1,432	1,434	1,433	1,407	1,377	1,384	1,389	1,433
41 Loan and lease reserve	4,208	4,267	4,296	4,224	4,113	4,198	4,200	4,208	4,211
42 Other loans and leases, net	144,683r	143,483	145,998	142,984	144,913	143,091	145,804	144,638	146,263
43 All other assets[4]	75,147	69,053	72,561	69,544	72,181	76,800	75,831	72,658	73,456
44 **Total assets**	**302,604r**	**300,441**	**298,048**	**294,754**	**295,792**	**297,667**	**301,832**	**308,408**	**304,268**
Deposits									
45 Demand deposits	57,277r	53,916	55,640	54,077	56,788	54,879	58,778	59,765	58,584
46 Individuals, partnerships, and corporations	36,220	37,511	37,881	36,317	40,174	36,718	39,995	37,713	39,120
47 States and political subdivisions	606	483	691	698	667	564	1,081	581	688
48 U.S. government	961	545	839	513	183	221	656	684	715
49 Depository institutions in the United States	6,542	5,282	5,797	5,762	5,286	5,229	5,878	5,517	6,167
50 Banks in foreign countries	5,198r	4,661	4,263	4,467	4,772	4,347	4,886	5,587	5,127
51 Foreign governments and official institutions	628	723	627	783	790	724	766	831	684
52 Certified and officers' checks	7,120	4,711	5,540	5,536	4,915	7,077	5,516	8,852	6,082
53 Transaction balances other than demand deposits ATS, NOW, Super NOW, telephone transfers)	4,950r	4,603r	4,612	4,622	4,946	5,078	5,330	4,992	4,785
54 Nontransaction balances	92,349	91,788	92,166	91,649	91,869	91,406	91,093	90,444	91,395
55 Individuals, partnerships and corporations	82,983	82,496	83,130	82,662	82,929	82,520	82,220	81,431	82,129
56 States and political subdivisions	5,954	5,937	5,794	5,645	5,598	5,853	5,782	5,870	5,876
57 U.S. government	45	41	40	43	48	49	46	49	48
58 Depository institutions in the United States	2,459	2,478	2,364	2,445	2,385	2,114	2,187	2,222	2,496
59 Foreign governments, official institutions and banks	907	836	839	855	907	870	859	873	846
60 Liabilities for borrowed money	89,794	92,141	85,371	83,257	81,677	85,539	85,411	90,032	87,809
61 Borrowings from Federal Reserve Banks	...	800	...	...	...	1,475	...	...	...
62 Treasury tax-and-loan notes	2,274	1,413	3,208	2,535	287	1,536	3,074	4,414	4,894
63 All other liabilities for borrowed money[5]	87,521	89,927	82,164	80,722	81,390	82,528	82,337	85,618	82,914
64 Other liabilities and subordinated note and debentures	32,504r	32,129r	34,581	35,489	34,521	34,700	35,286	37,146	35,378
65 **Total liabilities**	**276,874r**	**274,578**	**272,370**	**269,095**	**269,801**	**271,602**	**275,898**	**282,379**	**277,950**
66 Residual (total assets minus total liabilities)[6]	25,730	25,863	25,678	25,659	25,991	26,065	25,934	26,028	26,318
MEMO									
67 Total loans and leases (gross) and investments adjusted[1,7]	190,619r	188,625	189,252	185,551	185,638	183,309	186,869	186,491	187,681
68 Total loans and leases (gross) adjusted[7]	164,007r	162,317	163,989	159,813	160,122	157,539	160,401	160,027	161,546
69 Time deposits in amounts of $100,000 or more	36,778	35,645	35,948	35,567	35,043	34,657	34,834	34,402	34,880

1. Excludes trading account securities.
2. Not available due to confidentiality.
3. Includes securities purchased under agreements to resell.
4. Includes trading account securities.
5. Includes federal funds purchased and securities sold under agreements to repurchase.
6. Not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.
7. Exclusive of loans and federal funds transactions with domestic commercial banks.

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

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

Millions of dollars, Wednesday figures

Account[1]	1986								
	Mar. 5	Mar. 12	Mar. 19	Mar. 26	Apr. 2	Apr. 9	Apr. 16	Apr. 23	Apr. 30
1 Cash and due from depository institutions	8,939	8,894	8,435	9,204	9,417	8,730	9,589	9,389	9,452
2 Total loans and securities	63,728	64,800	66,163	68,377	67,583	66,693	67,529	68,517	69,478
3 U.S. Treasury and govt. agency securities	3,789	3,906	3,883	3,784	3,888	4,245	4,492	4,345	4,946
4 Other securities	4,391	4,078	4,080	4,014	3,999	3,983	4,152	4,322	4,310
5 Federal funds sold[2]	2,989	3,485	3,823	4,312	3,786	3,726	3,116	4,380	4,318
6 To commercial banks in the United States	2,225	2,788	2,919	3,394	3,105	2,985	2,189	3,359	3,314
7 To others	764	696	904	918	681	741	927	1,021	1,004
8 Other loans, gross	52,559	53,331	54,377	56,266	55,908	54,740	55,769	55,469	55,904
9 Commercial and industrial	31,478	31,649	32,188	33,411	32,629	32,342	32,617	32,224	32,188
10 Bankers acceptances and commercial paper	2,186	2,042	2,230	2,372	2,348	2,216	2,243	2,219	2,371
11 All other	29,292	29,606	29,957	31,038	30,281	30,126	30,374	30,005	29,816
12 U.S. addressees	26,947	27,313	27,867	28,888	28,146	27,942	28,159	27,764	27,551
13 Non-U.S. addressees	2,345	2,293	2,090	2,150	2,135	2,184	2,215	2,241	2,265
14 To financial institutions	14,282	14,726	14,902	15,262	15,540	15,184	15,845	16,067	15,863
15 Commercial banks in the United States	11,316	11,650	11,773	12,288	12,707	12,525	12,793	13,235	12,929
16 Banks in foreign countries	1,124	1,091	1,069	1,012	973	968	1,055	984	953
17 Nonbank financial institutions	1,842	1,985	2,060	1,962	1,860	1,692	1,996	1,848	1,981
18 To foreign govts. and official institutions	598	607	606	654	608	608	622	611	641
19 For purchasing and carrying securities	2,562	2,708	3,084	3,397	3,611	2,951	3,092	2,889	3,428
20 All other	3,638	3,641	3,597	3,542	3,520	3,654	3,593	3,678	3,784
21 Other assets (claims on nonrelated parties)	22,594	22,901	22,758	22,783	21,812	22,273	21,905	22,107	22,024
22 Net due from related institutions	14,048	13,625	12,317	11,206	11,982	14,735	12,407	13,694	14,744
23 Total assets	109,309	110,220	109,674	111,570	110,794	112,431	111,430	113,708	115,698
24 Deposits or credit balances due to other than directly related institutions	31,144	30,835	31,792	32,462	31,901	32,113	32,338	31,799	32,821
25 Transaction accounts and credit balances[3]	2,975	2,419	2,777	2,841	2,723	2,549	2,730	2,653	2,961
26 Individuals, partnerships, and corporations	1,478	1,495	1,558	1,520	1,555	1,397	1,552	1,550	1,667
27 Other	1,496	923	1,219	1,321	1,168	1,152	1,178	1,102	1,294
28 Nontransaction accounts[4]	28,169	28,417	29,014	29,620	29,178	29,564	29,608	29,146	29,860
29 Individuals, partnerships, and corporations	22,458	22,878	23,661	24,019	23,718	24,110	24,109	23,831	24,626
30 Other	5,711	5,539	5,353	5,601	5,460	5,454	5,499	5,315	5,234
31 Borrowings from other than directly related institutions	44,366	44,065	40,906	39,320	43,829	46,596	43,747	45,717	46,888
32 Federal funds purchased[5]	22,187	21,920	18,439	16,772	20,959	24,021	22,243	23,410	25,378
33 From commercial banks in the United States	17,332	17,060	13,191	12,314	16,055	18,892	15,886	16,856	18,439
34 From others	4,855	4,860	5,248	4,457	4,904	5,129	6,356	6,554	6,939
35 Other liabilities for borrowed money	22,179	22,145	22,467	22,548	22,871	22,575	21,505	22,306	21,510
36 To commercial banks in the United States	20,170	20,510	20,679	20,744	21,009	20,991	19,628	20,585	19,648
37 To others	2,009	1,636	1,788	1,803	1,862	1,584	1,876	1,722	1,863
38 Other liabilities to nonrelated parties	24,252	24,755	24,900	24,476	23,481	24,252	23,510	23,464	23,694
39 Net due to related institutions	9,548	10,564	12,076	15,312	11,582	9,468	11,835	12,728	12,294
40 Total liabilities	109,309	110,220	109,674	111,570	110,794	112,431	111,430	113,708	115,698
MEMO									
41 Total loans (gross) and securities adjusted[6]	50,187	50,362	51,471	52,696	51,771	51,183	52,547	51,923	53,235
42 Total loans (gross) adjusted[6]	42,006	42,378	43,508	44,897	43,883	42,956	43,903	43,255	43,979

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

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

2. Includes securities purchased under agreements to resell.

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

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

5. Includes securities sold under agreements to repurchase.

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

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

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

Type of holder	Commercial banks									
	1980 Dec.	1981 Dec.	1982 Dec.	1983 Dec.	1984		1985			
					Sept.	Dec.	Mar.[3]	June	Sept.	Dec.
1 **All holders—Individuals, partnerships, and corporations**	**315.5**	**288.9**	**291.8**	**293.5**	**288.8**	**302.7**	**286.6**	**298.6**	**299.6**	**321.6**
2 Financial business	29.8	28.0	35.4	32.8	30.4	31.7	28.1	28.9	28.9	32.9
3 Nonfinancial business	162.8	154.8	150.5	161.1	158.9	166.3	158.3	164.7	168.1	178.4
4 Consumer	102.4	86.6	85.9	78.5	79.9	81.5	77.9	81.8	80.7	84.8
5 Foreign	3.3	2.9	3.0	3.3	3.3	3.6	3.5	3.7	3.5	3.5
6 Other	17.2	16.7	17.0	17.8	16.3	19.7	18.8	19.5	18.5	22.1
	Weekly reporting banks									
	1980 Dec.	1981 Dec.	1982 Dec.	1983 Dec.[2]	1984		1985			
					Sept.	Dec.	Mar.[3]	June	Sept.	Dec.
7 **All holders—Individuals, partnerships, and corporations**	**147.4**	**137.5**	**144.2**	**146.2**	**145.3**	**157.1**	**147.8**	**151.4**	**153.7**	**168.8**
8 Financial business	21.8	21.0	26.7	24.2	23.7	25.3	22.6	22.9	23.3	26.6
9 Nonfinancial business	78.3	75.2	74.3	79.8	79.2	87.1	82.8	84.0	85.9	94.4
10 Consumer	35.6	30.4	31.9	29.7	29.8	30.5	29.1	29.9	30.6	32.4
11 Foreign	3.1	2.8	2.9	3.1	3.2	3.4	3.3	3.5	3.3	3.1
12 Other	8.6	8.0	8.4	9.3	9.3	10.9	10.0	11.0	10.6	12.3

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

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

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

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1981 Dec.	1982 Dec.	1983 Dec.[1]	1984 Dec.	1985 Dec.	1985 Oct.	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.	1986 Mar.
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**165,829**	**166,436**	**187,658**	**237,586**	**300,899**	**282,155**	**287,981**	**300,899**	**302,160**	**297,862**	**301,110**
Financial companies[3]											
Dealer-placed paper[4]											
2 Total	30,333	34,605	44,455	56,485	78,443	70,395	72,145	78,443	79,048	78,136	84,071
3 Bank-related (not seasonally adjusted)	6,045	2,516	2,441	2,035	1,602	2,077	1,969	1,602	1,410	1,475	1,348
Directly placed paper[5]											
4 Total	81,660	84,393	97,042	110,543	135,504	131,504	131,667	135,504	134,584	134,443	135,510
5 Bank-related (not seasonally adjusted)	26,914	32,034	35,566	42,105	44,778	42,570	41,490	44,778	37,418	36,948	37,013
6 Nonfinancial companies[6]	53,836	47,437	46,161	70,558	86,952	80,256	84,169	86,952	88,528	85,283	81,529
	Bankers dollar acceptances (not seasonally adjusted)[7]										
7 **Total**	**69,226**	**79,543**	**78,309**	**77,121**	**68,180**	**69,272**	**67,890**	**68,180**	**68,205**	**67,188**	**66,906**
Holder											
8 Accepting banks	10,857	10,910	9,355	10,255	11,233	9,719	11,027	11,233	11,084	12,352	13,052
9 Own bills	9,743	9,471	8,125	9,065	9,507	8,041	8,903	9,507	9,346	10,127	10,713
10 Bills bought	1,115	1,439	1,230	1,191	1,726	1,679	2,123	1,726	1,738	2,225	2,340
Federal Reserve Banks											
11 Own account	195	1,480	418	0	0	0	0	0	0	0	0
12 Foreign correspondents	1,442	949	729	671	937	850	874	937	898	874	877
13 Others	56,731	66,204	67,807[r]	66,195[r]	56,004[r]	58,703[r]	55,989[r]	56,004[r]	56,271[r]	53,983[r]	52,944[r]
Basis											
14 Imports into United States	14,765	17,683	15,649	16,975	15,225	16,503	15,845	15,225	14,820	14,806	13,596
15 Exports from United States	15,400	16,328	16,880	15,859	13,189	13,116	13,030	13,189	12,951	13,115	13,406
16 All other	39,060	45,531	45,781	44,287[r]	39,764[r]	39,653[r]	39,015[r]	39,764[r]	40,543[r]	39,267[r]	39,877[r]

1. Effective Dec. 1, 1982, there was a break in the commercial paper series. The key changes in the content of the data involved additions to the reporting panel, the exclusion of broker or dealer placed borrowings under any master note agreements from the reported data, and the reclassification of a large portion of bank-related paper from dealer-placed to directly placed.
2. Correction of a previous misclassification of paper by a reporter has created a break in the series beginning December 1983. The correction adds some paper to nonfinancial and to dealer-placed financial paper.
3. Institutions engaged primarily in activities such as, but not limited to, commercial, savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.
4. Includes all financial company paper sold by dealers in the open market.
5. As reported by financial companies that place their paper directly with investors.
6. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
7. Beginning October 1984, the number of respondents in the bankers acceptance survey were reduced from 340 to 160 institutions—those with $50 million or more in total acceptances. The new reporting group accounts for over 95 percent of total acceptances activity.

1.33 PRIME RATE CHARGED BY BANKS on Short-Term Business Loans

Percent per annum

Effective date	Rate	Effective Date	Rate	Month	Average rate	Month	Average rate
1984—Mar. 19	11.50	1985—Jan. 15	10.50	1984—Jan.	11.00	1985—Mar.	10.50
Apr. 5	12.00	May 20	10.00	Feb.	11.00	Apr.	10.50
May 8	12.50	June 18	9.50	Mar.	11.21	May	10.31
June 25	13.00			Apr.	11.93	June	9.78
Sept. 27	12.75	1986—Mar. 7	9.00	May	12.39	July	9.50
Oct. 17	12.50	Apr. 21	8.50	June	12.60	Aug.	9.50
29	12.00			July	13.00	Sept.	9.50
Nov. 9	11.75			Aug.	13.00	Oct.	9.50
28	11.25			Sept.	12.97	Nov.	9.50
Dec. 20	10.75			Oct.	12.58	Dec.	9.50
				Nov.	11.77		
				Dec.	11.06	1986—Jan.	9.50
						Feb.	9.50
				1985—Jan.	10.61	Mar.	9.10
				Feb.	10.50	Apr.	8.83

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

1.35 INTEREST RATES Money and Capital Markets

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

Instrument	1983	1984	1985	1986				1986, week ending				
				Jan.r	Feb.	Mar.	Apr.	Mar. 28	Apr. 4	Apr. 11	Apr. 18	Apr. 25
MONEY MARKET RATES												
1 Federal funds[1,2]	9.09	10.22	8.10	8.14	7.86	7.48	6.99	7.25	7.39	7.05	6.97	6.92
2 Discount window borrowing[1,2,3]	8.50	8.80	7.69	7.50	7.50	7.10	6.83	7.00	7.00	7.00	7.00	6.79
Commercial paper[4,5]												
3 1-month	8.87	10.05	7.94	7.78	7.70	7.30	6.75	7.25	7.22	6.83	6.57	6.57
4 3-month	8.88	10.10	7.95	7.71	7.63	7.20	6.60	7.13	7.02	6.66	6.41	6.44
5 6-month	8.89	10.16	8.01	7.62	7.54	7.08	6.47	7.00	6.82	6.53	6.30	6.34
Finance paper, directly placed[4,5]												
6 1-month	8.80	9.97	7.91	7.75	7.68	7.24	6.69	7.19	7.18	6.76	6.44	6.53
7 3-month	8.70	9.73	7.77	7.52	7.47	7.15	6.49	7.03	6.99	6.64	6.34	6.25
8 6-month	8.69	9.65	7.75	7.47	7.40	7.10	6.44	6.96	6.88	6.61	6.32	6.20
Bankers acceptances[5,6]												
9 3-month	8.90	10.14	7.92	7.62	7.54	7.09	6.48	7.01	6.80	6.46	6.30	6.44
10 6-month	8.91	10.19	7.96	7.55	7.41	6.94	6.36	6.83	6.61	6.36	6.21	6.35
Certificates of deposit, secondary market[7]												
11 1-month	8.96	10.17	7.97	7.83	7.69	7.33	6.74	7.30	7.14	6.76	6.58	6.62
12 3-month	9.07	10.37	8.05	7.82	7.69	7.24	6.60	7.16	7.02	6.62	6.44	6.47
13 6-month	9.27	10.68	8.25	7.83	7.70	7.23	6.57	7.15	6.94	6.57	6.41	6.47
14 Eurodollar deposits, 3-month[8]	9.56	10.73	8.28	8.02	7.89	7.42	6.80	7.43	7.23	7.01	6.71	6.56
U.S. Treasury bills[5]												
Secondary market[9]												
15 3-month	8.61	9.52	7.48	7.07	7.06	6.56	6.06	6.39	6.31	6.07	5.84	6.03
16 6-month	8.73	9.76	7.65	7.16	7.11	6.57	6.08	6.42	6.30	6.08	5.87	6.06
17 1-year	8.80	9.92	7.81	7.21	7.11	6.59	6.06	6.46	6.27	6.03	5.85	6.08
Auction average[10]												
18 3-month	8.52r	9.57r	7.47	7.04	7.03	6.59	6.06	6.36	6.35	6.19	5.84	5.86
19 6-month	8.76r	9.80	7.64	7.13	7.08	6.60	6.07	6.43	6.32	6.17	5.93	5.87
20 1-year	8.86r	9.91	7.83	7.31	7.19	6.61	5.94	n.a.	n.a.	5.94	n.a.	n.a.
CAPITAL MARKET RATES												
U.S. Treasury notes and bonds[11]												
Constant maturities[12]												
21 1-year	9.57	10.89	8.43	7.73	7.61	7.03	6.44	6.89	6.67	6.41	6.21	6.46
22 2-year	10.21	11.65	9.27	8.14	7.97	7.21	6.70	7.10	6.90	6.67	6.47	6.70
23 3-year	10.45	11.89	9.64	8.41	8.10	7.30	6.86	7.19	7.03	6.82	6.59	6.94
24 5-year	10.80	12.24	10.13	8.68	8.34	7.46	7.05	7.36	7.22	7.04	6.80	7.10
25 7-year	11.02	12.40	10.51	9.03	8.58	7.67	7.16	7.52	7.27	7.15	6.92	7.24
26 10-year	11.10	12.44	10.62	9.19	8.70	7.78	7.30	7.63	7.39	7.31	7.10	7.35
27 20-year	11.34	12.48	10.97	9.59	9.08	8.09	7.50	7.93	7.54	7.50	7.33	7.57
28 30-year	11.18	12.39	10.79	9.40	8.93	7.96	7.39	7.81	7.47	7.39	7.22	7.42
Composite[13]												
29 Over 10 years (long-term)	10.84	11.99	10.75	9.51	9.07	8.13	7.59	7.98	7.62	7.58	7.39	7.66
State and local notes and bonds												
Moody's series[14]												
30 Aaa	8.80	9.61	8.60	7.74	7.26	6.73	6.81	6.80	6.65	6.80	6.90	6.90
31 Baa	10.17	10.38	9.58	8.79	8.30	7.58	7.45	7.60	7.40	7.40	7.50	7.50
32 *Bond Buyer* series[15]	9.51	10.10	9.11	8.08	7.44	7.08	7.20	7.21	7.15	7.25	7.16	7.22
Corporate bonds												
Seasoned issues[16]												
33 All industries	12.78	13.49	12.05	10.75	10.40	9.79	9.51	9.71	9.54	9.52	9.42	9.51
34 Aaa	12.04	12.71	11.37	10.05	9.67	9.00	8.79	8.94	8.74	8.75	8.66	8.90
35 Aa	12.42	13.31	11.82	10.46	10.13	9.49	9.21	9.43	9.24	9.23	9.12	9.23
36 A	13.10	13.74	12.28	11.04	10.67	10.15	9.83	10.04	9.89	9.87	9.76	9.80
37 Baa	13.55	14.19	12.72	11.44	11.11	10.50	10.19	10.42	10.28	10.24	10.13	10.13
38 A-rated, recently-offered utility bonds[17]	12.73	13.81	12.06	10.74	10.20	9.41	9.26	9.29	9.21	9.19	9.15	9.47
MEMO: Dividend/price ratio[19]												
39 Preferred stocks	11.02	11.59	10.49	9.85	9.62	9.13	8.97	9.21	9.12	9.01	8.90	8.80
40 Common stocks	4.40	4.64	4.25	3.90	3.72	3.50	3.43	3.43	3.46	3.49	3.37	3.38

1. Weekly and monthly figures are averages of all calendar days, where the rate for a weekend or holiday is taken to be the rate prevailing on the preceding business day. The daily rate is the average of the rates on a given day weighted by the volume of transactions at these rates.
2. Weekly figures are averages for statement week ending Wednesday.
3. Rate for the Federal Reserve Bank of New York.
4. Unweighted average of offering rates quoted by at least five dealers (in the case of commercial paper), or finance companies (in the case of finance paper). Before November 1979, maturities for data shown are 30–59 days, 90–119 days, and 120–179 days for commercial paper; and 30–59 days, 90–119 days, and 150–179 days for finance paper.
5. Yields are quoted on a bank-discount basis, rather than an investment yield basis (which would give a higher figure).
6. Dealer closing offered rates for top-rated banks. Most representative rate (which may be, but need not be, the average of the rates quoted by the dealers).
7. Unweighted average of offered rates quoted by at least five dealers early in the day.
8. Calendar week average. For indication purposes only.
9. Unweighted average of closing bid rates quoted by at least five dealers.
10. Rates are recorded in the week in which bills are issued. Beginning with the Treasury bill auction held on Apr. 18, 1983, bidders were required to state the percentage yield (on a bank discount basis) that they would accept to two decimal places. Thus, average issuing rates in bill auctions will be reported using two rather than three decimal places.
11. Yields are based on closing bid prices quoted by at least five dealers.
12. Yields adjusted to constant maturities by the U.S. Treasury. That is, yields are read from a yield curve at fixed maturities. Based on only recently issued, actively traded securities.
13. Averages (to maturity or call) for all outstanding bonds neither due nor callable in less than 10 years, including one very low yielding "flower" bond.
14. General obligations based on Thursday figures; Moody's Investors Service.
15. General obligations only, with 20 years to maturity, issued by 20 state and local governmental units of mixed quality. Based on figures for Thursday.
16. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
17. Compilation of the Federal Reserve. This series is an estimate of the yield on recently-offered, A-rated utility bonds with a 30-year maturity and 5 years of call protection. Weekly data are based on Friday quotations.
18. Standard and Poor's corporate series. Preferred stock ratio based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation. Common stock ratios on the 500 stocks in the price index.

NOTE. These data also appear in the Board's H.15 (519) and G.13 (415) releases. For address, see inside front cover.

1.36 STOCK MARKET Selected Statistics

Indicator	1983	1984	1985	1985 Aug.	1985 Sept.	1985 Oct.	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.	1986 Mar.	1986 Apr.
	Prices and trading (averages of daily figures)											
Common stock prices												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	92.63	92.46	108.09	109.09	106.62	107.57	113.93	119.33	120.16	126.43	133.97	137.25
2 Industrial	107.45	108.01	123.79	124.92	122.35	123.65	130.53	136.77	137.13	144.03	152.75	157.35
3 Transportation	89.36	85.63	104.11	109.92	104.96	103.72	108.61	113.52	115.72	124.18	128.66	125.92
4 Utility	47.00	46.44	56.75	56.99	55.93	55.84	59.07	61.69	62.46	65.18	68.06	69.35
5 Finance	95.34	89.28	114.21	114.68	110.21	112.36	122.83	128.86	132.36	142.13	153.94	154.83
6 Standard & Poor's Corporation (1941–43 = 10)[1]	160.41	160.50	186.84	188.31	184.06	186.18	197.45	207.26	208.19	219.37	232.33	237.97
7 American Stock Exchange[2] (Aug. 31, 1973 = 50)	216.48	207.96	229.10	232.65	226.27	225.00	236.53	243.28	245.27	246.09	264.91	270.59
Volume of trading (thousands of shares)												
8 New York Stock Exchange	85,418	91,084	109,191	87,468	97,910	110,569	122,263	133,446	130,872	152,590	160,755	146,330
9 American Stock Exchange	8,215	6,107	8,355	7,275	7,057	7,648	9,183	11,890	11,105	14,057	15,902	13,503
	Customer financing (end-of-period balances, in millions of dollars)											
10 Margin credit at broker–dealers[3]	**23,000**	**22,470**	**28,390**	**25,780**	**25,330**	**26,350**	**26,400**	**28,390**	**26,810**	**27,450**	**29,090**	**30,760**
Free credit balances at brokers[4]												
11 Margin-account[5]	......	1,755	2,715	1,810	1,745	1,715	2,080	2,715	2,645	2,545r	2,715r	3,065
12 Cash-account	8,430	10,215	12,840	9,440	10,080	9,630	10,340	12,840	11,695	12,355	13,920	14,340
	Margin-account debt at brokers (percentage distribution, end of period)											
13 Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
By equity class (in percent)[6]												
14 Under 40	22.0	18.0	34.0	35.0	40.0	37.0	35.0	34.0	32.0	28.0	29.0	29.0
15 40–49	22.0	18.0	20.0	21.0	22.0	22.0	20.0	20.0	21.0r	19.0	19.0	20.0
16 50–59	16.0	16.0	19.0	18.0	16.0	17.0	19.0	19.0	19.0r	21.0	22.0r	20.0
17 60–69	9.0	9.0	11.0	11.0	9.0	10.0	11.0	11.0	11.0	13.0	13.0	13.0
18 70–79	6.0	5.0	8.0	8.0	6.0	7.0	7.0	8.0	8.0	9.0	8.0r	9.0
19 80 or more	6.0	6.0	8.0	7.0	7.0	7.0	8.0	8.0	9.0	10.0	9.0	9.0
	Special miscellaneous-account balances at brokers (end of period)											
20 Total balances (millions of dollars)[7]	**58,329**	**75,840**	**99,310**	**90,930**	**91,400**	**92,250**	**95,240**	**99,310**	**99,290**	**104,228**	**103,450**	**105,790**
Distribution by equity status (percent)												
21 Net credit status	63.0	59.0	58.0	59.0	59.0	58.0	57.0	58.0	59.0	60.0	61.0	59.0
Debt status, equity of												
22 60 percent or more	28.0	29.0	31.0	30.0	31.0	31.0	32.0	31.0	33.0	32.0	31.0	8.0
23 Less than 60 percent	9.0	11.0	11.0	11.0	10.0	11.0	11.0	11.0	8.0	8.0	8.0	33.0

Margin requirements (percent of market value and effective date)[8]

	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
24 Margin stocks	70	80	65	55	65	50
25 Convertible bonds	50	60	50	50	50	50
26 Short sales	70	80	65	55	65	50

1. Effective July 1976, includes a new financial group, banks and insurance companies. With this change the index includes 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.
2. Beginning July 5, 1983, the American Stock Exchange rebased its index effectively cutting previous readings in half.
3. Beginning July 1983, under the revised Regulation T, margin credit at broker-dealers includes credit extended against stocks, convertible bonds, stocks acquired through exercise of subscription rights, corporate bonds, and government securities. Separate reporting of data for margin stocks, convertible bonds, and subscription issues was discontinued in April 1984, and margin credit at broker-dealers became the total that is distributed by equity class and shown on lines 17–22.
4. Free credit balances are in accounts with no unfulfilled commitments to the brokers and are subject to withdrawal by customers on demand.
5. New series beginning June 1984.
6. Each customer's equity in his collateral (market value of collateral less net debit balance) is expressed as a percentage of current collateral values.
7. 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.
8. Regulations G, T, and U of the Federal Reserve Board of Governors, prescribed in accordance with the Securities Exchange Act of 1934, limit the amount of credit to purchase and carry margin stocks that may be extended on securities as collateral by prescribing a maximum loan value, which is a specified percentage of the market value of the collateral at the time the credit is extended. Margin requirements are the difference between the market value (100 percent) and the maximum loan value. The term "margin stocks" is defined in the corresponding regulation.

1.37 SELECTED FINANCIAL INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1983	1984	1985								1986		
			May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
							FSLIC insured institutions						
1 **Assets**	**819,168**	**978,514**	**1,003,225**	**1,012,312**	**1,022,410**	**1,034,979**	**1,042,065r**	**1,049,234r**	**1,061,329r**	**1,069,491r**	**1,069,829r**	**1,078,919r**	**1,089,726**
2 Mortgages	521,308	599,021	617,574	623,275	627,311r	633,107r	638,112r	644,615r	647,882r	650,200r	651,782r	652,536r	653,713
3 Mortgage-backed securities	90,902	108,219	106,433	102,892	105,869	108,417r	113,333r	111,405r	110,405r	110,267r	111,852r	113,531r	115,018
4 Cash and investment securities[1]	109,923	135,640	129,918	132,109	133,001	135,050r	131,582r	130,759r	139,590r	143,560r	139,789r	144,763r	149,766
5 Other	74,086	91,516	98,034	100,595	101,281	101,688r	101,467r	102,660r	103,023r	103,141r	103,947r	104,612r	106,758
6 **Liabilities and net worth**	**819,168**	**978,514**	**1,003,225**	**1,012,312**	**1,022,410**	**1,034,979**	**1,042,065r**	**1,049,234r**	**1,061,329r**	**1,069,491r**	**1,069,829r**	**1,078,919r**	**1,089,726**
7 Savings capital	671,059	784,724	809,083	817,551	822,105	826,841	831,274	833,193	837,463r	843,957r	847,540r	852,296r	862,192
8 Borrowed money	98,511	137,123	129,082	130,269	134,019	139,507	144,982r	147,355	152,769r	156,696r	150,851r	151,981r	154,786
9 FHLBB	57,253	71,719	74,159	75,897	77,756	80,129	81,486r	82,569	82,718	84,398r	82,633r	82,473r	82,412
10 Other	41,258	65,404	54,923	54,372	56,263	59,378	63,496r	64,786	70,051r	72,298r	68,218r	69,508r	72,374
11 Other	16,619	18,746	24,215	22,055	23,252	25,199	21,865r	24,271r	26,035	21,971r	24,193r	26,584r	23,814
12 Net worth[2]	32,980	37,921	40,845	42,436	43,034	43,432	43,945r	44,415r	45,063	46,867r	47,245r	48,05r	48,934
13 MEMO: Mortgage loan commitments outstanding[3]	56,785	65,836	69,683	69,585	68,805	66,120	65,743	65,049r	65,455r	62,091r	60,788r	63,136r	64,214
							Savings banks[4]						
14 **Assets**	**193,535**	**203,898**	**212,509**	**212,163**	**213,824**	**215,298**	**215,560**	**215,893**	**216,793**	**216,693**	**216,673**	**218,119**	
Loans													
15 Mortgage	97,356	102,895	105,869	105,891	106,441	107,322	108,842	109,171	109,494	110,371	108,973	109,702	
16 Other	19,129	24,954	28,530	29,211	30,339	30,195	29,672	29,967	31,217	30,875	31,752	32,501	
Securities													
17 U.S. government	15,360	14,643	14,895	14,074	13,960	13,868	13,686	13,734	13,434	13,113	12,568	12,474	
18 Mortgage-backed securities	18,205	19,215	19,527	19,160	19,779	20,101	20,368	20,012	19,828	19,482	21,372	21,525	
19 State and local government	2,177	2,077	2,094	2,093	2,086	2,105	2,107	2,163	2,148	2,323	2,298	2,297	
20 Corporate and other[7]	25,375	23,747	24,344	24,047	23,738	23,735	23,534	23,039	22,816	21,212	20,828	20,707	n.a.
21 Cash	6,263	4,954	5,004	4,935	4,544	4,821	4,916	4,893	4,771	6,219	5,645	5,646	
22 Other assets	9,670	11,413	12,246	12,770	12,937	13,151	12,345	12,914	13,085	13,098	13,237r	13,267	
23 **Liabilities**	**193,535**	**203,898**	**212,509**	**212,163**	**213,824**	**215,298**	**215,560**	**215,893**	**216,793**	**216,693**	**216,673**	**218,119**	
24 Deposits	172,665	180,616	185,802	186,091	186,824	187,207	187,722	187,239	187,552	185,930	186,321	186,777	
25 Regular[8]	170,135	177,418	182,113	182,218	182,881	183,222	183,560	183,296	183,716	181,921r	182,399	182,890	
26 Ordinary savings	38,554	33,739	33,457	33,526	33,495	33,398	33,252	33,303	33,638	33,021	32,365	32,693	
27 Time	95,129	104,732	104,843	104,756	104,737	104,448	104,668	104,024	104,116	103,269	104,436	104,588	
28 Other	2,530	3,198	3,674	3,873	3,943	3,985	4,162	3,943	3,836	4,049	3,922	3,887	
29 Other liabilities	10,154	12,504	15,546	14,348	15,137	15,971	15,546	15,996	16,309	17,375	17,086	17,793	
30 General reserve accounts	10,368	10,510	10,913	11,238	11,453	11,704	11,882	12,299	12,567	12,821	12,925	13,211	
							Life insurance companies[8]						
31 **Assets**	**654,948**	**722,979**	**757,523**	**765,891**	**772,452**	**778,293**	**783,828**	**791,483**	**802,024**	**816,203**	**824,850**		
Securities													
32 Government	50,752	63,899	67,880	68,636	68,983	69,975	71,095	72,334	73,451	77,230	77,966		
33 United States[6]	28,636	42,204	45,593	46,260	46,514	47,343	48,181	49,300	50,321	53,559	53,979		
34 State and local	9,986	8,713	8,998	9,044	8,980	9,201	9,293	9,475	9,615	10,086	10,373		
35 Foreign[7]	12,130	12,982	13,289	13,332	13,489	13,431	13,621	13,559	13,515	13,585	13,614		
36 Business	322,854	359,333	384,342	388,448	393,386	397,202	399,474	403,832	410,141	414,424	420,835	n.a.	n.a.
37 Bonds	257,986	295,998	314,021	317,029	321,752	325,647	329,133	331,675	335,129	337,205	343,003		
38 Stocks	64,868	63,335	70,321	71,419	71,634	71,555	70,341	72,157	75,012	77,219	77,832		
39 Mortgages	150,999	156,699	160,470	161,485	162,690	163,027	163,929	165,687	167,306	170,460	171,275		
40 Real estate	22,234	25,767	27,215	27,831	28,240	28,450	28,476	28,637	28,844	28,662	28,709		
41 Policy loans	54,063	54,505	54,384	54,320	54,300	54,238	54,225	54,142	54,121	54,200	54,187		
42 Other assets	54,046	63,776	63,232	65,171	64,853	65,401	66,629	57,313	68,161	71,227	69,179		
							Credit unions[9]						
43 **Total assets/liabilities and capital**	**81,961**	**93,036**	**104,992**	**106,783**	**107,991**	**111,150**	**113,016**	**114,783**	**117,029**	**118,010**	**118,933**	**122,623**	**126,653**
44 Federal	54,482	63,205	71,342	72,021	72,932	74,869	75,567	76,415	77,829	77,861	78,619	80,024	82,275
45 State	27,479	29,831	33,650	34,762	35,059	36,281	37,449	38,368	39,200	40,149	40,314	42,599	44,378
46 Loans outstanding	50,083	62,561	65,298	66,817	67,662	69,171	70,765	71,811	72,404	73,513	73,513	74,207	75,300
47 Federal	32,930	42,337	44,042	44,707	44,963	46,036	46,702	47,065	47,538	47,933	48,055	48,059	48,633
48 State	17,153	20,224	21,256	22,110	22,699	23,135	24,063	24,746	24,866	25,580	25,458	26,148	26,667
49 Savings	74,739	84,348	95,278	96,702	98,026	99,834	101,318	103,677	105,384	105,963	107,238	110,541	114,579
50 Federal (shares)	49,889	57,539	66,680	66,243	67,070	68,087	68,592	70,063	71,117	70,926	72,166	73,227	75,698
51 State (shares and deposits)	24,850	26,809	28,598	30,459	30,956	31,747	32,726	33,614	34,267	35,037	35,072	37,314	38,881

NOTES TO TABLE 1.37

1. Holdings of stock of the Federal Home Loan Banks are in "other assets."
2. Includes net undistributed income accrued by most associations.
3. As of July 1985, data include loans in process.
4. The National Council reports data on member mutual savings banks and on savings banks that have converted to stock institutions, and to federal savings banks.
5. Excludes checking, club, and school accounts.
6. Direct and guaranteed obligations. Excludes federal agency issues not guaranteed, which are shown in the table under "Business" securities.
7. Issues of foreign governments and their subdivisions and bonds of the International Bank for Reconstruction and Development.
8. Data for December 1984 through April 1985 have been revised.
9. As of June 1982, data include federally chartered or federally insured, state-chartered credit unions serving natural persons. Before that date, data were estimates of all credit unions.

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

Savings banks: Estimates of National Council of Savings Institutions for all savings banks in the United States.

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

Credit unions: Estimates by the National Credit Union Administration for a group of federal and federally insured state credit unions serving natural persons. Figures are preliminary and revised annually to incorporate recent data.

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1983	Fiscal year 1984	Fiscal year 1985	Calendar year 1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.	1986 Mar.	1986 Apr.
U.S. budget[1]									
1 Receipts, total	600,562	666,457	733,996	51,163	68,193	76,710	53,370	49,557	91,438
2 On-budget	n.a.	n.a.	n.a.	37,611	52,884	57,465	38,417	32,203	69,130
3 Off-budget	n.a.	n.a.	n.a.	13,552	15,309	19,245	14,953	17,355	22,308
4 Outlays, total	808,273	851,796	945,927	84,548	82,849	83,201	77,950	79,700	81,510
5 On-budget	n.a.	n.a.	n.a.	69,391	71,579	68,146	61,963	63,660	67,276
6 Off-budget	n.a.	n.a.	n.a.	15,157	11,270	15,055	15,987	16,040	14,234
7 Surplus, or deficit (−), total	−207,711	−185,339	−211,931	−33,386	−14,656	−6,492	−24,580	−30,142	9,928
8 On-budget	n.a.	n.a.	n.a.	−31,781	−18,695	−10,682	−23,546	−31,457	1,854
9 Off-budget	n.a.	n.a.	n.a.	−1,605	4,039	4,190	−1,034	1,315	8,074
Source of financing (total)									
10 Borrowing from the public	212,424	170,817	197,269	45,863	33,261	12,660	16,010	8,441	14,213
11 Cash and monetary assets (decrease, or increase (−))[2]	−9,889	5,636	10,673	−8,671	−21,020	−9,503	12,969	14,093	−22,542
12 Other[3]	5,176	8,885	3,989	−3,806	2,415	3,334	−4,400	7,608	−1,599
MEMO									
13 Treasury operating balance (level, end of period)	37,057	22,345	17,060	10,051	30,935	40,215	26,326	12,246	34,417
14 Federal Reserve Banks	16,557	3,791	4,174	2,294	9,351	16,228	5,026	3,280	11,550
15 Tax and loan accounts	20,500	18,553	12,886	7,757	21,584	23,987	21,300	8,966	22,867

1. In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, all former off-budget entries are now presented on-budget. The Federal Financing Bank (FFB) activities are now shown as separate accounts under the agencies that use the FFB to finance their programs. The act has also moved two social security trust funds (Federal old-age survivors insurance and Federal disability insurance trust funds) off-budget.

2. Includes U.S. Treasury operating cash accounts; SDRs; reserve position on the U.S. quota in the IMF; loans to International Monetary Fund; and other cash and monetary assets.

3. Includes accrued interest payable to the public; allocations of special drawing rights; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seigniorage; increment on gold; net gain/loss for U.S. currency valuation adjustment; net gain/loss for IMF valuation adjustment; and profit on the sale of gold.

SOURCE. "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government," and the "Daily Treasury Statement."

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS

Millions of dollars

Source or type	Fiscal year 1984	Fiscal year 1985	Calendar year						
			1984		1985		1986		
			H1	H2	H1	H2	Feb.	Mar.	Apr.
RECEIPTS									
1 **All sources**	**666,457**	**733,996**	**341,808**	**341,392**	**380,618**	**364,790**	**53,370**	**49,557**	**91,438**
2 Individual income taxes, net	295,960	330,918	144,691	157,229	166,783	169,987	25,370	12,572	45,120
3 Withheld	279,350	298,941	140,657	145,210	149,288	155,725	27,295	25,141	21,905
4 Presidential Election Campaign Fund	35	35	29	5	29	6	2	8	10
5 Nonwithheld	81,346	97,685	61,463	19,403	76,155	22,295	1,253	3,482	42,555
6 Refunds	64,770	65,743	57,458	7,387	58,684	8,038	3,181	16,060	19,350
Corporation income taxes									
7 Gross receipts	74,179	77,413	40,328	35,190	42,193	36,528	1,941	10,714	11,192
8 Refunds	17,286	16,082	10.045	6,847	8,370	7,751	1,321	2,601	2,476
9 Social insurance taxes and contributions, net	241,902	268,805	131,372	118,690	144,598	128,017	22,046	22,785	31,756
10 Employment taxes and contributions[1]	212,180	238,288	114,102	105,624	126,038	116,276	19,207	22,229	28,391
11 Self-employment taxes and contributions[2]	8,709	10,468	7,667	1,086	9,482	985	641	643	6,510
12 Unemployment insurance	25,138	25,758	14,942	10,706	16,213	9,281	2,467	190	2,999
13 Other net receipts[3]	4,580	4,759	2,329	2,360	2,350	2,458	372	366	366
14 Excise taxes	37,361	35,865	18,304	18,961	17,259	18,470	2,265	2,531	2,512
15 Customs deposits	11,370	12,079	5,576	6,329	5,807	6,354	948	1,036	1,087
16 Estate and gift taxes	6,010	6,422	3,102	3,029	3,204	3,323	487	533	680
17 Miscellaneous receipts[4]	16,965	18,576	8,481	8,812	9,144	9,861	1,635	1,989	1,568
OUTLAYS									
18 **All types**	**851,781**	**946,323**	**420,700**	**446,943**	**463,842**	**488,739**	**78,290**	**79,700**	**81,510**
19 National defense	227,413	252,748	114,639	118,286	124,186	134,675	21,268	24,002	22,842
20 International affairs	15,876	16,176	5,426	8,550	6,675	8,367	−208	1,676	732
21 General science, space, and technology	8,317	8,627	3,981	4,473	4,230	4,727	840	549	761
22 Energy	7,086	5,685	1,080	1,423	680	3,305	179	967	358
23 Natural resources and environment	12,593	13,357	5,463	7,370	5,892	7,553	838	838	1,130
24 Agriculture	13,613	25,565	7,129	8,524	11,705	15,412	2,103	1,207	3,489
25 Commerce and housing credit	6,917	4,229	2,572	2,663	−260	644	−725	−319	604
26 Transportation	23,669	25,838	10,616	13,673	11,440	15,360	1,723	1,963	2,271
27 Community and regional development	7,673	7,680	3,154	4,836	3,408	3,901	519	615	638
28 Education, training, employment, social services	27,579	29,342	13,445	13,737	14,149	14,481	2,727	2,377	2,440
29 Health	30,417	33,542	15,551	15,692	16,945	17,237	2,885	2,385	3,205
30 Social security and medicare	235,764	254,446	119,420	119,613	128,351	129,037	21,641	22,009	22,234
31 Income security	112,668	128,200	58,684	61,558	65,246	59,457	10,683	10,409	11,113
32 Veterans benefits and services	25,614	26,352	12,849	13,317	11,956	14,527	2,327	1,080	2,340
33 Administration of justice	5,660	6,277	2,807	2,992	3,016	3,212	567	511	546
34 General government	5,053	5,228	2,462	2,552	2,857	3,634	375	1,165	−48
35 General-purpose fiscal assistance	6,768	6,353	2,943	3,458	2,659	3,391	172	61	885
36 Net interest[5]	111,058	129,436	54,748	61,293	65,143	67,448	12,958	10,668	10,359
37 Undistributed offsetting receipts[6]	−31,957	−32,759	−16,270	−17,061	−14,436	−17,953	−2,583	−2,464	−4,387

1. Old-age, disability, and hospital insurance, and railroad retirement accounts.
2. Old-age, disability, and hospital insurance.
3. Federal employee retirement contributions and civil service retirement and disability fund.
4. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.
5. Net interest function includes interest received by trust funds.
6. Consists of rents and royalties on the outer continental shelf and U.S. government contributions for employee retirement.

SOURCE. "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government," and the *Budget of the U.S. Government, Fiscal Year 1987*.

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1983	1984				1985			
	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
1 **Federal debt outstanding**	**1,415.3**	**1,468.3**	**1,517.2**	**1,576.7**	**1,667.4**	**1,715.1**	**1,779.0**	**1,827.5**	**1,950.3**
2 Public debt securities	1,410.7	1,463.7	1,512.7	1,572.3	1,663.0	1,710.7	1,774.6	1,823.1	1,945.9
3 Held by public	1,174.4	1,223.9	1,255.1	1,309.2	1,373.4	1,415.2	1,460.5	1,506.6	1,597.1
4 Held by agencies	236.3	239.8	257.6	263.1	289.6	295.5	314.2	316.5	348.9
5 Agency securities	4.6	4.6	4.5	4.5	4.5	4.4	4.4	4.4	4.4
6 Held by public	3.5	3.5	3.4	3.4	3.4	3.3	3.3	3.3	3.3
7 Held by agencies	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
8 **Debt subject to statutory limit**	**1,411.4**	**1,464.5**	**1,513.4**	**1,573.0**	**1,663.7**	**1,711.4**	**1,775.3**	**1,823.8**	**1,932.4**
9 Public debt securities	1,410.1	1,463.1	1,512.1	1,571.7	1,662.4	1,710.1	1,774.0	1,822.5	1,931.1
10 Other debt[1]	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
11 MEMO: Statutory debt limit	1,490.0	1,490.0	1,520.0	1,573.0	1,823.8	1,823.8	1,823.8	1,823.8	2,078.7

1. Includes guaranteed debt of government agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds.

NOTE. Data from *Treasury Bulletin* and *Daily Treasury Statement* (U.S. Treasury Department).

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

Billions of dollars, end of period

Type and holder	1981	1982	1983	1984	1985			
					Q1	Q2	Q3	Q4
1 **Total gross public debt**	1,028.7	1,197.1	1,410.7	1,663.0	1,710.7	1,774.6	1,823.1	1,945.9
By type								
2 Interest-bearing debt	1,027.3	1,195.5	1,400.9	1,660.6	1,695.2	1,759.8	1,821.0	1,943.4
3 Marketable	720.3	881.5	1,050.9	1,247.4	1,271.7	1,310.7	1,360.2	1,437.7
4 Bills	245.0	311.8	343.8	374.4	379.5	381.9	384.2	399.9
5 Notes	375.3	465.0	573.4	705.1	713.8	740.9	776.4	812.5
6 Bonds	99.9	104.6	133.7	167.9	178.4	187.9	199.5	211.1
7 Nonmarketable[1]	307.0	314.0	350.0	413.2	423.6	449.1	460.8	505.7
8 State and local government series	23.0	25.7	36.7	44.4	47.7	53.9	62.8	87.5
9 Foreign issues[2]	19.0	14.7	10.4	9.1	9.1	8.3	6.6	7.5
10 Government	14.9	13.0	10.4	9.1	9.1	8.3	6.6	7.5
11 Public	4.1	1.7	.0	.0	.0	.0	.0	.0
12 Savings bonds and notes	68.1	68.0	70.7	73.1	74.1	75.4	77.0	78.1
13 Government account series[3]	196.7	205.4	231.9	286.2	292.2	311.0	313.9	332.2
14 Non-interest-bearing debt	1.4	1.6	9.8	2.3	15.5	14.8	2.1	2.5
By holder[4]								
15 U.S. government agencies and trust funds	203.3	209.4	236.3	289.6	295.5	314.2	316.5	348.9
16 Federal Reserve Banks	131.0	139.3	151.9	160.9	161.0	169.1	169.7	181.3
17 Private investors	694.5	848.4	1,022.6	1,212.5	1,254.1	1,292.0	1,338.2	1,431.3
18 Commercial banks	111.4	131.4	188.8	183.4	195.0	196.3	196.9	192.2
19 Money market funds	21.5	42.6	22.8	25.9	26.7	24.8	22.7	25.1
20 Insurance companies	29.0	39.1	56.7	76.4	80.4	85.0	88.6	93.2
21 Other companies	17.9	24.5	39.7	50.1	50.8	50.7	54.9	62.0
22 State and local governments	104.3	127.8	155.1	179.4	189.7	198.9	n.a.	n.a.
Individuals								
23 Savings bonds	68.1	68.3	71.5	74.5	75.4	76.7	78.2	79.8
24 Other securities	42.7	48.2	61.9	69.3	69.7	72.0	73.2	74.9
25 Foreign and international[5]	136.6	149.5	166.3	192.9	186.4	200.7	209.8	214.6
26 Other miscellaneous investors[6]	163.0	217.0	259.8	360.6	380.0	386.9	n.a.	n.a.

1. Includes (not shown separately): Securities issued to the Rural Electrification Administration; depository bonds, retirement plan bonds, and individual retirement bonds.
2. Nonmarketable dollar-denominated and foreign currency-denominated series held by foreigners.
3. Held almost entirely by U.S. government agencies and trust funds.
4. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.
5. Consists of investments of foreign and international accounts. Excludes non-interest-bearing notes issued to the International Monetary Fund.
6. Includes savings and loan associations, nonprofit institutions, credit unions, mutual savings banks, corporate pension trust funds, dealers and brokers, certain U.S. government deposit accounts, and U.S. government-sponsored agencies.

SOURCES. Data by type of security, U.S. Treasury Department, *Monthly Statement of the Public Debt of the United States;* data by holder, *Treasury Bulletin.*

1.42 U.S. GOVERNMENT SECURITIES DEALERS Transactions[1]

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

Item	1983	1984	1985	1986			1986 week ending Wednesday					
				Jan.	Feb.ʳ	Mar.ʳ	Mar. 26ʳ	Apr. 2	Apr. 9	Apr. 16	Apr. 23	Apr. 30
Immediate delivery[2]												
1 U.S. government securities	42,135	52,778	75,331	102,451	103,908	99,904	92,888	118,852	106,170	98,444	95,282	92,116
By maturity												
2 Bills	22,393	26,035	32,900	34,741	36,253	36,352	32,605	39,736	40,409	38,016	33,704	29,858
3 Other within 1 year	708	1,305	1,811	1,850	1,994	1,786	1,882	1,894	1,565	1,395	1,690	2,528
4 1–5 years	8,758	11,733	18,361	25,664	24,224	22,639	25,603	25,568	23,615	20,824	21,568	24,845
5 5–10 years	5,279	7,606	12,703	20,892	23,598	21,618	19,060	29,847	21,763	21,033	20,972	21,023
6 Over 10 years	4,997	6,099	9,556	19,304	17,839	17,510	13,738	21,807	18,817	17,176	17,348	13,862
By type of customer												
7 U.S. government securities dealers	2,257	2,919	3,336	2,903	3,013	4,037	2,166	5,921	3,207	3,959	3,335	5,422
8 U.S. government securities brokers	21,045	25,580	36,222	51,382	52,436	52,355	46,695	58,258	57,475	50,967	50,129	47,543
9 All others[3]	18,833	24,278	35,773	48,167	48,459	43,512	44,027	54,673	45,488	43,519	41,818	39,152
10 Federal agency securities	5,576	7,846	11,640	15,239	17,420	14,970	17,245	16,645	15,141	18,755	14,289	11,509
11 Certificates of deposit	4,333	4,947	4,016	3,739	4,483	4,864	3,526	4,810	6,263	4,656	4,267	4,320
12 Bankers acceptances	2,642	3,243	3,242	3,290	3,753	3,839	3,468	3,934	5,531	3,795	2,980	2,911
13 Commercial paper	8,036	10,018	12,717	16,357	16,705	16,058	15,029	18,522	15,080	15,842	15,923	16,586
Futures transactions[4]												
14 Treasury bills	6,655	6,947	5,561	5,445	3,624	4,397	2,249	3,750	5,509	3,117	4,057	5,078
15 Treasury coupons	2,501	4,503	6,069	9,140	9,056	8,375	6,092	8,995	8,208	7,925	8,413	8,257
16 Federal agency securities	265	262	240	2	7	6	3	19	8	14	0	9
Forward transactions[5]												
17 U.S. government securities	1,493	1,364	1,283	2,592	1,743	1,287	1,739	1,075	1,564	1,089	1,447	1,260
18 Federal agency securities	1,646	2,843	3,857	6,655	7,172	8,148	5,494	7,061	6,874	10,763	8,090	6,910

1. Transactions are market purchases and sales of securities as reported to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers.

Averages for transactions are based on the number of trading days in the period. The figures exclude allotments of, and exchanges for, new U.S. government securities, redemptions of called or matured securities, purchases or sales of securities under repurchase agreement, reverse repurchase (resale), or similar contracts.

2. Data for immediate transactions do not include forward transactions.

3. Includes, among others, all other dealers and brokers in commodities and securities, nondealer departments of commercial banks, foreign banking agencies, and the Federal Reserve System.

4. Futures contracts are standardized agreements arranged on an organized exchange in which parties commit to purchase or sell securities for delivery at a future date.

5. Forward transactions are agreements arranged in the over-the-counter market in which securities are purchased (sold) for delivery after 5 business days from the date of the transaction for government securities (Treasury bills, notes, and bonds) or after 30 days for mortgage-backed agency issues.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing[1]

Averages of daily figures, in millions of dollars

Item	1983	1984	1985	1986 Feb.	1986 Mar.r	1986 Apr.	1986 week ending Wednesday Apr. 2	Apr. 9	Apr. 16	Apr. 23	Apr. 30
						Positions					
Net immediate[2]											
1 U.S. government securities	14,082	5,429	7,391	11,708r	10,799	18,320	16,724	22,049	21,597	14,665	14,247
2 Bills	10,800	5,500	10,075	16,085	12,123	17,010	12,985	19,081	19,808	16,004	13,301
3 Other within 1 year	921	63	1,050	2,801	2,961	5,834	4,402	5,765	5,805	5,946	5,814
4 1–5 years	1,912	2,159	5,154	8,793	9,590	9,352	13,050	10,061	8,547	7,433	10,448
5 5–10 years	−78	−1,119	−6,202	−11,158r	−10,339	−10,195	−9,722	−9,161	−9,583	−11,459	−10,654
6 Over 10 years	528	−1,174	−2,686	−4,814r	−3,536	−3,681	−3,992	−3,696	−2,981	−3,260	−4,663
7 Federal agency securities	7,313	15,294	22,860	33,049r	37,208	36,165	35,935	35,759	36,675	37,171	35,042
8 Certificates of deposit	5,838	7,369	9,192	9,436	10,609	10,717	11,018	11,262	10,361	10,622	10,472
9 Bankers acceptances	3,332	3,874	4,586	5,608	5,770	5,537	6,746	6,488	5,593	4,670	4,867
10 Commercial paper	3,159	3,788	5,570	6,832	8,678	8,148	9,478	7,928	7,407	7,788	9,146
Futures positions											
11 Treasury bills	−4,125	−4,525	−7,322	−18,504	−27,541	−26,431	−27,113	−27,933	−27,399	−26,760	−23,431
12 Treasury coupons	−1,033	1,794	4,465	5,003	5,279	2,590	4,724	3,292	2,556	2,055	1,790
13 Federal agency securities	171	233	−722	−313	−247	−82	−41	−71	−69	−104	−104
Forward positions											
14 U.S. government securities	−1,936	−1,643	−911	−928	−2,981	−1,888	−2,223	−2,266	−1,988	−1,200	−1,923
15 Federal agency securities	−3,561	−9,205	−9,420	−10,039	−12,157	−11,500	−12,112	−11,808	−13,099	−11,037	−9,713
						Financing[3]					
Reverse repurchase agreements[4]											
16 Overnight and continuing	29,099	44,078	68,035	86,481	91,649	90,823	84,990	85,104	91,014	95,235	94,272
17 Term agreements	52,493	68,357	80,509	101,330	104,905	109,742	100,639	104,465	106,814	115,660	115,669
Repurchase agreements[5]											
18 Overnight and continuing	57,946	75,717	101,410	131,711	138,072	141,918	137,117	134,876	146,579	146,521	141,617
19 Term agreements	44,410	57,047	77,748	86,748	94,667	103,705	93,221	97,433	99,571	110,878	111,130

1. Data for dealer positions and sources of financing are obtained from reports submitted to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers.

Data for positions are averages of daily figures, in terms of par value, based on the number of trading days in the period. Positions are net amounts and are shown on a commitment basis. Data for financing are in terms of actual amounts borrowed or lent and are based on Wednesday figures.

2. Immediate positions are net amounts (in terms of par values) of securities owned by nonbank dealer firms and dealer departments of commercial banks on a commitment, that is, trade-date basis, including any such securities that have been sold under agreements to repurchase (RPs). The maturities of some repurchase agreements are sufficiently long, however, to suggest that the securities involved are not available for trading purposes. Immediate positions include reverses to maturity, which are securities that were sold after having been obtained under reverse repurchase agreements that mature on the same day as the securities. Data for immediate positions do not include forward positions.

3. Figures cover financing involving U.S. government and federal agency securities, negotiable CDs, bankers acceptances, and commercial paper.

4. Includes all reverse repurchase agreements, including those that have been arranged to make delivery on short sales and those for which the securities obtained have been used as collateral on borrowings, that is, matched agreements.

5. Includes both repurchase agreements undertaken to finance positions and "matched book" repurchase agreements.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1982	1983	1984	1985 Oct.	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.	1986 Mar.
1 **Federal and federally sponsored agencies**	**237,787**	**240,068**	**271,220**	**292,584**	**293,930**	**293,905**	**290,596r**	**290,302r**	n.a.
2 Federal agencies	33,055	33,940	35,145	35,990	36,121	36,390	36,400	36,376	35,927
3 Defense Department[1]	354	243	142	79	75	71	66	63	59
4 Export-Import Bank[2,3]	14,218	14,853	15,882	15,417	15,417	15,678	15,677	15,677	15,257
5 Federal Housing Administration[4]	288	194	133	116	115	115	113	109	108
6 Government National Mortgage Association participation certificates[5]	2,165	2,165	2,165	2,165	2,165	2,165	2,165	2,165	2,165
7 Postal Service[6]	1,471	1,404	1,337	1,940	1,940	1,940	1,940	1,940	1,940
8 Tennessee Valley Authority	14,365	14,970	15,435	16,199	16,335	16,347	16,365	16,348	16,324
9 United States Railway Association[6]	194	111	51	74	74	74	74	74	74
10 Federally sponsored agencies[7]	204,732	206,128	236,075	256,594	257,809	257,515	254,196r	253,926r	n.a.
11 Federal Home Loan Banks	55,967	48,930	65,085	73,260	73,840	74,447	73,201	72,793r	74,778
12 Federal Home Loan Mortgage Corporation	4,524	6,793	10,270	13,239	11,016	11,926	13,044	13,695	n.a.
13 Federal National Mortgage Association[8]	70,052	74,594	83,720	92,578	94,576	93,896	92,658	93,179	92,414
14 Farm Credit Banks	73,004	72,816	71,193	69,274	69,933	68,851	66,600	64,955	65,275
15 Student Loan Marketing Association	2,293	3,402	5,745	8,243	8,444	8,395	8,693r	9,304r	9,513
MEMO									
16 **Federal Financing Bank debt[9]**	**126,424**	**135,791**	**145,217**	**153,565**	**154,226**	**153,373**	**153,709**	**153,418**	**153,455**
Lending to federal and federally sponsored agencies									
17 Export-Import Bank[3]	14,177	14,789	15,852	15,409	15,409	15,670	15,670	15,670	15,250
18 Postal Service[6]	1,221	1,154	1,087	1,690	1,690	1,690	1,690	1,690	1,690
19 Student Loan Marketing Association	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
20 Tennessee Valley Authority	12,640	13,245	13,710	14,474	14,610	14,622	14,690	14,673	14,649
21 United States Railway Association[6]	194	111	51	74	74	74	74	74	74
Other Lending[10]									
22 Farmers Home Administration	53,261	55,266	58,971	63,969	64,189	64,234	64,354	63,774	63,464
23 Rural Electrification Administration	17,157	19,766	20,693	21,792	21,826	20,654	20,678	20,739	20,959
24 Other	22,774	26,460	29,853	31,157	31,428	31,429	31,553	31,798	32,369

1. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.
2. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.
3. Off-budget Aug. 17, 1974, through Sept. 30, 1976; on-budget thereafter.
4. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.
5. Certificates of participation issued before fiscal 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration; Department of Health, Education, and Welfare; Department of Housing and Urban Development; Small Business Administration; and the Veterans Administration.
6. Off-budget.
7. Includes outstanding noncontingent liabilities: Notes, bonds, and debentures. Some data are estimated.
8. Before late 1981, the Association obtained financing through the Federal Financing Bank.
9. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Since FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table in order to avoid double counting.
10. Includes FFB purchases of agency assets and guaranteed loans; the latter contain loans guaranteed by numerous agencies with the guarantees of any particular agency being generally small. The Farmers Home Administration item consists exclusively of agency assets, while the Rural Electrification Administration entry contains both agency assets and guaranteed loans.

1.45 NEW SECURITY ISSUES State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1983	1984	1985	1985						1986	
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
1 **All issues, new and refunding[1]**	**86,421**	**106,641**	**214,189**	**12,268**	**15,239**	**13,345**	**20,780**	**32,144**	**57,430**	**1,755r**	**3,255**
Type of issue											
2 General obligation	21,566	26,485	52,622	5,257	3,160	3,953	5,852	6,695	8,754	751	1,021
3 U.S. government loans[2]	96	16	14	0	0	0	0	0	0	0	0
4 Revenue	64,855	80,156	161,567	7,011	12,079	9,392	14,928	25,449	48,676	821	2,234
5 U.S. government loans[2]	253	17	27	6	2	0	6	7	0	0	0
Type of issuer											
6 State	7,140	9,129	13,004	786	800	1,501	1,337	1,648	2,146	296	255
7 Special district and statutory authority	51,297	63,550	134,363	6,893	9,484	7,580	12,374	21,563	39,147	579r	1,715
8 Municipalities, counties, townships, school districts	27,984	33,962	66,822	4,589	4,955	4,264	6,371	21,563	16,137	697	1,285
9 **Issues for new capital, total**	**72,441**	**94,050**	**156,050**	**7,660**	**10,709**	**9,878**	**13,984**	**21,362**	**46,788**	**1,350**	**1,887**
Use of proceeds											
10 Education	8,099	7,553	16,658	797	1,194	1,317	1,518	1,954	3,901	370	422
11 Transportation	4,387	7,552	12,070	651	252	471	1,264	3,734	3,480	246	347
12 Utilities and conservation	13,588	17,844	26,852	720	1,987	1,358	2,924	3,266	7,070	315	212
13 Social welfare	26,910	29,928	63,181	3,155	4,283	3,989	4,305	8,672	22,589	6	110
14 Industrial aid	7,821	15,415	12,892	553	1,524	735	1,507	2,029	3,583	0	190
15 Other purposes	11,637	15,758	24,398	1,784	1,469	2,009	2,466	1,707	6,165	413	606

1. Par amounts of long-term issues based on date of sale.
2. Consists of tax-exempt issues guaranteed by the Farmers Home Administration.

SOURCE. Public Securities Association.

1.46 NEW SECURITY ISSUES Corporations

Millions of dollars

Type of issue or issuer, or use	1983	1984	1985	1985					1986		
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar. p
1 **All issues[1]**	**120,299r**	**132,531**	**201,751**	**14,861**	**11,304**	**11,595**	**13,568**	**19,429**	**17,479**	**24,001r**	**29,967**
2 **Bonds[2]**	**68,718r**	**109,903**	**166,236**	**11,465**	**8,833**	**9,271**	**10,913**	**14,440**	**14,079**	**19,539r**	**25,022**
Type of offering											
3 Public	47,594r	73,579	120,039	11,465	8,833	9,271	10,913	14,440	14,079	19,539r	25,022
4 Private placement	21,126	36,326	46,195	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Industry group											
5 Manufacturing	17,001r	24,607	52,278	2,352	2,079	1,953	4,072	2,704	4,694	3,950	8,825
6 Commercial and miscellaneous	7,540	13,726	15,215	921	186	898	933	735	624	1,216	784
7 Transportation	3,833	4,694	5,743	459	177	348	125	187	633	373	340
8 Public utility	9,125	10,679	12,957	857	1,042	863	1,114	1,090	820	2,540	2,133
9 Communication	3,642	2,997	10,456	1,295	367	690	100	2,318	0	1,200	1,907
10 Real estate and financial	27,577	53,199	69,587	5,581	4,982	4,519	4,569	7,407	7,308	10,230	11,033
11 **Stocks[3]**	**51,579**	**22,628**	**35,515**	**3,396**	**2,471**	**2,324**	**2,655**	**4,989**	**3,400**	**4,462r**	**4,945**
Type											
12 Preferred	7,213	4,118	6,505	754	653	406	782	908	570	975	1,035
13 Common	44,366	18,510	29,010	2,642	1,818	1,918	1,873	4,081	2,830	3,487r	3,910
Industry group											
14 Manufacturing	14,135	4,054	5,700	235	820	279	746	1,045	827	1,269r	723
15 Commercial and miscellaneous	13,112	6,277	9,149	1,293	507	403	596	1,220	683	434	643
16 Transportation	2,729	589	1,544	127	107	113	21	200	78	302	308
17 Public utility	5,001	1,624	1,966	73	47	408	12	201	176	153	357
18 Communication	1,822	419	978	18	7	41	5	146	231	282	0
19 Real estate and financial	14,780	9,665	16,178	1,650	983	1,080	1,275	2,177	1,405	2,022r	2,914

1. Figures, which represent gross proceeds of issues maturing in more than one year, sold for cash in the United States, are principal amount or number of units multiplied by offering price. Excludes offerings of less than $100,000, secondary offerings, undefined or exempted issues as defined in the Securities Act of 1933, employee stock plans, investment companies other than closed-end, intracorporate transactions, and sales to foreigners.
2. Monthly data include only public offerings.
3. Beginning in August 1981, gross stock offerings include new equity volume from swaps of debt for equity.

SOURCE. Securities and Exchange Commission and the Board of Governors of the Federal Reserve System.

1.47 OPEN–END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

Item	1984	1985	1985					1986		
			Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.[r]	Mar.
INVESTMENT COMPANIES[1]										
1 Sales of own shares[2]	107,480	222,671[r]	18,049	16,936	22,099	20,585	23,560	32,466	27,489	33,100
2 Redemptions of own shares[3]	77,032	132,440	10,837	9,963	10,653	11,138	18,337	15,836	11,860	14,440
3 Net sales	30,448	90,321[r]	7,212	6,973	11,446	9,447	5,223	16,630	15,629	18,660
4 Assets[4]	137,126	251,695	201,608	203,210	218,720	237,410	251,536	265,487	292,002	315,183
5 Cash position[5]	12,181	20,607	17,959	18,700	21,987	21,894	20,590	22,425	23,716	27,707
6 Other	124,945	231,088	183,649	184,510	196,733	215,516	230,946	243,062	268,286	287,476

1. Excluding money market funds.
2. Includes reinvestment of investment income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.
3. Excludes share redemption resulting from conversions from one fund to another in the same group.
4. Market value at end of period, less current liabilities.
5. Also includes all U.S. government securities and other short–term debt securities.

NOTE. Investment Company Institute data based on reports of members, which comprise substantially all open–end investment companies registered with the Securities and Exchange Commission. Data reflect newly formed companies after their initial offering of securities.

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

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

Account	1983	1984	1985	1984			1985				1986
				Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
1 Corporate profits with inventory valuation and capital consumption adjustment	213.8	273.3	295.5	277.8	271.2	276.2	281.7	288.1	309.1	303.1	314.2
2 Profits before tax	205.0	237.6	225.3	247.4	227.7	228.0	220.0	218.7	228.6	233.8	218.0
3 Profits tax liability	75.2	93.6	85.0	100.6	87.4	87.4	83.4	82.3	87.4	87.1	78.5
4 Profits after tax	129.8	144.0	140.2	146.7	140.3	140.6	136.6	136.4	141.1	146.7	139.5
5 Dividends	70.8	78.1	83.5	77.5	78.9	80.7	82.0	83.1	83.9	85.0	87.6
6 Undistributed profits	59.0	65.9	56.7	69.2	61.3	60.0	54.6	53.3	57.3	61.7	52.0
7 Inventory valuation	−9.9	−5.4	−.6	−5.6	−1.3	−1.6	.7	2.2	4.7	−10.1	17.3
8 Capital consumption adjustment	18.8	41.0	70.9	36.0	44.8	49.8	61.1	67.2	75.9	79.4	78.9

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

1.49 NONFINANCIAL CORPORATIONS Assets and Liabilities

Billions of dollars, except for ratio

Account	1979	1980	1981	1982	1983	1984	1985r			
						Q4	Q1	Q2	Q3	Q4
1 **Current assets**	**1,214.8**	**1,328.3**	**1,419.6**	**1,437.1**	**1,575.9**	**1,703.0**	**1,718.4**	**1,729.8**	**1,756.7**	**1,778.5**
2 Cash	118.0	127.0	135.6	147.8	171.8	173.6	166.7	168.0	174.6	188.0
3 U.S. government securities	16.7	18.7	17.7	23.0	31.0	36.2	35.0	34.8	31.9	32.3
4 Notes and accounts receivable	459.0	507.5	532.5	517.4	583.0	633.1	649.5	652.4	658.6	671.2
5 Inventories	505.1	543.0	584.0	579.0	603.4	656.9	666.1	666.6	674.7	663.9
6 Other	116.0	132.1	149.7	169.8	186.7	203.2	201.0	208.0	217.0	223.2
7 **Current liabilities**	**807.3**	**890.6**	**971.3**	**986.0**	**1,059.6**	**1,163.6**	**1,173.2**	**1,179.4**	**1,209.1**	**1,232.7**
8 Notes and accounts payable	460.8	514.4	547.1	550.7	595.7	647.8	636.4	649.8	668.1	683.1
9 Other	346.5	376.2	424.1	435.3	463.9	515.8	536.8	529.7	541.0	549.7
10 **Net working capital**	**407.5**	**437.8**	**448.3**	**451.1**	**516.3**	**539.5**	**545.2**	**550.3**	**547.6**	**545.7**
11 MEMO: Current ratio[1]	1.505	1.492	1.462	1.458	1.487	1.464	1.465	1.467	1.453	1.443

1. Ratio of total current assets to total current liabilities.
NOTE. For a description of this series, see "Working Capital of Nonfinancial Corporations" in the July 1978 BULLETIN, pp. 533–37.
All data in this table reflect the most current benchmarks. Complete data are available upon request from the Flow of Funds Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.
SOURCE. Federal Trade Commission and Bureau of the Census.

1.50 TOTAL NONFARM BUSINESS EXPENDITURES on New Plant and Equipment ▲

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

Industry	1984	1985	1986[1]	1984		1985				1986	
				Q3	Q4	Q1	Q2	Q3	Q4	Q1[1]	Q2[1]
1 **Total nonfarm business**	**354.44**	**386.41**	**395.13**	**361.48**	**368.29**	**371.16**	**387.83**	**388.90**	**397.74**	**390.66**	**400.68**
Manufacturing											
2 Durable goods industries	66.24	73.14	70.99	68.26	71.43	69.87	73.96	72.85	75.87	71.11	72.71
3 Nondurable goods industries	72.58	80.01	80.86	74.18	75.53	75.78	80.36	81.19	82.70	79.17	81.04
Nonmanufacturing											
4 Mining	16.86	15.88	13.89	16.82	17.00	15.66	16.51	15.94	15.40	14.11	14.30
Transportation											
5 Railroad	6.79	7.06	6.90	7.31	6.44	6.02	7.48	8.13	6.61	6.35	7.41
6 Air	3.56	4.78	6.14	3.72	3.65	4.20	3.66	5.20	6.06	6.70	5.67
7 Other	6.17	6.13	5.98	6.47	6.18	6.01	6.37	5.77	6.39	5.84	5.86
Public utilities											
8 Electric	37.03	36.12	35.45	36.63	35.40	36.65	36.04	35.34	36.45	35.53	34.81
9 Gas and other	10.44	12.62	13.05	11.28	11.52	11.81	12.43	12.80	13.44	13.10	13.99
10 Commercial and other[2]	134.75	150.67	161.88	136.80	141.13	145.16	151.02	151.69	154.81	158.74	164.88

▲Trade and services are no longer being reported separately. They are included in Commercial and other, line 10.
1. Anticipated by business.
2. "Other" consists of construction; wholesale and retail trade; finance and insurance; personal and business services; and communication.
SOURCE. *Survey of Current Business* (Department of Commerce).

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities

Billions of dollars, end of period

Account	1981	1982	1983	1984 Q3	1984 Q4	1985 Q1	1985 Q2	1985 Q3	1985 Q4	1986 Q1
ASSETS										
Accounts receivable, gross										
1 Consumer	72.4	78.1	87.4	95.6	96.7	99.1	106.0	116.4	120.8	125.5
2 Business	100.3	101.4	113.4	124.5	135.2	142.1	144.6	141.4	152.8	159.7
3 Real estate	17.9	20.2	22.5	25.2	26.3	27.2	28.4	29.0	30.4	31.5
4 Total	190.5	199.7	223.4	245.3	258.3	268.5	279.0	286.5	304.0	316.7
Less:										
5 Reserves for unearned income	30.0	31.9	33.0	36.0	36.5	36.6	38.6	41.0	40.9	41.3
6 Reserves for losses	3.2	3.5	4.0	4.3	4.4	4.9	4.8	4.9	5.0	5.1
7 Accounts receivable, net	157.3	164.3	186.4	205.0	217.3	227.0	235.6	240.6	258.1	270.3
8 All other	27.1	30.7	34.0	36.4	35.4	35.9	39.5	46.3	46.8	50.6
9 **Total assets**	**184.4**	**195.0**	**220.4**	**241.3**	**252.7**	**262.9**	**275.2**	**286.9**	**304.9**	**321.0**
LIABILITIES										
10 Bank loans	16.1	18.3	18.7	19.7	21.3	19.8	18.5	18.2	21.0	20.4
11 Commercial paper	57.2	51.1	59.7	66.8	72.5	79.1	82.6	93.6	96.9	102.0
Debt										
12 Other short-term	11.3	12.7	13.9	16.1	16.2	16.8	16.6	16.6	17.2	18.5
13 Long-term	56.0	64.4	68.1	73.8	77.2	78.3	85.7	86.4	93.0	100.0
14 All other liabilities	18.5	21.2	30.1	32.6	33.1	35.4	36.9	36.6	39.6	41.4
15 Capital, surplus, and undivided profits	25.3	27.4	29.8	32.3	32.3	33.5	34.8	35.7	37.1	38.8
16 **Total liabilities and capital**	**184.4**	**195.0**	**220.4**	**241.3**	**252.7**	**262.9**	**275.2**	**286.9**	**304.9**	**321.0**

NOTE. Components may not add to totals due to rounding.
These data also appear in the Board's G.20 (422) release. For address, see inside front cover.

1.52 DOMESTIC FINANCE COMPANIES Business Credit

Millions of dollars, seasonally adjusted except as noted

Type	Accounts receivable outstanding Mar. 31, 1986[1]	Changes in accounts receivable 1986 Jan.	Feb.	Mar.	Extensions 1986 Jan.	Feb.	Mar.	Repayments 1986 Jan.	Feb.	Mar.
1 **Total**	**159,681**	**2,704**	**1,303**	**2,668**	**28,862**	**28,644**	**27,526**	**26,158**	**27,341**	**24,858**
Retail financing of installment sales										
2 Automotive (commercial vehicles)	14,839	242	360	126	1,128	1,256	1,044	886	896	918
3 Business, industrial, and farm equipment	20,213	−5	−237	27	686	692	805	691	929	778
Wholesale financing										
4 Automotive	26,558	285	1,029	2,097	10,681	10,732	10,900	10,396	9,703	8,803
5 Equipment	4,582	153	−15	63	689	540	526	536	555	463
6 All other	7,652	305	38	168	1,779	1,563	1,631	1,474	1,525	1,463
Leasing										
7 Automotive	15,967	272	178	46	949	787	814	677	609	768
8 Equipment	40,329	700	46	−194	1,932	1,573	1,309	1,232	1,527	1,503
9 Loans on commercial accounts receivable and factored commercial accounts receivable	17,258	668	−28	322	9,560	10,094	9,209	8,892	10,122	8,887
10 All other business credit	12,283	84	−68	13	1,458	1,407	1,288	1,374	1,475	1,275

1. Not seasonally adjusted.

NOTE. These data also appear in the Board's G.20 (422) release. For address, see inside front cover.

1.53 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

Item	1983	1984	1985	1985			1986			
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Conventional mortgages on new homes										
Terms[1]										
1 Purchase price (thousands of dollars)	92.8	96.8	104.1	104.1	107.5	111.5	108.4	115.1	108.2[r]	112.7
2 Amount of loan (thousands of dollars)	69.5	73.7	77.4	77.1	78.5	80.3	77.6	84.3	79.6[r]	83.3
3 Loan/price ratio (percent)	77.1	78.7	77.1	76.0	75.5	75.0	74.4	75.6	75.4[r]	76.1
4 Maturity (years)	26.7	27.8	26.9	26.7	26.4	26.7	25.4	26.8	26.9[r]	26.0
5 Fees and charges (percent of loan amount)[2]	2.40	2.64	2.53	2.49	2.57	2.59	2.55	2.64	2.60[r]	2.33
6 Contract rate (percent per annum)	12.20	11.87	11.12	10.64	10.55	10.47	10.40	10.21	10.04[r]	9.87
Yield (percent per annum)										
7 FHLBB series[3]	12.66	12.37	11.58	11.09	11.01	10.94	10.89	10.68	10.50[r]	10.28
8 HUD series[4]	13.43	13.80	12.28	11.86	11.56	11.03	10.82	10.49	10.60	n.a.
SECONDARY MARKETS										
Yield (percent per annum)										
9 FHA mortgages (HUD series)[5]	13.11	13.81	12.24	11.87	11.28	10.70	10.78	10.59	9.77	n.a.
10 GNMA securities[6]	12.25	13.13	11.61	11.16	10.81	10.39	10.25	9.79	9.44	9.17
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	74,847	83,339	94,574	97,228	97,807	98,282	98,671	98,820	98,795	98,746
12 FHA/VA-insured	37,393	35,148	34,244	33,885	33,828	33,684	33,583	33,466	33,368	33,246
13 Conventional	37,454	48,191	60,331	63,343	63,979	64,598	65,088	65,354	65,427	65,500
Mortgage transactions (during period)										
14 Purchases	17,554	16,721	21,510	1,767	1,624	1,663	1,188	1,159	1,410	1,631
15 Sales	3,528	978	1,301	200	100	319	0	n.a.	n.a.	n.a.
Mortgage commitments[7]										
16 Contracted (during period)	18,607	21,007	20,155	1,733	1,199	1,858	1,315	2,578	1,917	3,774
17 Outstanding (end of period)	5,461	6,384	3,402	3,840	3,330	3,402	3,211	4,480	4,851	6,942
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
18 Total	5,996	9,283	12,399	13,025	13,194	14,022	14,412	14,584	n.a.	n.a.
19 FHA/VA	974	910	841	823	816	825	800	792	n.a.	n.a.
20 Conventional	5,022	8,373	11,558	12,202	12,378	13,197	13,612	14,584	n.a.	n.a.
Mortgage transactions (during period)										
21 Purchases	23,089	21,886	44,012	3,215	3,680	6,096	3,709	4,605	n.a.	n.a.
22 Sales	19,686	18,506	38,905	3,076	3,449	5,202	3,107[r]	4,286	n.a.	n.a.
Mortgage commitments[9]										
23 Contracted (during period)	32,852	32,603	48,989	3,995	4,854	5,651	5,305	6,044	n.a.	n.a.
24 Outstanding (end of period)	16,964	13,318	16,613	n.a.	n.a.	16,613	n.a.	n.a.	n.a.	n.a.

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups; compiled by the Federal Home Loan Bank Board in cooperation with the Federal Deposit Insurance Corporation.
2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) to obtain a loan.
3. Average effective interest rates on loans closed, assuming prepayment at the end of 10 years.
4. Average contract rates on new commitments for conventional first mortgages; from Department of Housing and Urban Development.
5. Average gross yields on 30-year, minimum-downpayment, Federal Housing Administration-insured first mortgages for immediate delivery in the private secondary market. Based on transactions on first day of subsequent month. Large monthly movements in average yields may reflect market adjustments to changes in maximum permissable contract rates.
6. Average net yields to investors on Government National Mortgage Association guaranteed, mortgage-backed, fully modified pass-through securities, assuming prepayment in 12 years on pools of 30-year FHA/VA mortgages carrying the prevailing ceiling rate. Monthly figures are averages of Friday figures from the *Wall Street Journal*.
7. Includes some multifamily and nonprofit hospital loan commitments in addition to 1- to 4-family loan commitments accepted in FNMA's free market auction system, and through the FNMA-GNMA tandem plans.
8. Includes participation as well as whole loans.
9. Includes conventional and government-underwritten loans. FHLMC's mortgage commitments and mortgage transactions include activity under mortgage/securities swap programs, while the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING

Millions of dollars, end of period

	Type of holder, and type of property	1983	1984	1985r	1985 Q1	1985 Q2	1985 Q3	1985 Q4r	1986 Q1
1	**All holders**	**1,811,540**	**2,024,483r**	**2,256,778**	**2,071,279r**	**2,128,471r**	**2,190,661r**	**2,256,778**	**2,303,242**
2	1- to 4-family	1,189,811	1,319,667r	1,471,012	1,347,511r	1,384,248r	1,427,675r	1,471,012	1,497,430
3	Multifamily	158,718	179,074r	204,311	184,886r	190,004r	195,488r	204,311	208,356
4	Commercial	350,389	414,040r	474,755	427,242r	443,400r	458,735r	474,755	491,823
5	Farm	112,622	111,702r	106,700	111,640r	110,819r	108,763r	106,700	105,633
6	Selected financial institutions	1,130,781	1,269,500r	1,390,328	1,291,540r	1,323,474r	1,356,114r	1,390,328	1,407,881
7	Commercial banks[1]	330,521	376,792r	426,103	385,867r	398,561r	413,059r	426,103	436,707
8	1- to 4-family	182,514	197,225r	214,817	199,617r	204,439r	210,203r	214,817	218,354
9	Multifamily	18,410	20,387r	23,442	20,808r	21,748r	22,426r	23,442	24,018
10	Commercial	120,210	148,936r	176,359	155,061r	161,678r	169,302r	176,359	182,500
11	Farm	9,387	10,244r	11,485	10,381r	10,696r	11,128r	11,485	11,835
12	Savings banks	131,940	154,441	177,278	161,032	165,705	174,427	177,278	188,177
13	1- to 4-family	93,649	107,302	121,889	111,592	114,375	119,952	121,889	131,043
14	Multifamily	17,247	19,817	23,331	20,668	21,357	22,604	23,331	24,144
15	Commercial	21,016	27,291	31,976	28,741	29,942	31,757	31,976	32,906
16	Farm	28	31	82	31	31	114	82	84
17	Savings and loan associations	494,789	555,277	586,085	559,263	569,291	575,684r	586,085	576,998
18	1- to 4-family	387,924	421,489	434,359	421,024	425,021	427,081r	434,359	420,096
19	Multifamily	44,333	55,750	66,775	57,660	60,231	62,608r	66,775	67,368
20	Commercial	62,403	77,605	84,342	80,070	83,447	85,358r	84,342	89,004
21	Farm	129	433	609	509	592	637r	609	530
22	Life insurance companies	150,999	156,699	170,460	158,162	161,485	163,929	170,460	174,460
23	1- to 4-family	15,319	14,120	12,279	13,840	13,562	13,382	12,279	12,129
24	Multifamily	19,107	18,938	19,731	18,964	18,983	18,972	19,731	19,931
25	Commercial	103,831	111,175	126,621	113,187	116,812	119,543	126,621	130,671
26	Farm	12,742	12,466	11,829	12,171	12,128	12,032	11,829	11,729
27	Finance companies[2]	22,532	26,291	30,402	27,216	28,432	29,015	30,402	31,539
28	Federal and related agencies	148,328	158,993	166,978	163,531	165,912	166,248	166,978	167,526
29	Government National Mortgage Association	3,395	2,301	1,473	1,964	1,825	1,640	1,473	1,563
30	1- to 4-family	630	585	539	576	564	552	539	527
31	Multifamily	2,765	1,716	934	1,388	1,261	1,088	934	1,036
32	Farmers Home Administration	2,141	1,276	733	1,062	790	577	733	704
33	1- to 4-family	1,159	213	183	156	223	185	183	217
34	Multifamily	173	119	113	82	136	139	113	33
35	Commercial	409	497	159	421	163	72	159	217
36	Farm	400	447	278	403	268	181	278	237
37	Federal Housing and Veterans Administration	4,894	4,816	4,920	4,878	4,888	4,918	4,920	4,957
38	1- to 4-family	1,893	2,048	2,254	2,181	2,199	2,251	2,254	2,301
39	Multifamily	3,001	2,768	2,666	2,697	2,689	2,667	2,666	2,656
40	Federal National Mortgage Association	78,256	87,940	98,282	91,975	94,777	96,769	98,282	98,795
41	1- to 4-family	73,045	82,175	91,966	86,129	88,788	90,590	91,966	92,315
42	Multifamily	5,211	5,765	6,316	5,846	5,989	6,179	6,316	6,480
43	Federal Land Banks	52,010	52,261	47,548	52,104	51,056	49,255	47,548	46,485
44	1- to 4-family	3,081	3,074	2,798	3,064	3,006	2,895	2,798	2,735
45	Farm	48,929	49,187	44,750	49,040	48,050	46,360	44,750	43,750
46	Federal Home Loan Mortgage Corporation	7,632	10,399	14,022	11,548	12,576	13,089	14,022	15,022
47	1- to 4-family	7,559	9,654	11,881	10,642	11,288	11,457	11,881	12,481
48	Multifamily	73	745	2,141	906	1,288	1,632	2,141	2,541
49	Mortgage pools or trusts[3]	285,073	332,057	415,042	347,793	365,748	388,948	415,042	438,816
50	Government National Mortgage Association	159,850	179,981	212,145	185,954	192,925	201,026	212,145	220,348
51	1- to 4-family	155,950	175,589	207,198	181,419	188,228	196,198	207,198	215,280
52	Multifamily	3,900	4,392	4,947	4,535	4,697	4,828	4,947	5,068
53	Federal Home Loan Mortgage Corporation	57,895	70,822	100,387	76,759	83,327	91,915	100,387	108,452
54	1- to 4-family	57,273	70,253	99,515	75,781	82,369	90,997	99,515	107,610
55	Multifamily	622	569	872	978	958	918	872	842
56	Federal National Mortgage Association	25,121	36,215	54,987	39,370	42,755	48,769	54,987	62,310
57	1- to 4-family	25,121	35,965	54,036	38,772	41,985	47,857	54,036	61,117
58	Multifamily	n.a.	250	951	598	770	912	951	1,193
59	Farmers Home Administration	42,207	45,039	47,523	45,710	46,741	47,238	47,523	47,706
60	1- to 4-family	20,404	21,813	22,186	21,928	21,962	22,090	22,186	22,082
61	Multifamily	5,090	5,841	6,675	6,041	6,377	6,415	6,675	6,943
62	Commercial	7,351	7,559	8,190	7,681	8,014	8,192	8,190	8,150
63	Farm	9,362	9,826	10,472	10,060	10,388	10,541	10,472	10,531
64	Individual and others[4]	247,358	263,933r	284,430	268,415r	273,337r	279,351r	284,430	289,019
65	1- to 4-family	141,758	151,871r	164,710	153,574r	157,807r	162,970r	164,710	167,604
66	Multifamily	38,786	42,017r	45,417	43,715r	43,520r	44,100r	45,417	46,103
67	Commercial	35,169	40,977r	47,108	42,081r	43,344r	44,511r	47,108	48,375
68	Farm	31,645	29,068	27,195	29,045r	28,666r	27,770r	27,195	26,937

1. Includes loans held by nondeposit trust companies but not bank trust departments.
2. Assumed to be entirely 1- to 4-family loans.
3. Outstanding principal balances of mortgage pools backing securities insured or guaranteed by the agency indicated.
4. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and other U.S. agencies.

NOTE. Based on data from various institutional and governmental sources, with some quarters estimated in part by the Federal Reserve. Multifamily debt refers to loans on structures of five or more units.

1.55 CONSUMER INSTALLMENT CREDIT[1,4] Total Outstanding, and Net Change, seasonally adjusted

Millions of dollars

Holder, and type of credit	1984	1985	1985 July	1985 Aug.	1985 Sept.	1985 Oct.	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.[r]	1986 Mar.
	Amounts outstanding (end of period)										
1 **Total**	**453,580**	**535,098**	**500,039**	**506,090**	**516,420**	**522,978**	**528,621**	**535,098**	**542,753**	**547,761**	**551,474**
By major holder											
2 Commercial banks	209,158	240,796	229,088	230,644	233,545	235,364	238,620	240,796	243,256	244,670	245,386
3 Finance companies[2]	96,126	120,095	107,498	109,457	114,927	117,565	118,356	120,095	123,717	126,001	127,422
4 Credit unions	66,544	75,127	71,446	71,938	72,433	73,474	74,117	75,127	75,810	76,431	77,012
5 Retailers[3]	37,061	39,187	38,423	38,751	38,723	38,890	39,039	39,187	39,416	39,496	39,844
6 Savings institutions	40,330	55,555	49,474	51,115	52,656	53,509	54,307	55,555	56,290	57,048	57,835
7 Gasoline companies	4,361	4,337	4,110	4,185	4,136	4,176	4,182	4,337	4,264	4,114	3,975
By major type of credit											
8 Automobile	173,122	206,482	191,201	192,923	198,656	201,994	203,766	206,482	210,661	213,342	214,431
9 Commercial banks	83,900	92,764	90,350	90,234	90,784	91,402	92,127	92,764	93,489	93,828	93,376
10 Credit unions	28,614	30,577	29,716	29,775	29,556	29,904	30,166	30,577	30,855	31,107	31,344
11 Finance companies	54,663	73,391	62,586	64,071	69,201	71,415	71,996	73,391	76,410	78,310	79,416
12 Savings institutions	5,945	9,750	8,549	8,843	9,115	9,273	9,477	9,750	9,907	10,097	10,295
13 Revolving	98,514	118,296	110,904	112,373	113,850	115,218	117,050	118,296	119,682	120,723	122,190
14 Commercial banks	58,145	73,893	68,172	69,079	70,453	71,507	73,076	73,893	74,991	75,953	77,053
15 Retailers	33,064	34,560	34,065	34,330	34,264	34,382	34,486	34,560	34,770	34,843	35,188
16 Gasoline companies	4,361	4,337	4,110	4,185	4,136	4,176	4,182	4,337	4,264	4,114	3,975
17 Savings institutions	2,944	5,506	4,557	4,779	4,997	5,153	5,306	5,506	5,657	5,813	5,974
18 Mobile home	24,184	25,461	25,015	25,173	25,341	25,320	25,315	25,461	25,371	25,482	25,714
19 Commercial banks	9,623	9,578	9,576	9,608	9,662	9,596	9,584	9,578	9,457	9,475	9,447
20 Finance companies	9,161	9,116	9,141	9,114	9,092	9,089	9,057	9,116	9,125	9,161	9,327
21 Savings institutions	5,400	6,767	6,298	6,451	6,587	6,635	6,674	6,767	6,789	6,846	6,940
22 Other	157,760	184,859	172,919	175,621	178,573	180,446	182,490	184,859	187,039	188,211	189,139
23 Commercial banks	57,490	64,561	60,990	61,723	62,646	62,859	63,833	64,561	65,319	65,414	65,511
24 Finance companies	32,302	37,588	35,771	36,272	36,634	37,061	37,303	37,588	38,182	38,530	38,678
25 Credit unions	37,930	44,550	41,730	42,163	42,877	43,570	43,951	44,550	44,955	45,323	45,668
26 Retailers	3,997	4,627	4,358	4,421	4,459	4,508	4,553	4,627	4,646	4,653	4,656
27 Savings institutions	26,041	33,533	30,070	31,042	31,957	32,448	32,850	33,533	33,937	34,291	34,626
	Net change (during period)										
28 **Total**	**77,341**	**81,518**	**6,786**	**6,051**	**10,330**	**6,558**	**5,643**	**6,477**	**7,655**	**5,008**	**3,713**
By major holder											
29 Commercial banks	39,819	31,638	2,263	1,556	2,901	1,819	3,256	2,176	2,460	1,414	716
30 Finance companies[2]	9,961	23,969	1,392	1,959	5,470	2,638	791	1,739	3,622	2,284	1,421
31 Credit unions	13,456	8,583	757	492	495	1,041	643	1,010	683	621	581
32 Retailers[3]	2,900	2,126	96	328	−28	167	149	148	229	80	348
33 Savings institutions	11,038	15,225	2,239	1,641	1,541	853	798	1,248	735	758	787
34 Gasoline companies	167	−24	38	75	−49	40	6	155	−73	−150	−139
By major type of credit											
35 Automobile	27,214	33,360	1,742	1,722	5,733	3,338	1,772	2,716	4,179	2,681	1,089
36 Commercial banks	16,352	8,864	551	−116	550	618	725	637	725	339	−452
37 Credit unions	3,223	1,963	173	59	−219	348	262	411	278	252	237
38 Finance companies	4,576	18,728	626	1,485	5,130	2,214	581	1,395	3,019	1,900	1,106
39 Savings institutions	3,063	3,805	392	294	272	158	204	273	157	190	198
40 Revolving	20,145	19,782	1,644	1,469	1,477	1,368	1,832	1,246	1,386	1,041	1,467
41 Commercial banks	15,949	15,748	1,281	907	1,374	1,054	1,569	817	1,098	962	1,100
42 Retailers	2,512	1,496	52	265	−66	118	104	74	210	73	345
43 Gasoline companies	167	−24	38	75	−49	40	6	155	−73	−150	−139
44 Savings institutions	1,517	2,562	273	222	218	156	153	200	151	156	161
45 Mobile home	1,990	1,277	247	158	168	−21	−5	146	−90	111	232
46 Commercial banks	−199	−45	−20	32	54	−66	−12	−6	−121	18	−28
47 Finance companies	544	−45	34	−27	−22	−3	−32	59	9	36	166
48 Savings institutions	1,645	1,367	233	153	136	48	39	93	22	57	94
49 Other	27,992	27,099	3,153	2,702	2,952	1,873	2,044	2,369	2,180	1,172	928
50 Commercial banks	7,717	7,071	451	733	923	213	974	728	758	95	97
51 Finance companies	4,841	5,286	732	501	362	427	242	285	594	348	148
52 Credit unions	10,233	6,620	584	433	714	693	381	599	405	368	345
53 Retailers	388	630	44	63	38	49	45	74	19	7	3
54 Savings institutions	4,813	7,492	1,342	972	915	491	402	683	404	354	335

1. The Board's series cover most short- and intermediate-term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments.
2. More detail for finance companies is available in the G.20 statistical release.
3. Excludes 30-day charge credit held by travel and entertainment companies.
4. All data have been revised.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT

Percent unless noted otherwise

Item	1983	1984	1985	1985 Sept.	1985 Oct.	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.	1986 Mar.
INTEREST RATES										
Commercial banks[1]										
1 48-month new car[2]	13.92	13.71	n.a.	n.a.	n.a.	12.39	n.a.	n.a.	12.29	n.a.
2 24-month personal	16.50	16.47	n.a.	n.a.	n.a.	15.61	n.a.	n.a.	15.52	n.a.
3 120-month mobile home[2]	16.08	15.58	n.a.	n.a.	n.a.	14.66	n.a.	n.a.	14.57	n.a.
4 Credit card	18.78	18.77	n.a.	n.a.	n.a.	18.57	n.a.	n.a.	18.48	n.a.
Auto finance companies										
5 New car	12.58	14.62	n.a.	8.84	9.97	11.71	12.52	9.99	9.70	10.51
6 Used car	18.74	17.85	n.a.	17.31	17.21	17.28	17.22	16.60	16.74	16.63
OTHER TERMS[3]										
Maturity (months)										
7 New car	45.9	48.3	n.a.	51.2	51.5	52.0	52.1	51.2	51.3	51.0
8 Used car	37.9	39.7	n.a.	41.4	41.4	41.5	41.4	42.8	42.5	42.4
Loan-to-value ratio										
9 New car	86	88	n.a.	92	93	92	92	92	92	90
10 Used car	92	92	n.a.	95	95	95	95	95	95	95
Amount financed (dollars)										
11 New car	8,787	9,333	n.a.	10,449	10,498	10,205	9,925	10,064	10,074	10,306
12 Used car	5,033	5,691	n.a.	6,097	6,091	6,167	6,255	6,165	6,194	6,207

1. Data for midmonth of quarter only.
2. Before 1983 the maturity for new car loans was 36 months, and for mobile home loans was 84 months.
3. At auto finance companies.

NOTE. These data also appear in the Board's G.19 (421) release. For address, see inside front cover.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS

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

Transaction category, sector	1980	1981	1982	1983	1984	1985	1983 H1	1983 H2	1984 H1	1984 H2	1985 H1	1985 H2
						Nonfinancial sectors						
1 **Total net borrowing by domestic nonfinancial sectors**	**341.8**	**372.7**	**395.3**	**542.9**	**765.9**	**883.8**	**506.0**	**579.7**	**713.4**	**818.4**	**735.8**	**1,032.0**
By sector and instrument												
2 U.S. government	79.2	87.4	161.3	186.6	198.8	223.6	221.9	151.2	172.2	225.4	184.0	263.2
3 Treasury securities	79.8	87.8	162.1	186.7	199.0	223.7	222.0	151.4	172.4	225.5	184.1	263.3
4 Agency issues and mortgages	−.6	−.5	−.9	−.1	−.2	−.1	−.1	−.1	−.2	−.1	−.1	−.1
5 Private domestic nonfinancial sectors	262.6	285.3	234.1	356.3	567.1	660.2	284.1	428.5	541.2	593.1	551.8	768.7
6 Debt capital instruments	188.1	154.5	152.6	253.7	325.3	474.3	227.3	280.1	287.7	362.8	367.4	581.2
7 Tax-exempt obligations	30.3	23.4	48.6	57.3	65.8	173.4	57.3	57.4	38.9	92.6	88.4	258.4
8 Corporate bonds	26.7	21.8	18.7	16.0	47.1	67.9	21.4	10.6	31.9	62.3	68.0	67.8
9 Mortgages	131.2	109.3	85.4	180.3	212.4	233.0	148.6	212.1	216.9	207.9	211.1	255.0
10 Home mortgages	94.2	72.2	50.5	116.9	130.7	152.8	98.7	135.2	135.6	125.7	133.8	171.7
11 Multifamily residential	7.6	4.8	5.4	11.9	20.7	25.7	6.1	17.6	23.6	17.7	22.5	28.9
12 Commercial	19.2	22.2	25.2	48.9	62.0	59.0	42.2	55.7	58.5	65.6	57.0	61.1
13 Farm	10.2	10.0	4.2	2.6	−1.0	−4.5	1.6	3.6	−.8	−1.2	−2.3	−6.7
14 Other debt instruments	74.5	130.8	81.4	102.6	241.9	185.9	56.8	148.4	253.5	230.2	184.3	187.5
15 Consumer credit	4.7	22.6	17.7	56.7	94.8	103.6	38.0	75.4	98.0	91.6	113.0	94.2
16 Bank loans n.e.c.	37.0	54.7	54.2	26.8	79.5	30.7	13.7	39.8	89.9	69.0	24.0	37.4
17 Open market paper	5.7	19.2	−4.7	−1.6	24.2	12.9	−10.0	6.9	33.5	15.0	13.3	12.4
18 Other	27.1	34.4	14.2	20.7	43.3	38.8	15.1	26.3	32.1	54.6	34.0	43.5
19 By borrowing sector	262.6	285.3	234.1	356.3	567.1	660.2	284.1	428.5	541.2	593.1	551.8	768.7
20 State and local governments	17.2	6.8	25.9	37.6	45.0	128.5	36.0	39.2	21.4	68.6	71.5	185.6
21 Households	118.9	119.7	87.9	187.4	239.2	297.7	152.3	222.6	236.0	242.3	261.8	333.5
22 Farm	15.2	16.6	6.8	4.1	−.1	−6.8	.8	7.4	−.7	.5	−7.6	−6.1
23 Nonfarm noncorporate	31.2	38.6	41.3	70.8	90.8	84.0	56.1	85.5	96.9	84.7	80.8	87.1
24 Corporate	80.1	103.6	72.1	56.4	192.3	156.9	39.0	73.8	187.7	196.9	145.2	168.6
25 Foreign net borrowing in United States	27.2	27.2	15.7	18.9	2.8	−.4	15.4	22.4	23.0	−17.4	−2.4	1.5
26 Bonds	.8	5.4	6.7	3.8	4.1	4.9	4.6	2.9	1.1	7.0	5.2	4.7
27 Bank loans n.e.c.	11.5	3.7	−6.2	4.9	−7.8	−6.9	11.4	−1.6	−4.5	−11.1	−5.6	−8.1
28 Open market paper	10.1	13.9	10.7	6.0	2.5	−1.0	−4.6	16.5	20.9	−16.0	−4.6	2.5
29 U.S. government loans	4.7	4.2	4.5	4.3	4.0	2.5	3.9	4.6	5.5	2.6	2.6	2.4
30 **Total domestic plus foreign**	**369.0**	**399.9**	**411.0**	**561.7**	**768.7**	**883.4**	**521.3**	**602.1**	**736.4**	**801.0**	**733.4**	**1,033.5**
						Financial sectors						
31 **Total net borrowing by financial sectors**	**57.6**	**89.0**	**80.2**	**89.2**	**138.2**	**187.5**	**69.1**	**109.3**	**126.5**	**149.9**	**167.0**	**208.1**
By instrument												
32 U.S. government related	44.8	47.4	64.9	67.8	74.9	99.4	66.2	69.4	69.6	80.1	92.7	106.1
33 Sponsored credit agency securities	24.4	30.5	14.9	1.4	30.4	20.6	−4.1	6.9	29.9	30.9	26.0	15.1
34 Mortgage pool securities	19.2	15.0	49.5	66.4	44.4	78.8	70.3	62.5	39.7	49.2	66.7	91.0
35 Loans from U.S. government	1.2	1.9	.4	.....	.....	.....	.....	.....	.....	.....	.....	.....
36 Private financial sectors	12.8	41.6	15.3	21.4	63.3	88.1	2.9	40.0	56.9	69.7	74.3	101.9
37 Corporate bonds	1.8	3.5	13.7	12.6	25.9	28.6	10.3	14.9	20.7	31.1	33.2	24.0
38 Mortgages	*	*	.1	*	.4	−.2	*	*	.4	.4	−.1	−.2
39 Bank loans n.e.c.	−.9	.9	1.9	−.2	1.0	4.2	−3.3	3.0	−.5	2.4	1.1	7.2
40 Open market paper	4.8	20.9	−1.1	16.0	20.4	41.3	7.9	24.1	20.4	20.4	28.4	54.3
41 Loans from Federal Home Loan Banks	7.1	16.2	.8	−7.0	15.7	14.2	−12.1	−2.0	15.9	15.5	11.7	16.7
By sector												
42 Sponsored credit agencies	25.6	32.4	15.3	1.4	30.4	20.6	−4.1	6.9	29.9	30.9	26.0	15.1
43 Mortgage pools	19.2	15.0	49.5	66.4	44.4	78.8	70.3	62.5	39.7	49.2	66.7	91.0
44 Private financial sectors	12.8	41.6	15.3	21.4	63.3	88.1	2.9	40.0	56.9	69.7	74.3	101.9
45 Commercial banks	.5	.4	1.2	.5	4.4	3.8	.8	.2	4.8	3.9	5.2	2.4
46 Bank affiliates	6.9	8.3	5.9	12.6	16.9	9.2	10.1	15.1	26.0	7.8	9.2	9.2
47 Savings and loan associations	7.4	15.5	2.5	−2.1	22.7	21.7	−9.3	5.2	19.7	25.6	11.1	32.3
48 Finance companies	−1.1	18.2	6.3	11.3	19.3	54.4	2.1	20.5	6.3	32.4	49.8	59.1
49 REITs	−.5	−.2	*	−.2	.8	−.1	−.1	−.3	.8	.8	.*	−.2
						All sectors						
50 **Total net borrowing**	**426.6**	**488.9**	**491.2**	**651.0**	**906.9**	**1070.9**	**590.4**	**711.5**	**863.0**	**950.9**	**900.3**	**1,241.6**
51 U.S. government securities	122.9	133.0	225.9	254.4	273.8	323.1	288.2	220.7	241.9	305.6	276.8	369.4
52 State and local obligations	30.3	23.4	48.6	57.3	65.8	173.4	57.3	57.4	38.9	92.6	88.4	258.4
53 Corporate and foreign bonds	29.3	30.7	39.0	32.4	77.1	101.4	36.3	28.4	53.8	100.5	106.3	96.5
54 Mortgages	131.1	109.2	85.4	180.3	212.7	232.8	148.6	212.0	217.2	208.2	210.8	254.7
55 Consumer credit	4.7	22.6	17.7	56.7	94.8	103.6	38.0	75.4	98.0	91.6	113.0	94.2
56 Bank loans n.e.c.	47.7	59.2	49.9	31.5	72.7	28.0	21.8	41.2	84.9	60.4	19.5	36.4
57 Open market paper	20.6	54.0	4.9	20.4	47.1	53.2	−6.7	47.5	74.8	19.3	37.2	69.3
58 Other loans	40.1	56.7	19.9	17.9	63.0	55.5	6.9	29.0	53.4	72.7	48.4	62.6
						External corporate equity funds raised in United States						
59 **Total new share issues**	**21.2**	**−3.3**	**33.6**	**66.3**	**−33.6**	**28.2**	**81.9**	**50.7**	**−41.2**	**−25.9**	**25.1**	**31.2**
60 Mutual funds	4.5	6.0	16.8	31.5	37.1	99.6	35.3	27.7	39.0	35.3	92.0	107.1
61 All other	16.8	−9.3	16.8	34.8	−70.7	−71.4	46.6	23.0	−80.2	−61.2	−66.9	−75.9
62 Nonfinancial corporations	12.9	−11.5	11.4	28.3	−77.0	−81.6	38.2	18.4	−84.5	−69.4	−75.7	−87.5
63 Financial corporations	1.8	1.9	4.0	2.5	5.2	4.6	2.6	2.4	5.0	5.3	4.6	4.7
64 Foreign shares purchased in United States	2.1	.3	1.5	4.0	1.1	5.6	5.7	2.2	−.7	2.9	4.2	6.9

1.58 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

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

Transaction category, or sector	1980	1981	1982	1983	1984	1985	1983		1984		1985	
							H1	H2	H1	H2	H1	H2
1 **Total funds advanced in credit markets to domestic nonfinancial sectors**	**341.8**	**372.7**	**395.3**	**542.9**	**765.9**	**883.8**	**506.0**	**579.7**	**713.4**	**818.4**	**735.8**	**1,032.0**
By public agencies and foreign												
2 Total net advances	97.1	97.7	114.1	117.4	144.6	220.9	120.5	114.4	124.2	165.1	195.9	245.8
3 U.S. government securities	15.8	17.1	22.7	27.6	36.0	46.8	41.0	14.1	30.5	41.4	47.0	46.5
4 Residential mortgages	31.7	23.5	61.0	76.1	56.5	92.6	80.2	72.1	52.8	60.1	86.0	99.3
5 FHLB advances to savings and loans	7.1	16.2	.8	−7.0	15.7	14.2	−12.1	−2.0	15.9	15.5	11.7	16.7
6 Other loans and securities	42.5	40.9	29.5	20.8	36.6	67.3	11.4	30.2	25.0	48.1	51.2	83.3
Total advanced, by sector												
7 U.S. government	23.7	24.0	15.9	9.7	17.1	22.5	9.1	10.3	7.8	26.4	19.7	25.3
8 Sponsored credit agencies	45.6	48.2	65.5	69.8	73.3	103.9	68.6	71.0	73.6	73.0	97.7	110.1
9 Monetary authorities	4.5	9.2	9.8	10.9	8.4	21.6	15.7	6.1	12.1	4.7	26.6	16.6
10 Foreign	23.3	16.2	22.8	27.1	45.9	72.8	27.2	27.0	30.7	61.0	51.9	93.8
Agency and foreign borrowing not in line 1												
11 Sponsored credit agencies and mortgage pools	44.8	47.4	64.9	67.8	74.9	99.4	66.2	69.4	69.6	80.1	92.7	106.1
12 Foreign	27.2	27.2	15.7	18.9	2.8	−.4	15.4	22.4	23.0	−17.4	−2.4	1.5
Private domestic funds advanced												
13 Total net advances	316.7	349.6	361.8	512.1	699.0	762.0	467.1	557.1	681.8	716.1	630.2	893.8
14 U.S. government securities	107.1	115.9	203.1	226.9	237.8	276.4	247.2	206.6	211.4	264.2	229.8	322.9
15 State and local obligations	30.3	23.4	48.6	57.3	65.8	173.4	57.3	57.4	38.9	92.6	88.4	258.4
16 Corporate and foreign bonds	19.3	18.8	14.8	14.9	34.8	31.4	21.4	8.5	25.3	44.3	41.9	21.0
17 Residential mortgages	70.0	53.5	−5.3	52.6	94.8	85.8	24.6	80.6	106.3	83.3	70.3	101.3
18 Other mortgages and loans	97.1	154.2	101.4	153.0	281.5	209.2	104.6	202.0	315.8	247.1	211.5	206.9
19 LESS: Federal Home Loan Bank advances	7.1	16.2	.8	−7.0	15.7	14.2	−12.1	−2.0	15.9	15.5	11.7	16.7
Private financial intermediation												
20 Credit market funds advanced by private financial institutions	283.8	321.7	288.4	384.6	555.6	531.5	332.0	437.2	552.5	558.7	456.8	606.4
21 Commercial banking	100.6	102.3	107.2	136.1	181.7	170.8	121.0	151.3	195.2	168.1	147.2	194.4
22 Savings institutions	54.5	27.8	30.1	139.8	146.3	104.5	131.3	148.3	167.9	124.7	61.7	147.4
23 Insurance and pension funds	94.5	97.6	107.4	94.2	119.0	118.1	83.0	105.3	112.0	126.0	101.6	134.5
24 Other finance	34.2	94.0	43.7	14.5	108.6	138.1	−3.3	32.3	77.4	139.9	146.3	130.0
25 Sources of funds	283.8	321.7	288.4	384.6	555.2	531.5	332.0	437.2	552.5	558.7	456.8	606.4
26 Private domestic deposits and RPs	169.6	211.9	196.2	209.3	298.8	201.5	203.8	214.8	292.2	305.5	185.2	217.5
27 Credit market borrowing	12.8	41.6	15.3	21.4	63.3	88.1	2.9	40.0	56.9	69.7	74.3	101.9
28 Other sources	101.3	68.2	77.0	153.9	193.5	241.9	125.3	182.4	203.4	183.5	197.3	287.0
29 Foreign funds	−21.7	−8.7	−26.7	22.1	19.0	17.3	−14.2	58.5	27.2	10.9	10.7	24.0
30 Treasury balances	−2.6	−1.1	6.1	−5.3	4.0	9.8	9.9	−20.6	1.2	6.8	20.3	−.7
31 Insurance and pension reserves	83.7	90.7	103.2	95.1	110.3	110.2	83.5	106.8	119.5	101.2	100.6	119.7
32 Other, net	41.8	−12.7	−5.6	41.9	60.1	104.5	46.1	37.7	55.5	64.6	65.6	144.0
Private domestic nonfinancial investors												
33 Direct lending in credit markets	45.8	69.5	88.7	148.9	206.7	318.6	137.9	159.9	186.3	227.1	247.7	389.4
34 U.S. government securities	24.6	29.3	32.1	88.3	125.8	155.3	96.9	79.7	126.3	125.3	121.6	188.9
35 State and local obligations	7.0	11.1	29.2	43.5	43.2	99.4	47.2	39.9	25.3	61.2	47.2	151.6
36 Corporate and foreign bonds	−11.0	−3.9	8.1	−5.5	15.3	6.9	−10.8	−.3	7.5	23.0	39.7	−25.8
37 Open market paper	−3.1	2.7	−.6	6.5	−1.4	30.9	−6.6	19.7	3.2	−6.1	8.3	53.5
38 Other	28.4	30.3	19.9	16.1	23.8	26.0	11.3	20.8	24.0	23.7	30.9	21.1
39 Deposits and currency	181.1	221.9	203.3	228.4	303.4	211.8	225.6	231.3	303.6	303.2	199.5	223.7
40 Currency	10.3	9.5	9.7	14.3	8.6	12.4	14.8	13.8	15.9	1.3	18.4	6.5
41 Checkable deposits	5.4	18.1	17.6	26.7	24.1	45.2	53.0	−.4	30.4	17.7	17.9	72.2
42 Small time and savings accounts	82.9	47.0	138.1	218.3	149.8	134.3	278.9	157.7	130.7	169.0	161.4	107.2
43 Money market fund shares	29.2	107.5	24.7	−44.1	47.2	−2.2	−84.0	−4.2	30.2	64.2	4.2	−8.6
44 Large time deposits	45.6	36.8	11.9	−5.9	83.6	14.1	−55.1	43.4	97.6	69.6	*	28.1
45 Security RPs	6.5	2.5	3.8	14.3	−5.8	10.1	11.0	17.5	3.3	−15.0	1.7	18.5
46 Deposits in foreign countries	1.1	.5	−2.5	4.8	−4.0	−2.2	7.0	2.7	−4.5	−3.6	−4.1	−.3
47 **Total of credit market instruments, deposits and currency**	**226.9**	**291.4**	**292.0**	**377.3**	**510.1**	**530.3**	**363.5**	**391.2**	**489.9**	**530.3**	**447.2**	**613.0**
48 Public holdings as percent of total	26.3	24.4	27.8	20.9	18.8	25.0	23.1	19.0	16.9	20.6	26.7	23.8
49 Private financial intermediation (in percent)	89.6	92.0	79.7	75.1	79.5	69.8	71.1	78.5	81.0	78.0	72.5	67.8
50 Total foreign funds	1.6	7.6	−3.9	49.2	64.9	90.2	13.0	85.5	57.9	71.9	62.6	117.7
MEMO: Corporate equities not included above												
51 **Total net issues**	**21.2**	**−3.3**	**33.6**	**66.3**	**−33.6**	**28.2**	**81.9**	**50.7**	**−41.2**	**−25.9**	**25.1**	**31.2**
52 Mutual fund shares	4.5	6.0	16.8	31.5	37.1	99.6	35.3	27.7	39.0	35.3	92.0	107.1
53 Other equities	16.8	−9.3	16.8	34.8	−70.7	−71.4	46.6	23.0	−80.2	−61.2	−66.9	−75.9
54 Acquisitions by financial institutions	24.9	20.9	36.9	56.7	10.3	47.4	76.4	36.9	2.1	18.5	60.7	34.1
55 Other net purchases	−3.6	−24.3	−3.3	9.6	−43.9	−19.2	5.5	13.7	−43.4	−44.5	−35.6	−2.9

NOTES BY LINE NUMBER.
1. Line 1 of table 1.57.
2. Sum of lines 3–6 or 7–10.
6. Includes farm and commercial mortgages.
11. Credit market funds raised by federally sponsored credit agencies, and net issues of federally related mortgage pool securities.
13. Line 1 less line 2 plus line 11 and 12. Also line 20 less line 27 plus line 33. Also sum of lines 28 and 47 less lines 40 and 46.
18. Includes farm and commercial mortgages.
26. Line 39 less lines 40 and 46.
27. Excludes equity issues and investment company shares. Includes line 19.
29. Foreign deposits at commercial banks, bank borrowings from foreign branches, and liabilities of foreign banking agencies to foreign affiliates, less claims on foreign affiliates and deposits by banking in foreign banks.
30. Demand deposits and note balances at commercial banks.
31. Excludes net investment of these reserves in corporate equities.
32. Mainly retained earnings and net miscellaneous liabilities.
33. Line 13 less line 20 plus line 27.
34–38. Lines 14–18 less amounts acquired by private finance plus amounts borrowed by private finance. Line 38 includes mortgages.
40. Mainly an offset to line 9.
47. Lines 33 plus 39, or line 13 less line 28 plus 40 and 46.
48. Line 2/line 1.
49. Line 20/line 13.
50. Sum of lines 10 and 29.
51, 53. Includes issues by financial institutions.

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

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures[1]

1977 = 100; monthly and quarterly data are seasonally adjusted. Exceptions noted.

Measure	1983	1984	1985	1985 Aug.	1985 Sept.	1985 Oct.	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.[r]	1986 Mar.[r]	1986 Apr.
1 **Industrial production**	**109.2**	**121.8**	**124.5**	**125.2**	**125.1**	**124.4**	**125.4**	**126.4**	**126.7[r]**	**125.7**	**124.9**	**125.1**
Market groupings												
2 Products, total	113.9	127.1	131.7	133.0	133.1	131.8	133.5	134.1	134.4[r]	133.2	132.2	132.6
3 Final, total	114.7	127.8	132.0	133.3	133.3	131.9	133.7	134.4	134.4[r]	132.9	131.6	132.1
4 Consumer goods	109.3	118.2	120.7	121.5	121.8	120.8	122.7	124.2	123.9[r]	123.2	122.2	123.0
5 Equipment	121.7	140.5	147.1	149.0	148.6	146.6	148.3	147.9	148.4[r]	145.8	144.2	144.2
6 Intermediate	111.2	124.9	130.6	132.0	132.3	131.5	132.7	132.9	134.4	134.0	134.3	134.2
7 Materials	102.8	114.6	114.7	114.5	114.2	114.2	114.3	115.9	116.2[r]	115.5	114.8	114.9
Industry groupings												
8 Manufacturing	110.2	123.9	127.1	128.2	127.7	127.2	128.4	129.1	129.8[r]	129.0	128.1	128.7
Capacity utilization (percent)[2]												
9 Manufacturing	74.0	80.8	80.3	80.7	80.1	79.6	80.2	80.4	80.8[r]	80.0	79.3	79.3
10 Industrial materials industries	75.3	82.3	80.2	79.9	79.5	79.3	79.2	80.1	80.2[r]	79.7	79.1	79.0
11 Construction contracts (1977 = 100)[3]	138.0	150.0	161.0	164.0	167.0	168.0	162.0	162.0	146.0	162.0	149.0	176.0
12 Nonagricultural employment, total[4]	137.1	143.6	148.5	148.9	149.3	149.8	150.1	150.6	151.2	151.4	151.7	152.0
13 Goods-producing, total	100.1	106.1	107.5	107.3	107.1	107.5	107.6	107.9	108.5	108.3	108.0	108.0
14 Manufacturing, total	94.8	99.8	99.9	99.6	99.1	99.4	99.7	99.9	100.0	100.0	99.7	99.6
15 Manufacturing, production-worker	87.6	93.0	92.4	91.9	91.5	91.8	92.0	92.4	92.4	92.4	92.1	92.0
16 Service-producing	157.3	164.1	170.9	171.7	172.4	173.0	173.5	174.0	174.6	175.1	175.7	176.2
17 Personal income, total	440.1	482.8	511.0	511.3	513.6	516.8[r]	519.3	525.1	525.4	527.8	528.7	534.8
18 Wages and salary disbursements	390.7	427.8	457.1	459.2	461.9	464.3	467.1	471.5	472.6	474.3	476.5	477.5
19 Manufacturing	295.9	326.8	340.7	340.7	341.3	344.9	344.8	348.4	347.7	346.2	347.3	346.5
20 Disposable personal income[5]	175.8	193.6	203.1	202.8	203.5	204.9	205.9	208.2	209.0	210.0	210.6	213.3
21 Retail sales (1977 = 100)[6]	162.0	179.0	190.6	194.2	198.4	190.6	191.6	194.0	194.8	194.5	192.8	193.8
Prices[7]												
22 Consumer	298.4	311.1	322.2	323.5	324.5	325.5	326.6	327.4	328.4	327.5	326.0	325.3
23 Producer finished goods	285.2	291.1	293.7	293.5	290.0	294.7	296.4[r]	297.2	296.2	292.3	288.1	286.9

1. A major revision of the industrial production index and the capacity utilization rates was released in July 1985. See "A Revision of the Index of Industrial Production" and accompanying tables that contain revised indexes (1977=100) through December 1984 in the FEDERAL RESERVE BULLETIN, vol. 71 (July 1985), pp. 487–501. The revised indexes for January through June 1985 were shown in the September BULLETIN.

2. Ratios of indexes of production to indexes of capacity. Based on data from Federal Reserve, McGraw-Hill Economics Department, Department of Commerce, and other sources.

3. Index of dollar value of total construction contracts, including residential, nonresidential and heavy engineering, from McGraw-Hill Information Systems Company, F. W. Dodge Division.

4. Based on data in *Employment and Earnings* (U.S. Department of Labor). Series covers employees only, excluding personnel in the Armed Forces.

5. Based on data in *Survey of Current Business* (U.S. Department of Commerce).

6. Based on Bureau of Census data published in *Survey of Current Business*.

7. Data without seasonal adjustment, as published in *Monthly Labor Review*. Seasonally adjusted data for changes in the price indexes may be obtained from the Bureau of Labor Statistics, U.S. Department of Labor.

NOTE. Basic data (not index numbers) for series mentioned in notes 4, 5, and 6, and indexes for series mentioned in notes 3 and 7 may also be found in the *Survey of Current Business*.

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

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

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

Category	1983	1984	1985	1985				1986			
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.[r]	Apr.
HOUSEHOLD SURVEY DATA											
1 **Noninstitutional population[1]**	**176,414**	**178,602**	**180,440**	**180,831**	**181,011**	**181,186**	**181,349**	**181,898**	**182,055**	**182,223**	**182,387**
2 Labor force (including Armed Forces)[1]	113,749	115,763	117,695	118,049	118,355	118,376	118,466	119,014	119,322	119,445	119,473
3 Civilian labor force	111,550	113,544	115,461	115,790	116,114	116,130	116,229	116,786	117,088	117,207	117,234
Employment											
4 Nonagricultural industries[2]	97,450	101,685	103,971	104,502	104,755	104,899	105,055	105,655	105,465	105,503	105,670
5 Agriculture	3,383	3,321	3,179	3,017	3,058	3,070	3,151	3,299	3,096	3,285	3,222
Unemployment											
6 Number	10,717	8,539	8,312	8,271	8,301	8,161	8,023	7,831	8,527	8,419	8,342
7 Rate (percent of civilian labor force)	9.6	7.5	7.2	7.1	7.1	7.0	6.9	6.7	7.3	7.2	7.1
8 Not in labor force	62,665	62,839	62,745	62,782	62,656	62,810	62,883	62,884	62,733	62,778	62,914
ESTABLISHMENT SURVEY DATA											
9 **Nonagricultural payroll employment[3]**	**90,196**	**94,461**	**97,698**	**98,217**	**98,559**	**98,801**	**99,086**	**99,496**	**99,656[r]**	**99,834**	**100,040**
10 Manufacturing	18,434	19,412	19,426	19,279	19,338	19,381	19,433	19,447	19,439[r]	19,389	19,362
11 Mining	952	974	969	962	960	954	952	947	929[r]	902	866
12 Contract construction	3,948	4,345	4,661	4,721	4,753	4,754	4,770	4,906	4,883[r]	4,870	4,954
13 Transportation and public utilities	4,954	5,171	5,300	5,317	5,327	5,342	5,350	5,357	5,344[r]	5,348	5,345
14 Trade	20,881	22,134	23,195	23,344	23,440	23,473	23,550	23,697	23,790[r]	23,883	23,939
15 Finance	5,468	5,682	5,924	5,987	6,011	6,048	6,068	6,098	6,131[r]	6,159	6,206
16 Service	19,694	20,761	21,929	22,155	22,244	22,365	22,450	22,540	22,592[r]	22,744	22,827
17 Government	15,869	15,984	16,295	16,452	16,486	16,484	16,513	16,504	16,548[r]	16,539	16,541

1. Persons 16 years of age and over. Monthly figures, which are based on sample data, relate to the calendar week that contains the 12th day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2. Includes self-employed, unpaid family, and domestic service workers.

3. Data include all full- and part-time employees who worked during, or received pay for, the pay period that includes the 12th day of the month, and exclude proprietors, self-employed persons, domestic servants, unpaid family workers, and members of the Armed Forces. Data are adjusted to the March 1984 benchmark and only seasonally adjusted data are available at this time. Based on data from *Employment and Earnings* (U.S. Department of Labor).

4. In addition to the revisions noted here, data for January through June 1985 have been revised as follows: Jan., 21,382; Feb., 21,480; Mar., 21,644; Apr., 21,723; May, 21,813; and June, 21,856. These data were reported incorrectly in the BULLETIN for November 1985 through March 1986.

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION

Seasonally adjusted

Series	1985			1986	1985			1986	1985			1986
	Q2	Q3	Q4	Q1r	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1r
	Output (1977 = 100)				Capacity (percent of 1977 output)				Utilization rate (percent)			
1 **Total industry**	**124.2**	**124.8**	**125.4**	**125.8**	**154.0**	**155.1**	**156.2**	**157.2**	**80.7**	**80.5**	**80.3**	**80.0**
2 Mining	110.0	108.5	107.6	105.3	133.6	133.9	134.1	134.3	82.3	81.0	80.2	78.4
3 Utilities	113.6	111.4	113.7	113.7	134.5	135.4	136.3	136.9	84.4	82.3	83.4	83.1
4 **Manufacturing**	**126.6**	**127.6**	**128.2**	**129.0**	**157.7**	**158.9**	**160.2**	**161.3**	**80.3**	**80.3**	**80.0**	**79.9**
5 Primary processing	108.1	109.5	110.4	111.8	132.0	132.4	132.8	133.2	81.9	82.7	83.1	83.9
6 Advanced processing	137.9	138.6	139.0	139.2	173.2	174.9	176.7	178.3	79.6	79.2	78.7	78.1
7 **Materials**	**114.5**	**114.2**	**114.8**	**115.5**	142.5	**143.4**	**144.3**	**145.0**	**80.4**	**79.6**	**79.5**	**79.7**
8 Durable goods	121.4	120.7	121.4	121.8	157.4	158.9	160.5	161.6	77.1	76.0	75.6	75.4
9 Metal materials	80.2	79.4	82.4	80.9	117.3	117.3	117.3	116.7	68.4	67.7	70.3	69.3
10 Nondurable goods	111.2	113.7	113.8	115.9	137.8	138.2	138.7	139.1	80.7	82.2	82.0	83.4
11 Textile, paper, and chemical	111.0	114.1	114.0	116.4	137.0	137.4	137.8	138.1	81.0	83.0	82.7	84.3
12 Paper	121.8	123.8	124.5	128.4	136.2	136.3	136.5	136.8	89.4	90.8	91.2	93.9
13 Chemical	112.6	114.6	114.2	116.0	142.0	142.6	143.1	143.5	79.3	80.4	79.8	80.9
14 Energy materials	105.2	103.2	104.2	104.1	120.3	120.6	120.9	121.2	87.5	85.5	86.1	85.9

Series	Previous cycle[1]		Latest cycle[2]		1985	1985					1986			
	High	Low	High	Low	Apr.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.r	Feb.r	Mar.r	Apr.
	Capacity utilization rate (percent)													
15 **Total industry**	**88.6**	**72.1**	**86.9**	**69.5**	**80.9**	**80.7**	**80.5**	**79.8**	**80.3**	**80.7**	**80.8**	**80.0**	**79.3**	**79.3**
16 Mining	92.8	87.8	95.2	76.9	82.1	80.9	81.0	80.9	79.7	80.0	80.0	78.5	76.8	75.9
17 Utilities	95.6	82.9	88.5	78.0	86.7	81.5	83.4	82.7	82.3	85.3	83.8	82.1	83.3	83.1
18 **Manufacturing**	**87.7**	**69.9**	**86.5**	**68.0**	**80.4**	**80.7**	**80.1**	**79.6**	**80.2**	**80.4**	**80.7**	**80.0**	**79.2**	**79.4**
19 Primary processing	91.9	68.3	89.1	65.1	81.5	82.9	82.8	83.1	83.0	83.3	84.8	84.0	83.3	83.4
20 Advanced processing	86.0	71.1	85.1	69.5	79.8	79.6	79.0	78.0	79.0	79.0	78.8	78.2	77.4	77.7
21 **Materials**	**92.0**	**70.5**	**89.1**	**68.4**	**81.5**	**79.9**	**79.5**	**79.3**	**79.2**	**80.1**	**80.2**	**79.7**	**79.1**	**79.0**
22 Durable goods	91.8	64.4	89.8	60.9	79.1	76.6	75.4	75.2	75.8	75.8	76.4	75.4	74.5	74.5
23 Metal materials	99.2	67.1	93.6	45.7	68.2	69.4	67.3	69.4	70.8	70.7	71.3	69.3	67.2	67.4
24 Nondurable goods	91.1	66.7	88.1	70.6	81.1	82.1	82.9	81.9	81.5	82.7	83.5	83.6	82.9	83.0
25 Textile, paper, and chemical	92.8	64.8	89.4	68.6	82.0	82.8	83.7	82.4	82.1	83.5	84.3	84.5	84.1	84.1
26 Paper	98.4	70.6	97.3	79.9	92.6	90.1	90.7	88.8	90.1	94.7	94.8	93.7	93.1	n.a.
27 Chemical	92.5	64.4	87.9	63.3	80.2	79.8	81.2	80.5	78.8	80.1	81.1	80.9	80.6	n.a.
28 Energy materials	94.6	86.9	94.0	82.2	87.4	85.1	85.6	86.2	84.7	87.4	85.9	85.7	86.1	85.8

1. Monthly high 1973; monthly low 1975.
2. Monthly highs 1978 through 1980; monthly lows 1982.

NOTE. These data also appear in the Board's G.3 (402) release. For address, see inside front cover.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value ▲

Monthly data are seasonally adjusted

Grouping	1977 proportion	1985 avg.	1985 Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1986 Jan.[r]	Feb.	Mar.[p]	Apr.[e]
			Index (1977 = 100)												
MAJOR MARKET															
1 **Total index**	**100.00**	**124.5**	**124.1**	**124.1**	**124.3**	**124.1**	**125.2**	**125.1**	**124.4**	**125.4**	**126.4**	**126.7**	**125.7**	**124.9**	**125.1**
2 Products	57.72	131.7	130.8	131.4	131.6	131.6	133.0	133.1	131.8	133.5	134.1	134.4	133.2	132.2	132.6
3 Final products	44.77	132.0	131.3	131.7	131.6	131.8	133.3	133.3	131.9	133.7	134.4	134.4	132.9	131.6	132.1
4 Consumer goods	25.52	120.7	119.5	120.0	120.4	120.1	121.5	121.8	120.8	122.7	124.2	123.9	123.2	122.2	123.0
5 Equipment	19.25	147.1	146.9	147.1	146.6	147.3	149.0	148.6	146.6	148.3	147.9	148.4	145.8	144.2	144.2
6 Intermediate products	12.94	130.6	129.3	130.3	131.4	130.7	132.0	132.3	131.5	132.7	132.9	134.4	134.0	134.3	134.2
7 Materials	42.28	114.7	115.0	114.2	114.3	113.8	114.5	114.2	114.2	114.3	115.9	116.2	115.5	114.8	114.9
Consumer goods															
8 Durable consumer goods	6.89	112.9	111.5	111.8	112.0	111.3	114.0	112.9	111.4	115.5	116.8	116.6	116.3	113.2	115.5
9 Automotive products	2.98	115.1	113.1	113.6	113.4	115.0	120.0	117.8	112.9	116.8	116.6	117.0	118.3	112.1	117.3
10 Autos and trucks	1.79	112.0	109.0	109.6	109.4	113.7	120.2	116.6	108.7	113.7	112.0	116.2	118.8	107.6	115.8
11 Autos, consumer	1.16	98.9	100.5	98.1	97.0	101.1	101.3	98.8	92.3	94.9	99.9	103.6	107.0	95.1	101.0
12 Trucks, consumer	.63	136.3	124.7	130.9	132.3	137.2	155.4	149.7	139.1	148.6	134.5	139.5	140.6	130.6	.....
13 Auto parts and allied goods	1.19	119.7	119.4	119.6	119.4	116.8	119.6	119.5	119.3	121.4	123.4	118.2	117.7	118.9	119.5
14 Home goods	3.91	111.3	110.2	110.4	110.9	108.4	109.5	109.3	110.2	114.5	116.9	116.4	114.8	114.0	114.1
15 Appliances, A/C and TV	1.24	129.5	126.9	129.3	131.5	121.6	124.5	123.7	126.3	139.4	145.4	138.8	136.5	134.5	135.3
16 Appliances and TV	1.19	130.3	127.1	128.7	131.7	123.2	125.5	125.6	128.6	141.9	148.4	141.5	139.1	136.9	.....
17 Carpeting and furniture	.96	119.4	118.1	116.9	119.6	122.2	119.5	120.2	120.1	122.9	118.9	122.3	121.9	119.8	.....
18 Miscellaneous home goods	1.71	93.6	93.7	93.1	91.2	91.2	93.0	92.7	92.9	91.9	95.2	96.9	95.1	95.9	.....
19 Nondurable consumer goods	18.63	123.6	122.5	123.1	123.5	123.4	124.2	125.1	124.3	125.4	127.0	126.5	125.7	125.5	125.8
20 Consumer staples	15.29	129.4	128.5	129.0	129.6	129.3	130.3	131.0	130.1	131.0	133.0	132.2	131.8	131.6	.....
21 Consumer foods and tobacco	7.80	129.7	129.4	128.9	130.5	130.1	130.8	131.5	129.5	130.7	132.4	131.3	131.9	131.3	131.9
22 Nonfood staples	7.49	129.1	127.6	129.1	128.7	128.5	129.7	130.5	130.6	131.2	133.6	133.1	131.7	131.9	.....
23 Consumer chemical products	2.75	147.5	145.1	147.3	145.4	145.4	149.1	151.4	149.4	152.4	152.9	153.8	155.6	153.2	132.2
24 Consumer paper products	1.88	143.7	142.0	143.7	144.6	144.9	143.9	144.7	145.5	145.7	148.0	144.4	141.7	143.2	.....
25 Consumer energy	2.86	101.9	101.5	102.1	102.2	101.5	101.8	101.0	102.9	101.4	105.6	105.8	102.1	104.2	.....
26 Consumer fuel	1.44	88.5	90.0	90.2	88.8	89.2	91.1	85.8	90.2	90.1	92.3	93.9	91.4	91.8	.....
27 Residential utilities	1.42	.....	113.2	114.4	115.9	114.0	112.7	116.5	115.8	112.9	119.2	117.8	113.0	.....	.....
Equipment															
28 Business and defense equipment	18.01	147.8	147.7	147.9	147.4	147.9	149.7	149.4	147.5	149.7	149.4	150.3	148.6	148.0	148.9
29 Business equipment	14.34	141.3	142.0	141.9	140.7	141.3	143.0	142.2	139.6	141.7	141.4	142.9	141.5	140.2	141.1
30 Construction, mining, and farm	2.08	67.7	68.4	67.4	67.7	68.6	67.2	67.0	65.9	68.2	68.3	67.7	65.3	63.4	.....
31 Manufacturing	3.27	112.8	112.4	113.1	111.9	113.5	115.1	114.8	111.7	112.8	112.8	113.1	114.1	114.9	115.0
32 Power	1.27	83.6	81.8	82.8	84.1	85.6	84.5	85.1	85.5	84.7	87.1	84.5	83.4	82.7	82.4
33 Commercial	5.22	219.3	221.8	222.8	219.6	219.5	222.8	219.4	213.9	217.7	217.9	219.2	217.5	217.9	218.1
34 Transit	2.49	106.1	106.0	102.9	103.4	103.3	106.0	108.3	109.7	111.2	107.7	114.6	111.4	104.0	110.2
35 Defense and space equipment	3.67	173.6	170.1	171.2	173.4	173.9	175.5	177.5	178.7	180.7	180.7	179.3	176.7	178.5	179.5
Intermediate products															
36 Construction supplies	5.95	119.0	117.4	118.1	119.2	119.4	121.5	121.3	120.0	120.9	120.7	124.0	123.5	123.7	123.9
37 Business supplies	6.99	140.5	139.4	140.7	141.7	140.3	140.9	141.7	141.2	142.7	143.3	143.2	143.0	143.3	.....
38 General business supplies	5.67	144.4	143.4	144.4	146.1	144.4	145.1	145.4	144.8	146.7	146.8	147.2	146.6	147.1	.....
39 Commercial energy products	1.31	123.7	122.4	124.6	122.7	122.7	122.5	125.7	125.7	125.3	128.1	125.9	127.5	126.9	.....
Materials															
40 Durable goods materials	20.50	121.8	122.8	120.7	120.8	120.2	121.8	120.2	120.4	121.7	122.1	123.2	121.8	120.5	120.6
41 Durable consumer parts	4.92	100.7	101.8	100.1	98.7	98.3	100.0	99.0	100.2	101.6	101.5	103.9	102.7	100.5	100.2
42 Equipment parts	5.94	159.0	161.1	157.8	157.3	157.0	158.7	156.5	154.0	155.0	155.1	154.8	154.2	153.8	154.2
43 Durable materials n.e.c.	9.64	109.7	110.0	108.2	109.6	108.6	110.2	108.7	109.9	111.4	112.3	113.7	111.5	110.1	110.3
44 Basic metal materials	4.64	84.8	86.6	82.0	85.0	82.5	85.1	82.8	85.8	87.6	88.5	87.5	84.6	82.3	.....
45 Nondurable goods materials	10.09	112.2	110.4	111.3	111.8	112.8	113.5	114.7	113.4	113.0	114.9	116.1	116.3	115.4	115.6
46 Textile, paper, and chemical materials	7.53	112.4	110.5	110.9	111.7	113.5	113.8	115.1	113.5	113.2	115.2	116.4	116.8	116.2	116.3
47 Textile materials	1.52	97.7	94.1	95.0	97.3	100.2	104.4	104.1	101.2	104.4	102.1	103.2	107.3	106.1	.....
48 Pulp and paper materials	1.55	123.7	121.3	120.9	123.3	125.0	122.8	123.7	121.1	123.0	129.3	129.5	128.2	127.6	.....
49 Chemical materials	4.46	113.6	112.3	112.9	112.6	114.0	113.8	115.9	115.0	112.8	114.8	116.3	116.1	115.7	.....
50 Miscellaneous nondurable materials	2.57	111.3	110.1	112.5	112.0	110.8	112.7	113.5	113.3	112.5	113.9	115.3	114.9	113.2	.....
51 Energy materials	11.69	104.3	105.3	105.3	105.1	103.5	102.7	103.4	104.2	102.5	105.8	104.1	103.9	104.5	104.2
52 Primary energy	7.57	107.8	107.9	107.8	109.0	107.4	106.4	106.8	108.2	106.7	109.0	106.8	107.6	107.9	.....
53 Converted fuel materials	4.12	97.9	100.6	100.6	98.1	96.2	95.9	97.0	96.8	94.7	100.1	99.1	97.0	98.1	.....

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value—Continued

Grouping	SIC code	1977 proportion	1985 avg.	1985									1986			
				Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.r	Feb.	Mar.p	Apr.e
				Index (1977 = 100)												
MAJOR INDUSTRY																
1 Mining and utilities	......	15.79	110.6	111.1	111.3	111.6	109.4	109.1	110.3	109.9	108.9	110.8	110.2	108.0	107.3	106.5
2 Mining	......	9.83	109.0	109.6	109.8	110.6	108.7	108.3	108.4	108.4	106.9	107.4	107.4	105.3	103.2	102.0
3 Utilities	......	5.96	113.2	113.6	113.7	113.4	110.7	110.3	113.2	112.4	112.2	116.5	114.6	112.4	114.2	114.0
4 Manufacturing	......	84.21	127.1	126.6	126.6	126.7	126.9	128.2	127.7	127.2	128.4	129.1	129.8	129.0	128.1	128.7
5 Nondurable	......	35.11	125.6	124.3	124.7	125.5	125.6	126.6	126.9	126.4	127.3	128.0	129.1	128.7	128.4	128.6
6 Durable	......	49.10	128.2	128.2	127.9	127.6	127.9	129.4	128.3	127.7	129.2	129.9	130.4	129.3	127.8	128.8
Mining																
7 Metal	10	.50	75.1	81.2	78.3	77.5	60.9	73.1	71.4	74.2	78.3	74.3	75.5	76.7	80.7	.....
8 Coal	11.12	1.60	127.5	128.5	128.7	134.0	128.0	127.7	126.3	130.1	125.5	128.0	130.6	124.9	123.5	.....
9 Oil and gas extraction	13	7.07	106.3	106.5	106.9	106.9	106.9	105.5	106.0	104.8	103.5	104.4	103.6	101.5	98.7	97.2
10 Stone and earth minerals	14	.66	118.8	118.5	118.7	117.9	116.6	117.7	119.3	120.4	119.0	114.0	117.1	121.2	118.5	.....
Nondurable manufactures																
11 Foods	20	7.96	131.0	130.8	131.4	131.8	132.2	132.6	132.5	130.7	131.4	132.6	133.2	133.6	133.3	.....
12 Tobacco products	21	.62	.....	98.4	95.7	98.9	96.0	97.7	97.8	105.3	104.5	103.5	99.3	97.9	.....	.....
13 Textile mill products	22	2.29	102.5	99.0	100.0	103.3	104.1	106.3	106.7	104.9	108.0	106.3	107.4	110.4	109.1	.....
14 Apparel products	23	2.79	101.8	100.2	100.3	99.2	100.6	100.4	101.8	102.6	103.9	105.0	105.8	103.6	103.7	.....
15 Paper and products	26	3.15	127.4	125.1	124.1	127.1	129.0	127.5	128.6	127.3	128.2	132.3	133.1	132.1	131.6	.....
16 Printing and publishing	27	4.54	155.3	154.2	155.4	156.7	154.3	156.3	156.2	157.0	159.0	158.4	158.9	157.1	156.6	158.6
17 Chemicals and products	28	8.05	127.1	125.8	126.7	126.4	126.4	128.2	129.0	127.9	128.0	128.5	130.5	130.8	131.2	.....
18 Petroleum products	29	2.40	86.7	87.3	87.4	87.1	88.3	88.2	85.9	87.7	87.3	88.7	92.6	88.4	88.6	89.5
19 Rubber and plastic products	30	2.80	147.0	144.9	144.3	145.5	145.6	148.0	148.6	148.7	150.5	150.0	150.5	150.6	150.2	.....
20 Leather and products	31	.53	70.9	69.9	71.0	71.5	72.2	72.7	72.3	71.4	72.1	69.9	67.5	67.0	65.8	.....
Durable manufactures																
21 Lumber and products	24	2.30	.....	110.9	112.2	113.5	113.0	114.8	115.9	116.5	115.6	116.5	119.9	118.2	.....	.....
22 Furniture and fixtures	25	1.27	142.0	141.0	142.0	141.9	145.3	144.3	143.2	141.9	144.1	142.1	143.9	145.4	145.3	.....
23 Clay, glass, stone products	32	2.72	114.8	114.5	116.3	116.1	115.1	116.2	116.2	115.6	115.2	118.2	120.2	118.2	118.0	.....
24 Primary metals	33	5.33	80.6	81.4	76.4	78.3	79.0	82.0	80.3	83.1	83.6	81.7	84.9	81.9	78.3	78.8
25 Iron and steel	331.2	3.49	70.7	71.9	65.4	67.6	68.7	71.6	69.7	74.4	75.3	72.0	75.5	71.2	66.7	.....
26 Fabricated metal products	34	6.46	107.8	109.1	108.3	107.4	107.3	107.8	107.5	108.4	107.9	108.8	109.3	109.4	109.0	109.5
27 Nonelectrical machinery	35	9.54	146.6	148.9	149.1	145.6	147.5	149.2	146.5	143.0	145.6	146.0	146.2	145.3	144.1	144.3
28 Electrical machinery	36	7.15	169.3	168.9	169.3	169.5	165.7	166.1	165.1	165.1	168.9	171.9	167.9	165.5	165.4	165.5
29 Transportation equipment	37	9.13	123.2	120.7	120.9	121.8	123.7	126.8	126.2	124.5	126.5	126.8	128.9	128.1	123.9	127.1
30 Motor vehicles and parts	371	5.25	112.8	110.9	110.5	110.5	112.8	116.8	115.3	111.7	114.5	115.4	117.8	117.8	110.1	115.1
31 Aerospace and miscellaneous transportation equipment	372–6.9	3.87	137.5	134.1	134.9	137.1	138.5	140.4	141.1	141.9	142.9	142.3	144.0	142.1	142.7	143.5
32 Instruments	38	2.66	139.9	138.5	139.9	140.7	141.1	141.8	139.4	139.8	140.7	140.6	141.1	141.8	142.5	143.4
33 Miscellaneous manufactures	39	1.46	96.4	98.3	98.3	96.8	95.9	97.2	96.4	95.9	94.5	96.3	99.0	98.1	97.5	.....
Utilities																
34 Electric	......	4.17	119.5	119.1	119.5	119.4	117.5	116.7	120.6	119.3	118.7	124.4	119.9	118.5	120.6	.....
				Gross value (billions of 1972 dollars, annual rates)												
MAJOR MARKET																
35 Products, total	......	**517.5**	**773.4**	**773.3**	**774.4**	**773.5**	**769.0**	**778.7**	**777.9**	**772.2**	**782.8**	**783.3**	**792.9**	**787.0**	**788.5**	**784.3**
36 Final	......	405.7	614.8	616.2	616.2	614.0	610.1	618.6	617.8	613.0	622.4	622.1	629.2	624.5	615.5	621.5
37 Consumer goods	......	272.7	364.8	364.7	365.1	364.0	361.7	366.2	365.6	363.8	370.5	373.6	375.0	374.0	370.2	373.7
38 Equipment	......	133.0	250.1	248.0	250.8	251.0	250.3	252.4	252.2	249.3	251.9	248.5	254.1	250.5	245.2	247.7
39 Intermediate	......	111.9	158.6	155.6	158.3	159.7	160.4	160.1	160.1	159.2	160.4	161.2	163.7	162.6	163.1	162.8

▲ A major revision of the industrial production index and the capacity utilization rates was released in July 1985. See "A Revision of the Index of Industrial Production" and accompanying tables that contain revised indexes (1977=100) through December 1984 in the FEDERAL RESERVE BULLETIN, vol. 71 (July 1985), pp. 487–501. The revised indexes for January through June 1985 were shown in the September BULLETIN.

NOTE. These data also appear in the Board's G.12.3 (414) release. For address, see inside front cover.

2.14 HOUSING AND CONSTRUCTION

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

Item	1983	1984	1985	1985 June	1985 July	1985 Aug.	1985 Sept.	1985 Oct.	1985 Nov.	1985 Dec.	1986 Jan.r	1986 Feb.r	1986 Mar.
	Private residential real estate activity (thousands of units)												
NEW UNITS													
1 Permits authorized	1,605	1,682	1,733r	1,717r	1,709r	1,782r	1,846r	1,703r	1,668r	1,839r	1,861	1,808	1,834
2 1-family	902	922	957r	958r	961r	990r	956r	984r	932r	963r	1,060	1,033	1,043
3 2-or-more-family	703	759	777r	759r	748r	792r	890r	719r	736r	876r	801	775	791
4 Started	1,703	1,749	1,742	1,693	1,673	1,737	1,653	1,784	1,654	1,882	2,034	2,001	1,930
5 1-family	1,067	1,084	1,072	1,036	1,068	1,071	1,006	1,118	1,006	1,098	1,335	1,202	1,207
6 2-or-more-family	635	665	669	657	605	666	647	666	648	784	699	799	723
7 Under construction, end of period[1]	1,003	1,051	1,063	1,073	1,071	1,079	1,065	1,089	1,087	1,088	1,094	1,111	1,101
8 1-family	524	556	539	574	577	582	568	578	570	561	571	582	574
9 2-or-more-family	479	494	524	499	494	499	496	512	517	528	522	529	527
10 Completed	1,390	1,652	1,703	1,758	1,722	1,720	1,778	1,541	1,721	1,762	1,778	1,721	1,822
11 1-family	924	1,025	1,072	1,078	1,042	1,032	1,100	1,072	1,095	1,141	1,075	1,036	1,159
12 2-or-more-family	466	627	631	680	680	688	678	469	626	621	703	685	663
13 Mobile homes shipped	296	296	284	272	285	286	283	291	287	285	280	266	240
Merchant builder activity in 1-family units													
14 Number sold	622	639	688	710	745	708	681	637	722	729r	736	709	903
15 Number for sale, end of period[1]	304	358	350r	354	351	348	350	353	353	349r	353	356	339
Price (thousands of dollars)[2]													
Median													
16 Units sold	75.5	80.0	84.3	86.3	82.1	83.3	84.6	85.4	87.2	87.9r	86.3	89.4	88.3
Average													
17 Units sold	89.9	97.5	101.0r	99.6	99.4	99.2	102.6	102.7	104.1	106.1r	103.5	106.6	110.4
EXISTING UNITS (1-family)													
18 Number sold	2,719	2,868	3,217	3,070	3,170	3,430	3,480	3,530	3,450	3,520	3,300	3,270	3,200
Price of units sold (thousands of dollars)[2]													
19 Median	69.8	72.3	75.4	76.5	76.7	77.2	75.9	75.2	74.9	75.5	77.1	77.4	79.8
20 Average	82.5	85.9	90.6	91.9	92.7	93.2	91.4	91.2	90.3	91.8	93.0	93.1	96.8
	Value of new construction[3] (millions of dollars)												
CONSTRUCTION													
21 Total put in place	**268,730**	**312,989**	**342,363**	**343,837**	**344,206**	**343,246**	**346,084**	**344,502**	**343,847**	**351,669**	**355,063**	**358,881**	**354,593**
22 Private	218,016	257,802	280,023	278,939	279,521	279,371	282,505	282,115	281,284	286,914	286,701	290,195	286,493
23 Residential	121,309	145,058	148,250	147,158	148,699	146,858	148,915	150,873	149,670	150,690	151,716	155,103	154,297
24 Nonresidential, total	96,707	112,744	131,773	131,781	130,822	132,513	133,590	131,242	131,614	136,224	134,985	135,092	132,196
Buildings													
25 Industrial	12,863	13,746	15,767	15,170	15,384	15,118	15,567	15,630	16,271	17,357	15,748	16,252	14,440
26 Commercial	35,787	48,102	60,050	58,290	57,956	59,910	61,227	60,740	61,101	64,496	64,340	63,389	62,792
27 Other	11,660	12,298	12,406	12,786	12,578	12,957	12,769	12,250	12,495	12,048	12,448	12,793	13,207
28 Public utilities and other	36,397	38,598	43,550	45,535	44,904	44,528	44,027	42,622	41,747	42,323	42,449	42,658	41,757
29 Public	50,715	55,186	62,342	64,897	64,686	63,875	63,580	62,387	62,563	64,755	68,361	68,686	68,100
30 Military	2,544	2,839	3,152	3,426	3,364	2,966	3,008	3,086	3,040	3,452	3,765	4,145	3,396
31 Highway	14,143	16,295	19,951	21,093	19,589	20,224	19,585	19,193	19,826	20,827	22,020	21,910	21,991
32 Conservation and development	4,822	4,656	4,959	5,410	5,075	4,824	5,254	4,892	5,176	4,978	5,620	4,425	4,619
33 Other	29,206	31,396	34,280	34,968	36,658	35,861	35,733	35,216	34,521	35,498	36,956	38,206	38,094

1. Not at annual rates.
2. Not seasonally adjusted.
3. Value of new construction data in recent periods may not be strictly comparable with data in prior periods because of changes by the Bureau of the Census in its estimating techniques. For a description of these changes see *Construction Reports* (C-30-76-5), issued by the Bureau in July 1976.

NOTE. Census Bureau estimates for all series except (a) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (b) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from originating agency. Permit authorizations are those reported to the Census Bureau from 16,000 jurisdictions beginning with 1978.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data, except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (at annual rate)				Change from 1 month earlier					Index level Apr. 1986 (1967 = 100)[1]
	1985 Apr.	1986 Apr.	1985 June	1985 Sept.	1985 Dec.r	1986 Mar.r	1985 Dec.	1986 Jan.	1986 Feb.	1986 Mar.	1986 Apr.	
CONSUMER PRICES[2]												
1 **All items**	**3.7**	**1.6**	**3.3**	**2.4**	**5.3**	**−1.9**	**.4**	**.3**	**−.4**	**−.4**	**−.3**	**325.3**
2 Food	2.4	2.1	.6	2.1	5.9	−1.4	.6	.2	−.7	.1	.3	316.1
3 Energy items	.7	−14.8	6.9	−3.2	3.3	−34.2	.4	.1	−3.8	−6.5	−5.8	361.8
4 All items less food and energy	4.5	4.2	3.5	3.4	5.4	4.1	.3	.4	.2	.4	.4	324.8
5 Commodities	3.3	.8	−.9	1.1	3.6	.3	.2	.3	−.1	−.1	−.1	262.1
6 Services	5.3	6.2	6.2	4.8	6.5	6.5	.4	.5	.4	.6	.7	393.8
PRODUCER PRICES												
7 Finished goods	.7	−2.1	2.2	−2.4	9.2	−12.4	.6	−.7	−1.6	−1.1	−.6	286.9
8 Consumer foods	−.8	.1	−5.7	−2.9	16.0	−7.4	1.0r	−.6r	−1.6	.3	.1	272.4
9 Consumer energy	−4.8	−28.5	24.7	−11.3	20.7	−67.6	2.3r	−3.9r	−9.4	−13.4	−8.4	511.3
10 Other consumer goods	2.4	2.4	1.9	.0	4.4	2.9	.2	.0	−.1	.8	.2	257.1
11 Capital equipment	1.8	1.9	1.5	−.9	5.6	.7	.1	−.2r	.1	.3	.3	305.6
12 Intermediate materials[3]	.2	−3.9	.6	−1.3	2.9	−11.9	.4r	−.5	−1.4	−1.3	−1.0	312.9
13 Excluding energy	.6	−.5	.8	−.7	.0	−1.2	.1r	−.1r	−.2	.0	−.3	304.0
Crude materials												
14 Foods	−11.0	−8.3	−16.7	−20.6	47.0	−25.2	−.5	−2.6	−3.6	−1.0	−3.1	220.1
15 Energy	−4.3	−23.8	4.4	−5.9	−4.0	−50.1	−.2r	.6r	−8.2	−8.9	−7.7	570.7
16 Other	−6.9	−3.2	−7.8	−4.4	1.5	−3.7	−.1r	−.4r	−3.0	2.6	1.2	249.1

1. Not seasonally adjusted.
2. Figures for consumer prices are those for all urban consumers and reflect a rental equivalence measure of homeownership after 1982.
3. Excludes intermediate materials for food manufacturing and manufactured animal feeds.

SOURCE. Bureau of Labor Statistics.

2.16 GROSS NATIONAL PRODUCT AND INCOME

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

Account	1983	1984	1985	1985 Q1	1985 Q2	1985 Q3	1985 Q4	1986 Q1[r]
GROSS NATIONAL PRODUCT								
1 **Total**	**3,401.6**	**3,774.7**	**3,988.5**	**3,917.5**	**3,960.6**	**4,016.9**	**4,059.3**	**4,121.3**
By source								
2 Personal consumption expenditures	2,229.3	2,423.0	2,582.3	2,525.0	2,563.3	2,606.1	2,634.8	2,669.1
3 Durable goods	289.6	331.1	361.5	351.5	356.5	376.0	362.0	364.1
4 Nondurable goods	817.0	872.4	912.2	895.7	910.2	914.5	928.3	936.0
5 Services	1,122.7	1,219.6	1,308.6	1,277.8	1,296.6	1,315.6	1,344.6	1,369.0
6 Gross private domestic investment	501.9	674.0	669.3	657.6	672.8	666.1	680.7	715.4
7 Fixed investment	508.3	607.0	661.8	639.1	657.3	665.9	685.0	678.0
8 Nonresidential	356.3	427.9	476.2	459.6	474.2	478.5	492.5	480.3
9 Structures	126.1	147.6	170.2	166.1	169.7	170.4	174.5	171.1
10 Producers' durable equipment	230.2	280.2	306.0	293.5	304.5	308.1	318.0	309.2
11 Residential structures	152.0	179.1	185.6	179.4	183.1	187.4	192.5	197.8
12 Change in business inventories	-6.4	67.1	7.5	18.5	15.5	.2	-4.3	37.4
13 Nonfarm	.8	58.0	11.8	14.2	10.8	3.1	19.0	39.1
14 Net exports of goods and services	-5.3	-59.2	-78.5	-42.3	-70.3	-87.8	-113.4	-99.8
15 Exports	354.1	384.6	369.9	379.6	369.2	363.2	367.8	377.4
16 Imports	359.4	443.8	448.4	421.9	439.5	451.0	481.2	477.2
17 Government purchases of goods and services	675.7	736.8	815.4	777.2	794.8	832.5	857.2	836.6
18 Federal	284.8	312.9	355.4	334.4	337.8	364.8	384.7	357.8
19 State and local	390.9	423.9	460.0	442.8	457.1	467.7	472.5	478.8
By major type of product								
20 Final sales, total	3,408.0	3,707.6	3,981.1	3,899.0	3,945.0	4,016.7	4,063.6	4,083.9
21 Goods	1,394.7	1,585.9	1,639.3	1,628.3	1,636.1	1,650.7	1,642.2	1,671.7
22 Durable	572.3	679.5	709.2	706.2	705.9	714.8	710.0	712.8
23 Nondurable	822.4	906.3	930.1	922.1	930.2	935.9	932.2	958.9
24 Services	1,678.0	1,806.6	1,930.5	1,887.6	1,908.2	1,939.9	1,986.4	2,016.0
25 Structures	328.9	382.2	418.6	401.5	416.3	426.2	430.6	433.6
26 Change in business inventories	-6.4	67.1	7.5	18.5	15.5	.2	-4.3	37.4
27 Durable goods	-.8	37.0	6.4	16.9	1.8	-6.4	13.4	26.8
28 Nondurable goods	-5.5	30.1	1.0	1.6	13.7	6.6	-17.7	10.6
29 **MEMO: Total GNP in 1982 dollars**	**3,277.7**	**3,492.0**	**3,570.0**	**3,547.8**	**3,557.4**	**3,584.1**	**3,590.8**	**3,623.5**
NATIONAL INCOME								
30 **Total**	**2,718.3**	**3,039.3**	**3,211.3**	**3,155.3**	**3,192.2**	**3,228.0**	**3,269.9**	**3,315.6**
31 Compensation of employees	2,025.9	2,221.3	2,372.5	2,320.4	2,356.9	2,385.2	2,427.5	2,462.8
32 Wages and salaries	1,675.4	1,835.2	1,960.3	1,917.7	1,947.6	1,970.1	2,005.8	2,035.1
33 Government and government enterprises	324.2	346.1	370.8	362.6	367.4	372.6	379.7	384.9
34 Other	1,351.6	1,488.9	1,589.7	1,555.1	1,580.2	1,597.5	1,626.1	1,650.2
35 Supplement to wages and salaries	350.5	386.2	412.2	402.7	409.4	415.1	421.7	427.7
36 Employer contributions for social insurance	171.0	192.8	205.8	201.8	204.6	206.7	210.2	213.4
37 Other labor income	179.5	193.4	206.4	200.9	204.8	208.4	211.5	214.3
38 Proprietors' income[1]	192.3	233.7	242.2	239.4	240.9	237.5	250.9	251.3
39 Business and professional[1]	178.0	201.6	221.0	212.9	218.1	225.3	227.6	235.7
40 Farm[1]	14.3	32.1	21.2	26.5	22.8	12.2	23.3	15.6
41 Rental income of persons[2]	12.8	10.8	13.8	11.0	13.8	14.5	15.9	18.9
42 Corporate profits[1]	213.8	273.3	295.5	281.7	288.1	309.1	303.1	314.2
43 Profits before tax[3]	205.0	237.6	225.3	220.0	218.7	228.6	233.8	218.0
44 Inventory valuation adjustment	-10.0	-5.4	-.6	.7	2.2	4.7	-10.1	17.3
45 Capital consumption adjustment	18.8	41.0	70.9	61.1	67.2	75.9	79.4	78.9
46 Net interest	273.6	300.2	287.4	302.9	292.4	281.8	272.6	268.5

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.
3. For after-tax profits, dividends, and the like, see table 1.48.

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

2.17 PERSONAL INCOME AND SAVING

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

Account	1983	1984	1985	1985 Q1	1985 Q2	1985 Q3	1985 Q4	1986 Q1[r]
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**2,836.4**	**3,111.9**	**3,293.5**	**3,240.9**	**3,280.1**	**3,298.5**	**3,354.3**	**3,398.5**
2 Wage and salary disbursements	1,675.8	1,834.9	1,960.5	1,917.6	1,948.6	1,970.1	2,005.8	2,035.1
3 Commodity-producing industries	523.0	577.9	607.3	600.1	604.7	607.6	616.9	620.5
4 Manufacturing	397.4	438.9	457.6	453.5	454.9	457.2	464.7	466.1
5 Distributive industries	404.2	441.6	468.8	459.8	467.4	471.2	476.8	482.9
6 Service industries	424.4	469.4	513.6	495.2	508.1	518.7	532.4	546.8
7 Government and government enterprises	324.2	346.1	370.8	362.5	368.4	372.6	379.7	384.9
8 Other labor income	179.5	193.4	206.4	200.9	204.8	208.4	211.5	214.3
9 Proprietors' income[1]	192.3	233.7	242.2	239.4	240.9	237.5	250.9	251.3
10 Business and professional[1]	178.0	201.6	221.0	212.9	218.1	225.3	227.6	235.7
11 Farm[1]	14.3	32.1	21.2	26.5	22.8	12.2	23.3	15.6
12 Rental income of persons[2]	12.8	10.8	13.8	11.0	13.8	14.5	15.9	18.9
13 Dividends	68.0	74.6	78.9	77.9	78.7	79.1	79.8	82.1
14 Personal interest income	385.7	442.2	456.3	462.8	460.5	450.6	451.4	451.6
15 Transfer payments	442.2	454.7	484.5	477.6	481.0	488.1	491.2	502.6
16 Old-age survivors, disability, and health insurance benefits	221.7	235.7	253.4	249.2	250.7	256.5	257.1	264.3
17 LESS: Personal contributions for social insurance	119.8	132.4	149.1	146.3	148.3	149.7	152.0	157.5
18 EQUALS: Personal income	2,836.4	3,111.9	3,293.5	3,240.9	3,280.1	3,298.5	3,354.3	3,398.5
19 LESS: Personal tax and nontax payments	411.1	441.8	492.7	501.7	462.4	498.2	508.5	504.0
20 EQUALS: Disposable personal income	2,425.4	2,670.2	2,800.8	2,739.2	2,817.7	2,800.2	2,845.9	2,894.5
21 LESS: Personal outlays	2,292.2	2,497.7	2,671.8	2,608.4	2,650.6	2,697.6	2,730.6	2,768.2
22 EQUALS: Personal saving	133.2	172.5	129.0	130.9	167.2	102.6	115.2	126.3
MEMO								
Per capita (1982 dollars)								
23 Gross national product	13,959.5	14,727.9	14,918.5	14,875.4	14,884.5	14,958.6	14,948.7	15,053.9
24 Personal consumption expenditures	9,139.2	9,447.0	9,665.7	9,595.8	9,638.0	9,722.8	9,701.6	9,781.0
25 Disposable personal income	9,942.0	10,412.0	10,483.0	10,411.0	10,595.0	10,447.0	10,479.0	10,607.0
26 Saving rate (percent)	5.5	6.5	4.6	4.8	5.9	3.7	4.0	4.4
GROSS SAVING								
27 **Gross saving**	**469.8**	**584.5**	**553.4**	**578.3**	**571.7**	**537.3**	**526.1**	**580.0**
28 Gross private saving	600.6	693.0	694.3	677.7	723.6	681.8	694.2	725.9
29 Personal saving	133.2	172.5	129.0	130.9	167.2	102.6	115.2	126.3
30 Undistributed corporate profits[1]	67.9	101.6	126.9	116.3	122.6	137.8	131.0	148.2
31 Corporate inventory valuation adjustment	−10.0	−5.4	−.6	.7	2.2	4.7	−10.1	17.3
Capital consumption allowances								
32 Corporate	245.0	256.6	269.2	264.3	266.8	270.9	274.8	277.3
33 Noncorporate	154.6	162.3	169.2	166.3	167.0	170.5	173.2	174.1
34 Wage accruals less disbursements	.0	.0	.0	.0	.0	.0	.0	.0
35 Government surplus, or deficit (−), national income and product accounts	−130.8	−108.5	−141.0	−99.4	−151.9	−144.5	−168.0	−145.9
36 Federal	−179.4	−172.9	−200.0	−162.6	−209.1	−201.3	−226.9	−210.5
37 State and local	48.6	64.4	59.0	63.2	57.3	56.9	58.8	64.6
38 Capital grants received by the United States, net	.0	.0	.0	.0	.0	.0	.0	.0
39 **Gross investment**	**469.2**	**583.0**	**554.0**	**580.8**	**567.0**	**539.9**	**528.2**	**581.4**
40 Gross private domestic	501.9	674.0	669.3	657.6	672.8	666.1	680.7	715.4
41 Net foreign	−32.7	−91.0	−115.3	−76.8	−105.8	−126.2	−152.5	−134.0
42 **Statistical discrepancy**	**−.6**	**−1.5**	**.6**	**2.5**	**−4.7**	**2.5**	**2.1**	**1.4**

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	1983	1984	1985p	1984	1985			
				Q4	Q1	Q2	Q3	Q4p
1 Balance on current account	-45,994	-107,358	-117,664	-31,805	-24,183	-27,626	-29,300	-36,559
2 Not seasonally adjusted	....	....	....	-28,982	-23,491	-27,980	-33,101	-33,093
3 Merchandise trade balance[2]	-67,216	-114,107	-124,289	-30,885	-23,365	-28,487	-32,955	-39,482
4 Merchandise exports	201,712	219,916	213,990	56,242	55,198	53,530	52,276	52,986
5 Merchandise imports	-268,928	-334,023	-338,279	-87,127	-78,563	-82,017	-85,231	-92,468
6 Military transactions, net	-163	-1,765	-2,046	-575	-212	-586	-429	-818
7 Investment income, net[3]	25,401	19,109	24,683	4,003	2,530	5,378	8,651	8,124
8 Other service transactions, net	4,837	819	-1,229	-253	36	-503	-571	-194
9 Remittances, pensions, and other transfers	-2,566	-2,891	-3,538	-782	-934	-843	-866	-896
10 U.S. government grants (excluding military)	-6,287	-8,522	-11,246	-3,313	-2,238	-2,585	-3,130	-3,293
11 Change in U.S. government assets, other than official reserve assets, net (increase, −)	-5,006	-5,516	-2,628	-734	-850	-853	-392	-532
12 Change in U.S. official reserve assets (increase, −)	-1,196	-3,130	-3,858	-1,109	-233	-356	-121	-3,147
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	-66	-979	-897	-194	-264	-180	-264	-189
15 Reserve position in International Monetary Fund	-4,434	-995	908	-143	281	72	388	168
16 Foreign currencies	3,304	-1,156	-3,869	-772	-250	-248	-245	-3,126
17 Change in U.S. private assets abroad (increase, −)[3]	-48,842	-11,800	-31,698	-13,003	621	-1,342	-12,235	-18,742
18 Bank-reported claims	-29,928	-8,504	-5,926	-4,933	135	4,095	-1,521	-8,635
19 Nonbank-reported claims	-6,513	6,266	n.a.	970	1,201	1,863	-1,873	n.a.
20 U.S. purchase of foreign securities, net	-7,007	-5,059	-7,871	-3,663	-2,494	-2,214	-1,708	-1,456
21 U.S. direct investments abroad, net[3]	-5,394	-4,503	-19,092	-5,377	1,779	-5,086	-7,133	-8,651
22 Change in foreign official assets in the United States (increase, +)	5,795	3,424	-1,908	7,119	-11,204	8,465	2,435	-1,604
23 U.S. Treasury securities	6,972	4,690	-610	5,814	-7,219	8,722	-90	-2,023
24 Other U.S. government obligations	-476	167	-329	-67	-307	136	24	-182
25 Other U.S. government liabilities[4]	552	453	148	-197	-462	575	-95	130
26 Other U.S. liabilities reported by U.S. banks	545	663	372	2,052	-3,099	-134	2,974	631
27 Other foreign official assets[5]	-1,798	-2,549	-1,489	-483	-117	-834	-378	-160
28 Change in foreign private assets in the United States (increase, +)[3]	78,527	93,895	125,017	26,191	24,915	17,849	32,113	50,140
29 U.S. bank-reported liabilities	49,341	31,674	40,610	4,481	13,345	195	6,527	20,543
30 U.S. nonbank-reported liabilities	-118	4,284	n.a.	-1,863	-2,655	-1,324	509	n.a.
31 Foreign private purchases of U.S. Treasury securities, net	8,721	22,440	20,910	9,501	2,633	5,106	7,452	5,719
32 Foreign purchases of other U.S. securities, net	8,636	12,983	50,712	9,380	9,510	7,135	11,674	22,393
33 Foreign direct investments in the United States, net[3]	11,947	22,514	16,255	4,692	2,082	6,737	5,951	1,485
34 Allocation of SDRs	0	0	0	0	0	0	0	0
35 Discrepancy	16,717	30,486	32,739	13,341	10,934	3,863	7,500	10,444
36 Owing to seasonal adjustments	....	....	....	4,305	-425	-597	-3,650	4,674
37 Statistical discrepancy in recorded data before seasonal adjustment	16,717	30,486	32,739	9,036	11,359	4,460	11,150	5,770
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	-1,196	-3,130	-3,858	-1,109	-233	-356	-121	-3,147
39 Foreign official assets in the United States (increase, +)	5,243	2,971	-2,056	7,316	-10,742	7,890	2,530	-1,734
40 Change in Organization of Petroleum Exporting Countries official assets in the United States (part of line 22 above)	-8,283	-4,143	-6,750	812	-2,021	-1,808	-1,961	-960
41 Transfers under military grant programs (excluded from lines 4, 6, and 10 above)	194	190	58	61	10	12	15	22

1. Seasonal factors are not calculated for lines 6, 10, 12–16, 18–20, 22–34, and 38–41.
2. Data are on an international accounts (IA) basis. Differs from the Census basis data, shown in table 3.11, for reasons of coverage and timing; military exports are excluded from merchandise data and are included in line 6.
3. Includes reinvested earnings.
4. Primarily associated with military sales contracts and other transactions arranged with or through foreign official agencies.
5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

NOTE. Data are from Bureau of Economic Analysis, *Survey of Current Business* (Department of Commerce).

3.11 U.S. FOREIGN TRADE

Millions of dollars; monthly data are not seasonally adjusted.

Item	1983	1984	1985	1985				1986		
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments	200,486	217,865	213,146	17,034	17,618	17,721	16,994	17,006	17,735	18,913
2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses	258,048	325,726	345,276	31,349	28,429	30,010	30,728	32,005	28,895	31,972
3 **Trade balance**	**−57,562**	**107,861**	**−132,129**	**−14,315**	**−10,811**	**−12,290**	**−13,734**	**−14,999**	**−11,160**	**−13,059**

NOTE. The data through 1981 in this table are reported by the Bureau of Census data of a free-alongside-ship (f.a.s.) value basis—that is, value at the port of export. Beginning in 1981, foreign trade of the U.S. Virgin Islands is included in the Census basis trade data; this adjustment has been made for all data shown in the table. Beginning with 1982 data, the value of imports are on a customs valuation basis.

The Census basis data differ from merchandise trade data shown in table 3.10, U.S. International Transactions Summary, for reasons of coverage and timing. On the *export side*, the largest adjustments are: (1) the addition of exports to Canada not covered in Census statistics, and (2) the exclusion of military sales (which are combined with other military transactions and reported separately in the "service account" in table 3.10, line 6). On the *import side*, additions are made for gold, ship purchases, imports of electricity from Canada, and other transactions; military payments are excluded and shown separately as indicated above.

SOURCE. FT900 "Summary of U.S. Export and Import Merchandise Trade" (Department of Commerce, Bureau of the Census).

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Type	1982	1983	1984	1985			1986			
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
1 **Total**	**33,958**	**33,747**	**34,934**	**41,657**	**42,852**	**43,191**	**43,673**	**45,505**	**44,919**	**46,491**
2 Gold stock, including Exchange Stabilization Fund[1]	11,148	11,121	11,096	11,090	11,090	11,090	11,090	11,090	11,090	11,089
3 Special drawing rights[2,3]	5,250	5,025	5,641	6,926	7,253	7,293	7,441	7,960	7,839	8,098
4 Reserve position in International Monetary Fund[2]	7,348	11,312	11,541	11,843	11,955	11,952	11,824	12,172	12,025	12,242
5 Foreign currencies[4]	10,212	6,289	6,656	11,798	12,554	12,856	13,318	14,283	13,965	15,062

1. Gold held under earmark at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13. Gold stock is valued at $42.22 per fine troy ounce.
2. Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, 16 currencies were used; from January 1981, 5 currencies have been used. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974.
3. Includes allocations by the International Monetary Fund of SDRs as follows: $867 million on Jan. 1, 1970; $717 million on Jan. 1, 1971; $710 million on Jan. 1, 1972; $1,139 million on Jan. 1, 1979; $1,152 million on Jan. 1, 1980; and $1,093 million on Jan. 1, 1981; plus transactions in SDRs.
4. Valued at current market exchange rates.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS

Millions of dollars, end of period

Assets	1982	1983	1984	1985			1986			
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
1 Deposits	328	190	253	267	340	480	256	276	273	325
Assets held in custody										
2 U.S. Treasury securities[1]	112,544	117,670	118,267	118,000	117,814	121,004	121,995	124,905	127,611	132,017
3 Earmarked gold[2]	14,716	14,414	14,265	14,242	14,240	14,245	14,193	14,172	14,167	14,160

1. Marketable U.S. Treasury bills, notes, and bonds; and nonmarketable U.S. Treasury securities payable in dollars and in foreign currencies.
2. Earmarked gold is valued at $42.22 per fine troy ounce.

NOTE. Excludes deposits and U.S. Treasury securities held for international and regional organizations. Earmarked gold is gold held for foreign and international accounts and is not included in the gold stock of the United States.

3.14 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data[1]

Millions of dollars, end of period

Asset account	1982	1983	1984	1985 Sept.	1985 Oct.	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.	1986 Mar.p
					All foreign countries					
1 **Total, all currencies**	**469,712**	**477,090**	**453,656**	**456,676**	**454,492**	**455,935**	**458,076**	**447,529r**	**448,213**	**457,755**
2 Claims on United States	91,805	115,542	113,393	119,526	121,806	115,587	119,716	116,786r	113,706	118,435
3 Parent bank	61,666	82,026	78,109	85,463	87,255	82,327	87,201	84,410	80,942	85,155
4 Other banks in United States[2]	30,139	33,516	13,664	13,258	12,808	12,096	13,076	11,757r	11,727	12,894
5 Nonbanks[2]			21,620	20,805	21,743	21,164	19,439	20,619	21,037	20,386
6 Claims on foreigners	358,493	342,689	320,162	314,997	310,480	317,498	315,763	308,673r	310,637	314,964
7 Other branches of parent bank	91,168	96,004	95,184	87,673	86,912	89,580	91,399	88,393	88,467	91,680
8 Banks	133,752	117,668	100,397	102,334	98,578	102,907	103,014	100,449r	99,798	101,059
9 Public borrowers	24,131	24,517	23,343	23,389	23,478	23,613	23,395	23,350r	23,602	23,653
10 Nonbank foreigners	109,442	107,785	101,238	101,601	101,512	101,398	97,955	96,481r	98,770	98,572
11 Other assets	19,414	18,859	20,101	22,153	22,206	22,850	22,597	22,070r	23,870	24,356
12 **Total payable in U.S. dollars**	**361,982**	**371,508**	**350,636**	**335,302**	**331,610**	**329,622**	**336,288**	**321,703r**	**315,275**	**322,424**
13 Claims on United States	90,085	113,436	111,426	116,630	118,630	112,419	116,648	113,726r	110,349	114,792
14 Parent bank	61,010	80,909	77,229	84,252	86,101	81,162	85,971	83,264	79,607	83,833
15 Other banks in United States[2]	29,075	32,527	13,500	12,697	12,258	11,463	12,473	11,102r	11,070	12,201
16 Nonbanks[2]			20,697	19,681	20,271	19,794	18,204	19,360	19,672	18,758
17 Claims on foreigners	259,871	247,406	228,600	208,868	203,009	207,258	209,924	198,817r	195,088	198,255
18 Other branches of parent bank	73,537	78,431	78,746	69,241	68,576	70,548	72,689	68,748	67,625	71,282
19 Banks	106,447	93,332	76,940	71,013	67,344	69,646	71,738	65,779r	63,714	63,199
20 Public borrowers	18,413	17,890	17,626	17,386	17,432	17,277	17,169	16,958	17,127	17,148
21 Nonbank foreigners	61,474	60,977	55,288	51,228	49,657	49,787	48,328	47,332	46,622	46,626
22 Other assets	12,026	10,666	10,610	9,804	9,971	9,945	9,716	9,160r	9,838	9,377
					United Kingdom					
23 **Total, all currencies**	**161,067**	**158,732**	**144,385**	**150,276**	**149,607**	**152,456**	**148,599**	**150,835**	**148,788**	**150,414**
24 Claims on United States	27,354	34,433	27,731	32,620	33,816	33,774	33,150	36,308	33,458	33,980
25 Parent bank	23,017	29,111	21,918	25,829	26,956	26,718	26,970	26,837	27,281	27,881
26 Other banks in United States[2]	4,337	5,322	1,429	1,334	1,269	1,289	1,106	1,173	1,133	1,119
27 Nonbanks[2]			4,384	5,457	5,591	5,767	5,074	5,298	5,044	4,980
28 Claims on foreigners	127,734	119,280	111,828	112,529	110,325	112,865	110,224	109,301	109,826	110,833
29 Other branches of parent bank	37,000	36,565	37,953	32,418	32,110	30,600	31,576	30,394	30,218	30,807
30 Banks	50,767	43,352	37,443	40,504	37,858	40,482	39,250	39,257	39,393	38,824
31 Public borrowers	6,240	5,898	5,334	5,112	5,482	5,735	5,644	5,949	6,065	5,793
32 Nonbank foreigners	33,727	33,465	31,098	34,495	34,875	36,048	33,754	33,161	34,150	35,409
33 Other assets	5,979	5,019	4,882	5,127	5,466	5,817	5,225	5,226	5,504	5,601
34 **Total payable in U.S. dollars**	**123,740**	**126,012**	**112,809**	**108,731**	**108,024**	**108,699**	**108,626**	**108,566**	**105,272**	**104,719**
35 Claims on United States	26,761	33,756	26,868	31,505	32,569	32,553	32,085	35,292	32,360	32,644
36 Parent bank	22,756	28,756	21,495	25,358	26,495	26,210	26,568	29,470	26,874	27,393
37 Other banks in United States[2]	4,005	5,000	1,363	1,247	1,194	1,205	1,005	1,089	1,047	1,017
38 Nonbanks[2]			4,010	4,900	4,880	5,138	4,512	4,733	4,439	4,234
39 Claims on foreigners	92,228	88,917	82,945	74,301	72,323	72,842	73,482	70,356	69,621	69,145
40 Other branches of parent bank	31,648	31,838	33,607	26,596	26,719	24,989	26,011	25,083	24,474	24,944
41 Banks	36,717	32,188	26,805	25,458	23,888	25,667	26,139	24,013	23,598	22,032
42 Public borrowers	4,329	4,194	4,030	3,633	3,966	3,982	3,999	4,252	4,367	4,223
43 Nonbank foreigners	19,534	20,697	18,503	18,614	17,750	18,204	17,333	17,008	17,182	17,946
44 Other assets	4,751	3,339	2,996	2,925	3,132	3,304	3,059	2,918	3,291	2,930
					Bahamas and Caymans					
45 **Total, all currencies**	**145,156**	**152,083**	**146,811**	**135,519**	**135,262**	**133,645**	**142,055**	**130,413**	**128,851**	**135,210**
46 Claims on United States	59,403	75,309	77,296	72,744	73,572	69,923	74,874	68,576	68,304	71,672
47 Parent bank	34,653	48,720	49,449	47,299	47,918	45,811	50,553	44,586	43,866	46,813
48 Other banks in United States[2]	24,750	26,589	11,544	11,138	10,812	10,082	11,223	9,867	9,815	10,776
49 Nonbanks[2]			16,303	14,307	14,842	14,030	13,098	14,123	14,623	14,083
50 Claims on foreigners	81,450	72,868	65,598	59,466	58,467	60,503	63,894	58,510	56,958	59,833
51 Other branches of parent bank	18,720	20,626	17,661	15,428	15,856	17,050	19,042	16,468	15,872	19,686
52 Banks	42,699	36,842	30,246	27,087	25,861	26,768	28,182	25,476	25,268	24,697
53 Public borrowers	6,413	6,093	6,089	6,598	6,417	6,440	6,458	6,320	6,186	6,197
54 Nonbank foreigners	13,618	12,592	11,602	10,353	10,333	10,245	10,212	10,246	9,632	9,253
55 Other assets	4,303	3,906	3,917	3,309	3,223	3,219	3,287	3,327	3,589	3,705
56 **Total payable in U.S. dollars**	**139,605**	**145,641**	**141,562**	**130,135**	**129,787**	**127,997**	**136,794**	**124,981**	**122,980**	**129,187**

1. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.

2. Data for assets vis-à-vis other banks in the United States and vis-à-vis nonbanks are combined for dates before June 1984.

3.14 Continued

Liability account	1982	1983	1984	1985				1986		
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.[p]
					All foreign countries					
57 **Total, all currencies**	**469,712**	**477,090**	**453,656**	**456,676**	**454,492**	**455,935**	**458,076**	**447,529[r]**	**448,213**	**457,755**
58 Negotiable CDs[3]	n.a.	n.a.	37,725	39,676	38,044	36,607	34,607	34,597	33,458	36,066
59 To United States	179,015	188,070	147,583	143,556	140,142	143,169	155,273	142,207[r]	138,153	139,941
60 Parent bank	75,621	81,261	78,739	78,631	75,479	81,171	83,649	76,805[r]	73,445	74,553
61 Other banks in United States	33,405	29,453	18,409	17,017	15,602	15,490[r]	16,894	14,724	13,988	15,432
62 Nonbanks	69,989	77,356	50,435	47,908	49,061	46,542[r]	54,730	50,678	50,720	49,956
63 To foreigners	270,853	269,685	247,907	250,345	252,253	252,171[r]	246,006	249,598[r]	254,277	259,939
64 Other branches of parent bank	90,191	90,615	93,909	87,854	88,539	88,438	89,529	86,351	86,336	91,084
65 Banks	96,860	92,889	78,203	82,421	82,470	81,871	76,878	84,158[r]	83,850	84,746
66 Official institutions	19,614	18,896	20,281	21,020	21,322	21,658	19,523	19,935[r]	21,854	20,648
67 Nonbank foreigners	64,188	68,845	55,514	59,050	59,922	60,204[r]	60,076	59,154[r]	62,237	63,461
68 Other liabilities	19,844	19,335	20,441	23,099	24,053	23,954	22,190	21,127[r]	22,325	21,809
69 **Total payable in U.S. dollars**	**379,270**	**388,291**	**367,145**	**350,394**	**346,883**	**345,810**	**353,470**	**337,194[r]**	**330,813**	**338,805**
70 Negotiable CDs[3]	n.a.	n.a.	35,227	35,695	33,995	32,838	31,063	31,182	30,202	32,418
71 To United States	175,528	184,305	143,571	136,917	134,266	137,070[r]	149,896	136,809	132,063	133,760
72 Parent bank	73,295	79,035	76,254	74,778	71,996	77,892	80,623	73,897	70,109	71,231
73 Other banks in United States	33,040	28,936	17,935	16,092	15,128	14,926[r]	16,264	14,011	13,292	14,641
74 Nonbanks	69,193	76,334	49,382	46,047	47,142	44,252[r]	53,009	48,901	48,662	47,888
75 To foreigners	192,510	194,139	178,260	167,785	168,378	165,359[r]	163,361	160,112	159,691	164,656
76 Other branches of parent bank	72,921	73,522	77,770	69,606	70,007	69,261	70,943	67,174	66,033	70,793
77 Banks	57,463	57,022	45,123	41,180	41,559	39,682	37,323	38,469	36,716	37,472
78 Official institutions	15,055	13,855	15,773	16,224	16,010	15,905	14,354	14,796	15,819	14,703
79 Nonbank foreigners	47,071	51,260	39,594	40,775	40,802	40,511[r]	40,741	39,673	41,123	41,688
80 Other liabilities	11,232	9,847	10,087	9,997	10,244	10,543	9,150	9,091[r]	8,857	7,971
					United Kingdom					
81 **Total, all currencies**	**161,067**	**158,732**	**144,385**	**150,276**	**149,607**	**152,456**	**148,599**	**150,835**	**148,788**	**150,414**
82 Negotiable CDs[3]	n.a.	n.a.	34,413	35,819	33,913	32,708	31,260	30,788	29,419	32,217
83 To United States	53,954	55,799	25,250	25,547	24,958	27,933	29,422	29,901	26,705	22,945
84 Parent bank	13,091	14,021	14,651	14,592	13,893	18,167	19,330	19,845	16,783	13,706
85 Other banks in United States	12,205	11,328	3,125	3,526	2,602	2,453	2,974	2,264	1,965	2,511
86 Nonbanks	28,658	30,450	7,474	7,429	8,463	7,313	7,118	7,792	7,957	6,728
87 To foreigners	99,567	95,847	77,424	79,671	80,646	81,446	78,525	80,724	82,666	85,493
88 Other branches of parent bank	18,361	19,038	21,631	20,233	20,175	21,932	23,389	21,858	21,954	24,194
89 Banks	44,020	41,624	30,436	32,041	33,102	32,200	28,581	32,326	32,088	33,280
90 Official institutions	11,504	10,151	10,154	10,824	10,812	10,519	9,676	10,093	10,956	9,750
91 Nonbank foreigners	25,682	25,034	15,203	16,573	16,557	16,795	16,879	16,447	17,668	18,269
92 Other liabilities	7,546	7,086	7,298	9,239	10,090	10,369	9,392	9,422	9,998	9,759
93 **Total payable in U.S. dollars**	**130,261**	**131,167**	**117,497**	**112,816**	**111,263**	**112,681**	**112,697**	**112,073**	**108,402**	**107,911**
94 Negotiable CDs[3]	n.a.	n.a.	33,070	33,380	31,574	30,570	29,337	28,845	27,655	30,042
95 To United States	53,029	54,691	24,105	23,329	22,854	25,581	27,756	28,150	24,967	21,070
96 Parent bank	12,814	13,839	14,339	13,995	13,350	17,651	18,956	19,461	16,513	13,387
97 Other banks in United States	12,026	11,044	2,980	3,309	2,479	2,295	2,826	2,090	1,835	2,314
98 Nonbanks	28,189	29,808	6,786	6,025	7,025	5,635	5,974	6,599	6,619	5,369
99 To foreigners	73,477	73,279	56,923	52,245	52,469	52,091	51,980	50,762	51,686	52,711
100 Other branches of parent bank	14,300	15,403	18,294	15,999	15,480	16,687	18,493	16,614	16,829	18,683
101 Banks	28,810	29,320	18,356	15,787	17,053	15,840	14,344	14,872	14,457	14,725
102 Official institutions	9,668	8,279	8,871	9,055	8,877	8,357	7,661	8,242	8,747	7,839
103 Nonbank foreigners	20,699	20,277	11,402	11,404	11,059	11,207	11,482	11,034	11,653	11,464
104 Other liabilities	3,755	3,197	3,399	3,862	4,366	4,439	3,624	4,316	4,094	4,088
					Bahamas and Caymans					
105 **Total, all currencies**	**145,156**	**152,083**	**146,811**	**135,519**	**135,262**	**133,645**	**142,055**	**130,413**	**128,851**	**135,210**
106 Negotiable CDs[3]	n.a.	n.a.	615	686	745	747	610	1,076	1,237	1,132
107 To United States	104,425	111,299	102,955	94,375	92,978	92,508	103,548	91,943	91,705	97,310
108 Parent bank	47,081	50,980	47,162	44,647	43,083	43,509	44,546	38,850	39,380	43,535
109 Other banks in United States	18,466	16,057	13,938	12,092	11,946	11,874	12,778	11,185	10,854	11,604
110 Nonbanks	38,878	44,262	41,855	37,636	37,949	37,125	46,224	41,908	41,471	42,171
111 To foreigners	38,274	38,445	40,320	37,668	38,787	37,307	35,053	35,271	33,773	34,444
112 Other branches of parent bank	15,796	14,936	16,782	16,023	17,201	15,593	14,075	14,755	13,072	13,881
113 Banks	10,166	11,876	12,405	11,420	11,120	10,954	10,669	11,108	10,842	10,346
114 Official institutions	1,967	1,919	2,054	1,763	1,872	2,278	1,776	1,505	1,737	1,743
115 Nonbank foreigners	10,345	11,274	9,079	8,462	8,594	8,482	8,533	7,903	8,122	8,474
116 Other liabilities	2,457	2,339	2,921	2,790	2,752	3,083	2,844	2,123	2,136	2,324
117 **Total payable in U.S. dollars**	**141,908**	**148,278**	**143,582**	**131,226**	**130,992**	**129,575**	**138,322**	**126,536**	**124,572**	**131,004**

3. Before June 1984, liabilities on negotiable CDs were included in liabilities to the United States or liabilities to foreigners, according to the address of the initial purchaser.

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1983	1984	1985				1986		
			Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.[p]
1 **Total**[1]	**177,950**	**180,552**	**180,328**	**178,331**	**179,971**	**178,743**	**180,773**	**180,205**	**181,154**
By type									
2 Liabilities reported by banks in the United States[2]	25,534	26,089	25,889	27,014	29,276	26,611	28,233	26,326	25,486
3 U.S. Treasury bills and certificates[3]	54,341	59,976	56,493	54,398	54,331	53,252	53,294	54,420	55,933
U.S. Treasury bonds and notes									
4 Marketable	68,514	69,019	76,181	74,972	74,735	77,447	77,809	78,428	78,822
5 Nonmarketable[4]	7,250	5,800	3,550	3,550	3,550	3,550	3,550	3,150	2,750
6 U.S. securities other than U.S. Treasury securities[5]	22,311	19,668	18,215	18,397	18,079	17,883	17,887	17,881	18,163
By area									
7 Western Europe[1]	67,645	69,776	74,514	74,257	76,832	74,290	74,355	72,696	72,428
8 Canada	2,438	1,528	1,561	1,586	1,507	1,314	1,118	1,762	1,445
9 Latin America and Caribbean	6,248	8,561	10,539	10,100	10,871	11,121	11,506	10,228	10,414
10 Asia	92,572	93,954	88,326	87,288	85,876	86,995	89,088	90,268	91,516
11 Africa	958	1,264	1,397	1,410	1,629	1,824	1,897	1,786	1,846
12 Other countries[6]	8,089	5,469	3,991	3,690	3,256	3,199	2,809	3,465	3,505

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes bonds and notes payable in foreign currencies.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.
6. Includes countries in Oceania and Eastern Europe.

NOTE. Based on Treasury Department data and on data reported to the Treasury Department by banks (including Federal Reserve Banks) and securities dealers in the United States.

3.16 LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in Foreign Currencies

Millions of dollars, end of period

Item	1982	1983	1984	1985			
				Mar.	June	Sept.[r]	Dec.[p]
1 Banks' own liabilities	4,844	5,219	8,586	7,992	10,238	12,901	15,168
2 Banks' own claims	7,707	7,231	11,984	12,618[r]	14,179	15,233	16,088
3 Deposits	4,251	2,731	4,998	5,941	7,308[r]	8,540	8,329
4 Other claims	3,456	4,501	6,986	6,677[r]	6,871[r]	6,693	7,759
5 Claims of banks' domestic customers[1]	676	1,059	569	440	243	328	832

1. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of their domestic customers.

NOTE. Data on claims exclude foreign currencies held by U.S. monetary authorities.

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States
Payable in U.S. dollars

Millions of dollars, end of period

Holder and type of liability	1982	1983	1984	1985 Sept.	1985 Oct.	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.	1986 Mar.p
1 **All foreigners**	**307,056**	**369,607**	**407,306**	**420,758r**	**417,541r**	**421,341r**	**434,671**	**430,836r**	**436,422**	**440,076**
2 Banks' own liabilities	227,089	279,087	306,898	323,339r	321,857r	324,049r	340,373	335,036r	340,060	344,046
3 Demand deposits	15,889	17,470	19,571	20,926	18,450	20,940r	21,107	19,648r	19,659	20,195
4 Time deposits[1]	68,797	90,632	110,413	115,186r	114,438	114,314r	116,716	114,241r	116,623	116,364
5 Other[2]	23,184	25,874	26,268	29,789r	28,932	29,856	29,468	30,805r	31,479	32,233
6 Own foreign offices[3]	119,219	145,111	150,646	157,438r	160,037r	158,939r	173,082	170,342r	172,298	175,255
7 Banks' custody liabilities[4]	79,967	90,520	100,408	97,419	95,684	97,292	94,298	95,800r	96,362	96,030
8 U.S. Treasury bills and certificates[5]	55,628	68,669	76,368	73,398	72,163	73,189	68,785	69,801	72,631	72,714
9 Other negotiable and readily transferable instruments[6]	20,636	17,467	18,747	17,160	16,755	16,979	17,964	17,946r	15,547	15,327
10 Other	3,702	4,385	5,293	6,861	6,766	7,124	7,549	8,054	8,184	7,989
11 **Nonmonetary international and regional organizations[7]**	**4,922**	**5,957**	**4,454**	**7,467**	**6,766**	**7,803**	**5,566**	**7,487**	**9,997**	**5,228**
12 Banks' own liabilities	1,909	4,632	2,014	3,275	1,842	1,535	2,366	2,714	4,456	1,409
13 Demand deposits	106	297	254	243	143	252	85	96	184	102
14 Time deposits[1]	1,664	3,584	1,267	2,261	1,299	1,051	2,067	2,369	4,022	397
15 Other[2]	139	750	493	771	399	233	214	250	250	910
16 Banks' custody liabilities[4]	3,013	1,325	2,440	4,192	4,924	6,268	3,200	4,773	5,540	3,820
17 U.S. Treasury bills and certificates	1,621	463	916	2,759	3,636	5,069	1,736	3,216	4,219	2,311
18 Other negotiable and readily transferable instruments[6]	1,392	862	1,524	1,433	1,287	1,195	1,464	1,556	1,322	1,508
19 Other	0	0	0	0	1	5	0	1	0	0
20 **Official institutions[8]**	**71,647**	**79,876**	**86,065**	**82,382**	**81,412**	**83,608**	**79,862**	**81,527r**	**80,746**	**81,419**
21 Banks' own liabilities	16,640	19,427	19,039	20,262	21,178	23,323	20,825	22,590r	21,926	21,733
22 Demand deposits	1,899	1,837	1,823	2,151	1,707	2,018	2,077	1,638	1,602	1,917
23 Time deposits[1]	5,528	7,318	9,374	8,954	10,277	10,523	10,935	10,680r	10,189	10,396
24 Other[2]	9,212	10,272	7,842	9,157	9,195	10,783	7,813	10,272	10,136	9,419
25 Banks' custody liabilities[4]	55,008	60,448	67,026	62,120	60,234	60,284	59,037	58,937	58,820	59,686
26 U.S. Treasury bills and certificates[5]	46,658	54,341	59,976	56,493	54,398	54,331	53,252	53,294	54,420	55,933
27 Other negotiable and readily transferable instruments[6]	8,321	6,082	6,966	5,492	5,767	5,848	5,711	5,526	4,052	3,585
28 Other	28	25	84	135	69	105	75	117	348	168
29 **Banks[9]**	**185,881**	**226,887**	**248,893**	**257,690r**	**256,379r**	**255,021r**	**274,991**	**266,460r**	**269,777**	**278,586**
30 Banks' own liabilities	169,449	205,347	225,368	235,063r	234,428r	233,188r	252,290	243,740r	247,116	255,604
31 Unaffiliated foreign banks	50,230	60,236	74,722	77,625	74,391	74,249r	79,208	73,397r	74,818	80,350
32 Demand deposits	8,675	8,759	10,556	10,468	9,045	10,043	10,271	9,792	9,659	9,692
33 Time deposits[1]	28,386	37,439	47,095	48,744r	47,833	46,809r	48,962	44,662r	45,617	50,115
34 Other[2]	13,169	14,038	17,071	18,413r	17,514	17,397	19,975	18,943r	19,543	20,542
35 Own foreign offices[3]	119,219	145,111	150,646	157,438r	160,037r	158,939r	173,082	170,342r	172,298	175,255
36 Banks' custody liabilities[4]	16,432	21,540	23,525	22,627	21,951	21,832	22,701	22,720r	22,661	22,982
37 U.S. Treasury bills and certificates	5,809	10,178	11,448	9,952	9,897	9,429	9,554	9,223	9,501	9,869
38 Other negotiable and readily transferable instruments[6]	7,857	7,485	7,236	6,462	5,906	5,853	6,153	6,006r	5,876	5,752
39 Other	2,766	3,877	4,841	6,213	6,148	6,551	6,994	7,491	7,283	7,361
40 **Other foreigners**	**44,606**	**56,887**	**67,894**	**73,219**	**72,984**	**74,909r**	**74,251**	**75,362r**	**75,902**	**74,842**
41 Banks' own liabilities	39,092	49,680	60,477	64,740	64,409	66,002r	64,892	65,992r	66,561	65,301
42 Demand deposits	5,209	6,577	6,938	8,064	7,555	8,627r	8,673	8,122	8,214	8,484
43 Time deposits	33,219	42,290	52,678	55,227	55,029	55,932	54,752	56,530r	56,796	55,456
44 Other[2]	664	813	861	1,449	1,825	1,444	1,467	1,340	1,550	1,361
45 Banks' custody liabilities[4]	5,514	7,207	7,417	8,479	8,575	8,907	9,359	9,370	9,341	9,542
46 U.S. Treasury bills and certificates	1,540	3,686	4,029	4,193	4,232	4,360	4,243	4,068r	4,491	4,601
47 Other negotiable and readily transferable instruments[6]	3,065	3,038	3,021	3,774	3,795	4,084	4,636	4,858	4,297	4,482
48 Other	908	483	367	513	548	463	480	444	553	459
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	14,307	10,346	10,476	9,228	9,088	9,152	9,845	9,628r	7,386	6,603

1. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
2. Includes borrowing under repurchase agreements.
3. U.S. banks: includes amounts due to own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. Agencies, branches, and majority-owned subsidiaries of foreign banks: principally amounts due to head office or parent foreign bank, and foreign branches, agencies or wholly owned subsidiaries of head office or parent foreign bank.
4. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
5. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
6. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
7. Principally the International Bank for Reconstruction and Development, and the Inter-American and Asian Development Banks.
8. Foreign central banks and foreign central governments, and the Bank for International Settlements.
9. Excludes central banks, which are included in "Official institutions."

3.17 Continued

	Area and country	1982	1983	1984	1985 Sept.	1985 Oct.	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.	1986 Mar.p
1	**Total**	**307,056**	**369,607**	**407,306**	**420,758r**	**417,541r**	**421,341r**	**434,671**	**430,836r**	**436,422**	**440,076**
2	**Foreign countries**	**302,134**	**363,649**	**402,852**	**413,291r**	**410,775r**	**413,538r**	**429,105**	**423,349r**	**426,425**	**434,848**
3	Europe	117,756	138,072	153,145	157,222r	158,857r	163,433r	163,438	161,234r	157,052	157,231
4	Austria	519	585	615	767	613	655	693	692	769	1,665
5	Belgium-Luxembourg	2,517	2,709	4,114	5,725	5,262	5,556	5,214	5,189r	4,732	4,265
6	Denmark	509	466	438	778	558	624	513	536	533	536
7	Finland	748	531	418	350	594	497	491	373	506	354
8	France	8,171	9,441	12,701	15,741	15,984	15,863	15,540	15,595r	15,148	15,905
9	Germany	5,351	3,599	3,358	5,224	4,366	7,265	4,835	5,622	5,309	5,690
10	Greece	537	520	699	593	536	574	664	612	551	535
11	Italy	5,626	8,462	10,762	9,088	9,717	9,069	9,642	7,739	7,235	7,215
12	Netherlands	3,362	4,290	4,731	4,568	4,295	4,359	4,212	4,069	4,027	4,332
13	Norway	1,567	1,673	1,548	1,043	1,132	1,008	848	781	552	469
14	Portugal	388	373	597	641	647	619	652	706r	685	705
15	Spain	1,405	1,603	2,082	2,140	2,094	2,122	2,113	1,899	1,794	1,771
16	Sweden	1,390	1,799	1,676	1,668	1,760	1,482	1,344	1,622	1,693	1,565
17	Switzerland	29,066	32,246	31,740	29,290	28,495	28,992	28,742	26,119	25,606	26,736
18	Turkey	296	467	584	516	417	288	429	504	404	383
19	United Kingdom	48,172	60,683	68,671	70,497r	73,877r	74,595r	76,571	80,563r	80,106	78,559
20	Yugoslavia	499	562	602	647	626	675	673	595	600	535
21	Other Western Europe[1]	7,006	7,403	7,192	7,432	7,403	8,619	9,635	7,643	6,311	5,360
22	U.S.S.R.	50	65	79	37	51	36	105	43	64	63
23	Other Eastern Europe[2]	576	596	537	477	429	533	523	332r	427	588
24	Canada	12,232	16,026	16,059	17,358	16,288	16,428r	17,426	18,037	21,466	22,496
25	Latin America and Caribbean	114,163	140,088	153,381	157,480	156,319r	155,202r	167,745	161,389r	161,044	164,228
26	Argentina	3,578	4,038	4,394	5,634	5,872	5,899	6,029	5,786	5,551	5,155
27	Bahamas	44,744	55,818	56,897	53,694	54,518	53,394r	57,621	53,809r	54,630	55,268
28	Bermuda	1,572	2,266	2,370	2,124	2,238	2,415	2,765	2,596	2,147	2,324
29	Brazil	2,014	3,168	5,275	5,894	5,861	5,614	5,369	6,049	5,759	6,071
30	British West Indies	26,381	34,545	36,773	38,931	37,163	35,858r	42,645	40,469	41,127	43,942
31	Chile	1,626	1,842	2,001	1,907	1,940	2,867	2,042	2,019	1,997	2,083
32	Colombia	2,594	1,689	2,514	2,599	2,562	2,920	3,102	3,336	3,140	3,079
33	Cuba	9	8	10	13	64	7	11	16	6	7
34	Ecuador	455	1,047	1,092	1,251	1,029	1,253r	1,238	1,211	1,172	1,207
35	Guatemala	670	788	896	1,005	957	1,087	1,071	1,146	1,132	1,127
36	Jamaica	126	109	183	144	122	150	122	244	126	144
37	Mexico	8,377	10,392	12,303	13,809	13,610	13,948	14,045	13,702	13,433	12,980
38	Netherlands Antilles	3,597	3,879	4,220	4,973	4,666	4,612r	4,875	4,696	4,560	4,570
39	Panama	4,805	5,924	6,951	7,168	7,343r	6,502r	7,492	7,416	7,161	7,216
40	Peru	1,147	1,166	1,266	1,159	1,093	1,124	1,166	1,124	1,100	1,176
41	Uruguay	759	1,244	1,394	1,576	1,498	1,534	1,549	1,730	1,727	1,567
42	Venezuela	8,417	8,632	10,545	11,121	11,404	11,345	11,919	11,467	11,741	11,670
43	Other Latin America and Caribbean	3,291	3,535	4,297	4,479	4,381	4,673r	4,683	4,571	4,534	4,641
44	Asia	48,716	58,570	71,187	73,292	71,643	71,047	72,266	74,841r	78,767	82,647
	China										
45	Mainland	203	249	1,153	1,937	1,809	1,380	1,594	1,003	1,624	1,410
46	Taiwan	2,761	4,051	4,990	6,280	6,455	7,427	7,799	9,092r	9,661	10,840
47	Hong Kong	4,465	6,657	6,581	7,924	7,964	8,170	8,062	8,215	8,194	8,643
48	India	433	464	507	644	473	562	711	606	630	926
49	Indonesia	857	997	1,033	1,363	1,570	1,381	1,466	1,524	1,738	2,107
50	Israel	606	1,722	1,268	1,189	2,118	1,595	1,595	1,459r	1,358	1,451
51	Japan	16,078	18,079	21,640	23,597	22,059	21,689	23,077	25,047	26,397	28,273
52	Korea	1,692	1,648	1,730	1,657	1,751	1,685	1,665	1,503	1,602	1,551
53	Philippines	770	1,234	1,383	1,607	1,325	1,189	1,140	942r	1,086	978
54	Thailand	629	747	1,257	1,029	1,014	1,066	1,358	1,199	1,141	1,103
55	Middle-East oil-exporting countries[3]	13,433	12,976	16,804	15,352	15,252	14,941	14,523	15,174r	16,308	15,384
56	Other Asia	6,789	9,748	12,841	10,713	9,852	9,961	9,276	9,076r	9,028	9,980
57	Africa	3,124	2,827	3,396	3,635	3,723	3,989	4,883	4,643	4,359	4,260
58	Egypt	432	671	647	923	885	780	1,363	1,080	987	870
59	Morocco	81	84	118	157	140	145	163	98	92	91
60	South Africa	292	449	328	370	404	462	388	567	421	465
61	Zaire	23	87	153	115	136	140	163	73	92	95
62	Oil-exporting countries[4]	1,280	620	1,189	1,049	1,076	1,407	1,494	1,644	1,614	1,601
63	Other Africa	1,016	917	961	1,021	1,082	1,056	1,312	1,182	1,152	1,137
64	Other countries	6,143	8,067	5,684	4,303	3,945	3,440	3,347	3,205	3,739	3,986
65	Australia	5,904	7,857	5,300	3,762	3,451	2,906	2,779	2,707	3,024	3,236
66	All other	239	210	384	541	494	534	568	498	714	750
67	Nonmonetary international and regional organizations	4,922	5,957	4,454	7,467	6,766	7,803	5,566	7,487	9,997	5,228
68	International	4,049	5,273	3,747	6,542	5,779r	6,952	4,551	6,109	8,801	4,139
69	Latin American regional	517	419	587	796	646	580	894	909	863	916
70	Other regional[5]	357	265	120	129	341r	271	121	470	333	173

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.
2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.
5. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Area and country	1982	1983	1984	1985				1986		
				Sept.r	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.p
1 **Total**	**355,705**	**391,312**	**400,162r**	**390,612**	**381,103r**	**384,515r**	**403,209**	**386,367r**	**389,768**	**394,695**
2 **Foreign countries**	**355,636**	**391,148**	**399,363r**	**390,230**	**380,334r**	**383,903r**	**402,178**	**385,075r**	**388,959**	**394,212**
3 Europe	85,584	91,927	99,014r	106,091	102,194r	106,915r	108,360	104,277r	100,225	100,352
4 Austria	229	401	433	763	673	614	598	485	542	494
5 Belgium-Luxembourg	5,138	5,639	4,794	6,147	5,882	6,801	5,741	5,831	5,276	5,428
6 Denmark	554	1,275	648	615	636	558	706	864	940	845
7 Finland	990	1,044	898	905	789	909	823	843	741	1,194
8 France	7,251	8,766	9,157	11,029	10,190	9,785	9,134	9,058r	7,990	8,596
9 Germany	1,876	1,284	1,306	999	1,036	1,355	1,257	1,211r	1,306	1,374
10 Greece	452	476	817	1,004	966	854	991	933	884	798
11 Italy	7,560	9,018	9,119	7,394	7,597	7,765	8,833	7,482r	6,948	7,297
12 Netherlands	1,425	1,267	1,356	1,297	1,110	1,389	1,258	1,248	1,249	1,394
13 Norway	572	690	675	858	788	755	697	692	652	613
14 Portugal	950	1,114	1,243	1,189	1,141	1,123	1,058	1,040r	936	897
15 Spain	3,744	3,573	2,884	2,401	2,310	2,199	1,908	1,801r	1,897	1,866
16 Sweden	3,038	3,358	2,230	2,474	2,643	2,546	2,203	2,174	2,278	2,422
17 Switzerland	1,639	1,863	2,123	3,091	2,604	3,162	3,161	2,836	2,361	2,940
18 Turkey	560	812	1,130	1,269	1,355	1,269	1,200	1,512	1,519	1,587
19 United Kingdom	45,781	47,364	56,185r	60,641	58,106r	61,655r	64,594	62,356r	60,574	57,953
20 Yugoslavia	1,430	1,718	1,886	1,880	1,867	1,879	1,964	1,901	1,953	1,899
21 Other Western Europe[1]	368	477	596	685	1,206	1,082	998	716r	734	1,166
22 U.S.S.R	263	192	142	199	165	128	130	169	287	424
23 Other Eastern Europe[2]	1,762	1,598	1,389	1,252	1,131	1,086	1,107	1,126r	1,159	1,164
24 Canada	13,678	16,341	16,109r	16,965	15,941	16,209	16,466	17,279r	18,281	17,945
25 Latin America and Caribbean	187,969	205,491	207,862	194,050	190,779r	191,663	202,401	188,975r	190,645	196,770
26 Argentina	10,974	11,749	11,050	11,433	11,236	11,486	11,462	11,463	11,594	11,455
27 Bahamas	56,649	59,633	58,009	53,424	51,256r	49,015	57,756	49,712r	49,614	55,776
28 Bermuda	603	566	592	480	1,017	498	499	542	380	460
29 Brazil	23,271	24,667	26,315	25,416	25,397	25,376	25,283	25,209	25,159	25,381
30 British West Indies	29,101	35,527	38,205	35,096	34,258	37,063	38,640	34,345r	36,447	36,820
31 Chile	5,513	6,072	6,839	6,192	6,145	6,198	6,603	6,525	6,487	6,557
32 Colombia	3,211	3,745	3,499	3,183	3,210	3,222	3,259	3,185	3,044	2,904
33 Cuba	3	0	0	0	4	0	0	0	0	1
34 Ecuador	2,062	2,307	2,420	2,423	2,411	2,419	2,390	2,439	2,369	2,399
35 Guatemala[3]	124	129	158	168	168	197	194	174	167	168
36 Jamaica[3]	181	215	252	228	222	222	224	228	213	213
37 Mexico	29,552	34,802	34,885	31,833	31,720	32,424	32,255	31,826	32,102	31,582
38 Netherlands Antilles	839	1,154	1,350	1,170	1,387	1,071	1,340	1,022	1,043	927
39 Panama	10,210	7,848	7,707	7,108	6,526	6,519	6,650	6,532	5,881	6,193
40 Peru	2,357	2,536	2,384	2,069	2,016	1,990	1,947	1,874	1,891	1,806
41 Uruguay	686	977	1,088	989	947	954	960	966	956	961
42 Venezuela	10,643	11,287	11,017	10,863	10,838	10,876	10,871	10,947	11,302	11,195
43 Other Latin America and Caribbean	1,991	2,277	2,091	1,977	2,022	2,135	2,067	1,984r	1,995	1,973
44 Asia	60,952	67,837	66,316	64,398	62,847	60,578r	66,166	65,898r	71,151	70,714
China										
45 Mainland	214	292	710	1,148	997	748	639	750	820	902
46 Taiwan	2,288	1,908	1,849	1,476	1,329	1,258	1,535	1,300r	1,286	1,400
47 Hong Kong	6,787	8,489	7,293	7,718	6,917	6,472	6,796	6,923	7,607	8,208
48 India	222	330	425	461	388	439	450	332	284	481
49 Indonesia	348	805	724	695	653	608	698	692	793	710
50 Israel	2,029	1,832	2,088	1,875	1,901	1,958	1,991	1,834	1,697	1,616
51 Japan	28,379	30,354	29,066	27,002	28,558	26,768r	31,209	32,232r	36,475	36,711
52 Korea	9,387	9,943	9,285	9,192	9,096	8,908	9,241	8,839r	9,098	9,240
53 Philippines	2,625	2,107	2,555	2,412	2,239	2,285	2,224	2,206	2,236	2,336
54 Thailand	643	1,219	1,125	787	756	788	840	793	766	810
55 Middle East oil-exporting countries[4]	3,087	4,954	5,044	4,845	4,576	4,239	4,298	3,975	3,869	3,577
56 Other Asia	4,943	5,603	6,152	6,785	5,436	6,106	6,245	6,021	6,218	4,722
57 Africa	5,346	6,654	6,615	5,641	5,463	5,394r	5,407	5,416	5,459	5,128
58 Egypt	322	747	728	634	668	685	721	677	690	653
59 Morocco	353	440	583	592	610	584	575	591	612	646
60 South Africa	2,012	2,634	2,795	2,062	1,968	1,848	1,942	1,965	1,948	1,796
61 Zaire	57	33	18	22	21	21	20	18	19	17
62 Oil-exporting countries[5]	801	1,073	842	828	674	677	630	582	568	488
63 Other	1,802	1,727	1,649	1,503	1,521	1,579r	1,520	1,584	1,621	1,528
64 Other countries	2,107	2,898	3,447	3,087	3,111	3,144	3,379	3,230	3,199	3,305
65 Australia	1,713	2,256	2,769	2,304	2,293	2,341	2,401	2,409	2,367	2,480
66 All other	394	642	678	783	818	803	978	821	832	825
67 Nonmonetary international and regional organizations[6]	68	164	800	382	768	612	1,030	1,292	809	483

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.
2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
3. Included in "Other Latin America and Caribbean" through March 1978.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. Excludes the Bank for International Settlements, which is included in "Other Western Europe."

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1982	1983	1984	1985				1986		
				Sept.r	Oct.	Nov.	Dec.	Jan.r	Feb.	Mar.p
1 **Total**	**396,015**	**426,215**	**433,078r**	**424,081**	....	....	**432,090**	....	....	**394,695**
2 Banks' own claims on foreigners	355,705	391,312	400,162r	390,612	381,103r	384,515r	403,209	386,367	389,768	394,695
3 Foreign public borrowers	45,422	57,569	62,237	60,382	60,132	59,920	60,331	60,469	60,655	60,342
4 Own foreign offices[1]	127,293	146,393	156,216	159,520	156,011	158,752	176,535	163,983	168,955	173,997
5 Unaffiliated foreign banks	121,377	123,837	124,932r	118,047	113,664r	115,189r	116,244	111,957	110,507	110,543
6 Deposits	44,223	47,126	49,226r	49,806	47,345r	47,610r	47,416	45,694	44,181	44,879
7 Other	77,153	76,711	75,706	68,242	66,319r	67,578	68,829	66,263	66,326	65,663
8 All other foreigners	61,614	63,514	56,777	52,663	51,296	50,654	50,098	49,958	49,651	49,814
9 Claims of banks' domestic customers[2]	40,310	34,903	32,916	33,468	....	....	28,881	....	....	....
10 Deposits	2,491	2,969	3,380	3,314	....	....	3,335	....	....	....
11 Negotiable and readily transferable instruments[3]	30,763	26,064	23,805	24,827	....	....	19,332	....	....	....
12 Outstanding collections and other claims	7,056	5,870	5,732	5,327	....	....	6,214	....	....	....
13 MEMO: Customer liability on acceptances	38,153	37,715	37,103	30,195	....	....	28,180	....	....	....
Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[4]	42,499	46,337	40,714	38,205	37,632	37,856	37,307	38,318	n.a.	n.a.

1. *U.S. banks:* includes amounts due from own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. *Agencies, branches, and majority-owned subsidiaries of foreign banks:* principally amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the account of their domestic customers.
3. Principally negotiable time certificates of deposit and bankers acceptances.
4. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see July 1979 BULLETIN, p. 550.

NOTE. Beginning April 1978, data for banks' own claims are given on a monthly basis, but the data for claims of banks' own domestic customers are available on a quarterly basis only.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Maturity; by borrower and area	1982	1983	1984	1985			
				Mar.	June	Sept.	Dec.
1 **Total**	**228,150**	**243,715**	**243,952**	**241,379r**	**232,485r**	**232,360r**	**227,238**
By borrower							
2 Maturity of 1 year or less[1]	173,917	176,158	167,858	167,004r	159,383r	162,262r	160,162
3 Foreign public borrowers	21,256	24,039	23,912	23,688	23,764r	26,466	26,312
4 All other foreigners	152,661	152,120	143,947	143,316r	135,619r	135,797r	133,850
5 Maturity of over 1 year[1]	54,233	67,557	76,094	74,374	73,102	70,098r	67,076
6 Foreign public borrowers	23,137	32,521	38,695	38,187r	37,554r	36,257	34,510
7 All other foreigners	31,095	35,036	37,399	36,188r	35,549r	33,841r	32,566
By area							
Maturity of 1 year or less[1]							
8 Europe	50,500	56,117	58,498	61,596r	56,369r	58,403r	56,425
9 Canada	7,642	6,211	6,028	7,588r	6,160r	6,100r	6,386
10 Latin America and Caribbean	73,291	73,660	62,791	60,447r	63,517r	62,973r	63,040
11 Asia	37,578	34,403	33,504	30,903	27,569	29,049	27,779
12 Africa	3,680	4,199	4,442	4,109	4,003	3,954	3,753
13 All other[2]	1,226	1,569	2,593	2,360	1,764	1,782	2,779
Maturity of over 1 year[1]							
14 Europe	11,636	13,576	9,605	8,545	8,739	8,078	7,643
15 Canada	1,931	1,857	1,882	2,181	2,116	1,932	1,804
16 Latin America and Caribbean	35,247	43,888	56,144	55,411	53,507	52,049	50,662
17 Asia	3,185	4,850	5,323	5,221	5,123	5,217r	4,502
18 Africa	1,494	2,286	2,033	1,963	1,996	1,665	1,538
19 All other[2]	740	1,101	1,107	1,053	1,622	1,157	926

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

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks[1]

Billions of dollars, end of period

Area or country	1981	1982	1983	1984				1985			
				Mar.	June[7]	Sept.	Dec.	Mar.	June	Sept.	Dec.p
1 **Total**	**415.2**	**438.7**	**437.3**	**435.1**	**432.4**	**411.9**	**409.2**	**411.3**	**402.5**	**403.9**	**403.5**
2 G-10 countries and Switzerland	175.5	179.7	168.0	166.0	157.9	148.2	148.0	152.8	146.9	153.1	155.7
3 Belgium-Luxembourg	13.3	13.1	12.4	11.0	10.9	9.8	8.8	9.4	9.0	9.6	9.2
4 France	15.3	17.1	16.3	15.9	14.2	14.3	14.1	14.6	13.6	14.9	12.6
5 Germany	12.9	12.7	11.3	11.7	10.9	10.0	9.0	8.9	9.6	9.9	11.0
6 Italy	9.6	10.3	11.4	11.2	11.5	9.7	10.1	10.0	8.5	8.4	9.7
7 Netherlands	4.0	3.6	3.5	3.4	3.0	3.4	3.9	3.8	3.7	3.4	3.9
8 Sweden	3.7	5.0	5.1	5.2	4.3	3.5	3.2	3.1	2.8	3.1	2.7
9 Switzerland	5.5	5.0	4.3	4.3	4.2	3.9	3.9	4.2	4.0	4.1	4.4
10 United Kingdom	70.1	72.1	65.4	65.1	60.6	57.5	60.0	65.1	65.7	68.0	66.9
11 Canada	10.9	10.4	8.3	8.6	8.9	8.1	7.9	9.0	8.0	7.5	8.0
12 Japan	30.2	30.2	29.9	29.7	29.3	27.9	27.2	24.8	22.0	24.3	27.3
13 Other developed countries	28.4	33.7	36.1	35.7	37.2	36.4	33.9	33.0	32.5	32.3	30.5
14 Austria	1.9	1.9	1.9	2.0	1.9	1.8	1.6	1.6	1.6	1.7	1.5
15 Denmark	2.3	2.4	3.4	3.4	3.1	2.9	2.2	2.1	1.9	2.1	2.4
16 Finland	1.7	2.2	2.4	2.1	2.3	1.9	1.9	1.8	1.8	1.8	1.6
17 Greece	2.8	3.0	2.8	3.0	3.3	3.2	2.9	2.9	2.9	2.8	2.6
18 Norway	3.1	3.3	3.3	3.2	3.2	3.2	3.0	2.9	2.9	3.4	2.9
19 Portugal	1.1	1.5	1.5	1.4	1.7	1.6	1.4	1.4	1.3	1.4	1.3
20 Spain	6.6	7.5	7.1	7.1	7.3	6.9	6.5	6.4	5.9	6.2	5.8
21 Turkey	1.4	1.4	1.7	1.9	2.0	2.0	1.9	1.9	2.0	2.1	1.9
22 Other Western Europe	2.1	2.3	1.8	1.8	1.9	1.7	1.7	1.7	1.8	1.7	2.0
23 South Africa	2.8	3.7	4.7	4.8	4.7	5.0	4.5	4.2	3.9	3.3	3.2
24 Australia	2.5	4.4	5.5	5.2	5.8	6.3	6.2	6.2	6.4	5.8	5.2
25 OPEC countries[2]	24.8	27.4	28.9	28.6	27.0	25.2	25.8	25.4	23.8	24.1	21.8
26 Ecuador	2.2	2.2	2.2	2.1	2.1	2.1	2.2	2.2	2.3	2.3	2.2
27 Venezuela	9.9	10.5	9.9	9.7	9.5	9.2	9.3	9.3	9.3	9.2	8.9
28 Indonesia	2.6	3.2	3.8	4.0	4.3	4.0	3.9	3.8	3.6	3.6	3.4
29 Middle East countries	7.5	8.7	10.0	9.8	8.4	7.4	8.2	7.8	6.6	6.7	5.7
30 African countries	2.5	2.8	3.0	3.0	2.7	2.5	2.3	2.3	2.2	2.3	1.6
31 Non-OPEC developing countries	96.3	107.1	111.6	112.2	113.5	112.7	112.9	111.8	111.0	111.2	106.8
Latin America											
32 Argentina	9.4	8.9	9.5	9.5	9.2	9.1	8.7	8.6	8.6	9.3	8.9
33 Brazil	19.1	22.9	23.1	25.1	25.4	26.3	26.3	26.4	26.6	26.1	25.6
34 Chile	5.8	6.3	6.4	6.5	6.7	7.1	7.0	7.0	6.9	6.9	6.9
35 Colombia	2.6	3.1	3.2	3.1	3.0	2.9	2.9	2.8	2.7	2.6	2.7
36 Mexico	21.6	24.5	26.1	25.6	26.2	26.2	26.0	25.7	25.6	25.2	25.3
37 Peru	2.0	2.6	2.4	2.3	2.3	2.2	2.2	2.2	2.1	2.0	1.8
38 Other Latin America	4.1	4.0	4.2	4.4	4.1	3.9	3.9	3.7	3.6	3.5	3.4
Asia											
China											
39 Mainland	.2	.2	.3	.3	.6	.5	.7	.7	.3	1.1	.5
40 Taiwan	5.1	5.3	5.3	4.9	5.4	5.3	5.3	5.4	5.5	5.2	4.5
41 India	.3	.6	1.0	1.0	1.0	1.1	1.0	1.0	1.0	1.2	1.4
42 Israel	2.1	2.3	1.9	1.6	1.9	1.7	1.8	1.7	2.3	1.5	1.6
43 Korea (South)	9.4	10.9	11.3	11.1	11.3	10.5	10.9	10.6	10.3	10.7	9.7
44 Malaysia	1.7	2.1	2.9	2.8	2.9	3.1	3.0	2.9	3.0	2.9	2.5
45 Philippines	6.0	6.3	6.2	6.7	6.3	5.9	6.0	6.1	6.0	6.1	5.8
46 Thailand	1.5	1.6	2.2	2.1	1.9	1.8	1.8	1.7	1.6	1.6	1.4
47 Other Asia	1.0	1.1	1.0	.9	1.1	1.0	1.2	1.1	1.0	1.1	1.1
Africa											
48 Egypt	1.1	1.2	1.5	1.4	1.4	1.2	1.2	1.1	1.0	1.0	1.0
49 Morocco	.7	.7	.8	.8	.8	.8	.8	.8	.8	.9	.9
50 Zaire	.2	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
51 Other Africa[3]	2.3	2.4	2.3	2.2	1.9	1.9	2.1	2.2	2.0	2.0	1.9
52 Eastern Europe	7.8	6.2	5.3	4.9	4.9	4.5	4.4	4.3	4.3	4.6	4.1
53 U.S.S.R.	.6	.3	.2	.2	.2	.2	.1	.2	.3	.2	.1
54 Yugoslavia	2.5	2.2	2.4	2.3	2.3	2.3	2.3	2.2	2.2	2.5	2.2
55 Other	4.7	3.7	2.8	2.5	2.4	2.1	2.0	1.9	1.8	1.9	1.8
56 Offshore banking centers	63.7	66.8	70.5	71.4	74.6	67.4	67.0	66.9	66.8	61.4	67.4
57 Bahamas	19.0	19.0	21.8	24.6	27.5	23.8	21.5	21.9	22.0	16.9	21.6
58 Bermuda	.7	.9	.9	.7	.7	1.0	.9	.7	.9	.8	.7
59 Cayman Islands and other British West Indies	12.4	12.9	12.2	12.0	12.2	11.1	11.7	12.4	12.4	12.5	13.4
60 Netherlands Antilles	3.2	3.3	4.2	3.3	3.3	3.1	3.4	3.3	3.2	2.3	2.3
61 Panama[4]	7.7	7.6	6.0	6.3	6.6	5.7	6.8	5.7	5.5	6.2	6.2
62 Lebanon	.2	.1	.1	.1	.1	.1	.1	.1	.1	.0	.1
63 Hong Kong	11.8	13.9	15.0	14.4	13.9	13.1	12.8	12.9	13.1	13.2	13.3
64 Singapore	8.7	9.2	10.3	10.0	10.3	9.5	9.8	10.0	9.7	9.4	9.8
65 Others[5]	.1	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
66 Miscellaneous and unallocated[6]	18.8	17.9	17.0	16.3	17.4	17.4	17.3	17.1	17.3	17.6	17.1

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 3.14 (the sum of lines 7 through 10) with the claims *of U.S. offices in table 3.18 (excluding those held by agencies and branches of* foreign banks and those constituting claims on own foreign branches).
2. Besides the Organization of Petroleum Exporting Countries shown individually, this group includes other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates) as well as Bahrain and Oman (not formally members of OPEC).
3. Excludes Liberia.
4. Includes Canal Zone beginning December 1979.
5. Foreign branch claims only.
6. Includes New Zealand, Liberia, and international and regional organizations.
7. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.

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

Millions of dollars, end of period

Type, and area or country	1981	1982	1983	1984	1985			
				Dec.	Mar.	June	Sept.[r]	Dec.[p]
1 **Total**	**28,618**	**27,512**	**25,346**	**29,357**	**26,243**	**24,591**	**25,184**	**27,018**
2 Payable in dollars	24,909	24,280	22,233	26,389	23,466	21,945	22,364	23,811
3 Payable in foreign currencies	3,709	3,232	3,113	2,968	2,777	2,646	2,820	3,208
By type								
4 Financial liabilities	12,157	11,066	10,572	14,509	11,722	11,489	11,743	12,856
5 Payable in dollars	9,499	8,858	8,700	12,553	9,873	9,533	9,780	10,835
6 Payable in foreign currencies	2,658	2,208	1,872	1,955	1,849	1,956	1,963	2,021
7 Commercial liabilities	16,461	16,446	14,774	14,849	14,521	13,103	13,441	14,162
8 Trade payables	10,818	9,438	7,765	7,005	7,052	5,854	5,694	6,685
9 Advance receipts and other liabilities	5,643	7,008	7,009	7,843	7,469	7,249	7,747	7,477
10 Payable in dollars	15,409	15,423	13,533	13,836	13,593	12,413	12,584	12,976
11 Payable in foreign currencies	1,052	1,023	1,241	1,013	928	690	857	1,186
By area or country								
Financial liabilities								
12 Europe	6,825	6,501	5,742	6,728	6,138	5,934	6,534	7,146
13 Belgium-Luxembourg	471	505	302	471	298	351	367	329
14 France	709	783	843	995	896	865	849	857
15 Germany	491	467	502	489	506	474	493	419
16 Netherlands	748	711	621	590	619	604	624	745
17 Switzerland	715	792	486	569	541	566	593	676
18 United Kingdom	3,565	3,102	2,839	3,297	3,039	2,825	3,318	3,822
19 Canada	963	746	764	863	840	850	826	760
20 Latin America and Caribbean	3,356	2,751	2,596	5,086	3,147	3,106	2,619	3,152
21 Bahamas	1,279	904	751	1,926	1,341	1,107	1,145	1,120
22 Bermuda	7	14	13	13	25	10	4	4
23 Brazil	22	28	32	35	29	27	23	29
24 British West Indies	1,241	1,027	1,041	2,103	1,521	1,734	1,234	1,814
25 Mexico	102	121	213	367	25	32	28	15
26 Venezuela	98	114	124	137	3	3	3	3
27 Asia	976	1,039	1,424	1,777	1,555	1,555	1,728	1,765
28 Japan	792	715	991	1,209	1,033	965	1,098	1,148
29 Middle East oil-exporting countries[2]	75	169	170	155	124	147	82	82
30 Africa	14	17	19	14	12	14	14	12
31 Oil-exporting countries[3]	0	0	0	0	0	0	0	0
32 All other[4]	24	12	27	41	31	30	22	21
Commercial liabilities								
33 Europe	3,770	3,831	3,245	4,001	3,519	3,485	3,897	4,011
34 Belgium-Luxembourg	71	52	62	48	37	53	56	62
35 France	573	598	437	438	401	425	431	453
36 Germany	545	468	427	622	590	431	601	607
37 Netherlands	220	346	268	245	272	284	386	364
38 Switzerland	424	367	241	257	233	353	289	379
39 United Kingdom	880	1,027	732	1,095	752	740	858	976
40 Canada	897	1,495	1,841	1,975	1,727	1,494	1,383	1,449
41 Latin America and Caribbean	1,044	1,570	1,473	1,871	1,717	1,244	1,262	1,088
42 Bahamas	2	16	1	7	11	12	2	12
43 Bermuda	67	117	67	114	112	77	105	77
44 Brazil	67	60	44	124	101	90	120	58
45 British West Indies	2	32	6	32	21	1	15	44
46 Mexico	340	436	585	586	654	492	415	430
47 Venezuela	276	642	432	636	395	309	311	212
48 Asia	9,384	8,144	6,741	5,285	5,721	5,259	5,353	6,046
49 Japan	1,094	1,226	1,247	1,256	1,241	1,232	1,567	1,799
50 Middle East oil-exporting countries[2,5]	7,008	5,503	4,178	2,372	2,786	2,396	2,109	2,829
51 Africa	703	753	553	588	765	633	572	587
52 Oil-exporting countries[3]	344	277	167	233	294	265	235	238
53 All other[4]	664	651	921	1,128	1,070	988	975	982

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.
5. Revisions include a reclassification of transactions, which also affects the totals for Asia and the grand totals.

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

Millions of dollars, end of period

	Type, and area or country	1981	1982	1983	1984	1985			
					Dec.	Mar.	June	Sept.	Dec.p
1	**Total**	**36,185**	**28,725**	**34,911**	**29,839**	**28,672**	**26,968**	**28,487r**	**28,071**
2	Payable in dollars	32,582	26,085	31,815	27,242	26,100	24,339	25,621r	25,769
3	Payable in foreign currencies	3,603	2,640	3,096	2,597	2,571	2,629	2,866	2,302
	By type								
4	Financial claims	21,142	17,684	23,780	19,192	18,375	16,512	19,024	18,031
5	Deposits	15,081	13,058	18,496	14,559	14,368	12,657	15,135	14,805
6	Payable in dollars	14,456	12,628	17,993	14,140	13,871	12,101	14,432	14,190
7	Payable in foreign currencies	625	430	503	420	497	556	704	615
8	Other financial claims	6,061	4,626	5,284	4,633	4,007	3,856	3,889	3,227
9	Payable in dollars	3,599	2,979	3,328	3,190	2,442	2,375	2,351	2,192
10	Payable in foreign currencies	2,462	1,647	1,956	1,442	1,565	1,480	1,538	1,035
11	Commercial claims	15,043	11,041	11,131	10,646	10,297	10,456	9,463r	10,040
12	Trade receivables	14,007	9,994	9,721	9,177	8,784	9,089	7,988r	8,750
13	Advance payments and other claims	1,036	1,047	1,410	1,470	1,513	1,367	1,475r	1,290
14	Payable in dollars	14,527	10,478	10,494	9,912	9,787	9,863	8,839r	9,387
15	Payable in foreign currencies	516	563	637	735	510	592	624	652
	By area or country								
	Financial claims								
16	Europe	4,596	4,873	6,488	5,754	5,774	5,445	6,452r	6,306
17	Belgium-Luxembourg	43	15	37	15	29	15	12	10
18	France	285	134	150	126	92	51	132	184
19	Germany	224	178	163	224	196	175	158	223
20	Netherlands	50	97	71	66	81	46	127	61
21	Switzerland	117	107	38	66	46	16	53	74
22	United Kingdom	3,546	4,064	5,817	4,856	5,042	4,867	5,725	5,492
23	Canada	6,755	4,377	5,989	3,979	3,934	3,747	4,022	3,256
24	Latin America and Caribbean	8,812	7,546	10,234	8,170	7,612	6,475	7,450	7,650
25	Bahamas	3,650	3,279	4,771	3,282	3,018	2,153	2,290	2,638
26	Bermuda	18	32	102	6	4	6	5	6
27	Brazil	30	62	53	100	98	96	92	78
28	British West Indies	3,971	3,255	4,206	4,021	3,924	3,657	4,504	4,440
29	Mexico	313	274	293	215	201	206	201	180
30	Venezuela	148	139	134	125	101	100	73	48
31	Asia	758	698	764	961	856	639	969	696
32	Japan	366	153	297	353	509	281	725	475
33	Middle East oil-exporting countries[2]	37	15	4	13	6	6	6	4
34	Africa	173	158	147	210	101	111	104	103
35	Oil-exporting countries[3]	46	48	55	85	32	25	31	29
36	All other[4]	48	31	159	117	97	95	26	21
	Commercial claims								
37	Europe	5,405	3,826	3,670	3,801	3,360	3,689	3,235r	3,533
38	Belgium-Luxembourg	234	151	135	165	149	212	158	175
39	France	776	474	459	440	375	408	360r	426
40	Germany	561	357	349	374	358	375	336r	346
41	Netherlands	299	350	334	335	340	301	286	284
42	Switzerland	431	360	317	271	253	376	208	284
43	United Kingdom	985	811	809	1,063	885	950	779r	898
44	Canada	967	633	829	1,021	1,248	1,065	1,100r	1,023
45	Latin America and Caribbean	3,479	2,526	2,695	2,052	1,973	2,124	1,717r	1,808
46	Bahamas	12	21	8	8	9	11	18	13
47	Bermuda	223	261	190	115	164	65	62r	93
48	Brazil	668	258	493	214	210	193	211r	206
49	British West Indies	12	12	7	7	6	29	7	6
50	Mexico	1,022	775	884	583	493	616	416r	510
51	Venezuela	424	351	272	206	192	224	149r	157
52	Asia	3,959	3,050	3,063	3,073	2,985	2,721	2,712r	2,982
53	Japan	1,245	1,047	1,114	1,191	1,154	968	884	1,016
54	Middle East oil-exporting countries[2]	905	751	737	668	666	593	541r	638
55	Africa	772	588	588	470	510	522	434r	437
56	Oil-exporting countries[3]	152	140	139	134	141	139	131	130
57	All other[4]	461	417	286	229	221	336	264r	257

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transactions, and area or country	1984	1985[r]	1986	1985				1986		
			Jan.–Mar.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	59,834	81,819	32,816	4,802	7,244[r]	8,409	11,172[r]	8,729[r]	10,585	13,502
2 Foreign sales	62,814	76,851	26,455	4,690	6,560	7,137	9,010[r]	6,987	8,828	10,640
3 Net purchases, or sales (−)	**−2,980**	**4,968**	**6,361**	**112**	**684[r]**	**1,273**	**2,161[r]**	**1,743[r]**	**1,756**	**2,862**
4 Foreign countries	**−3,109**	**4,884**	**6,306**	**163**	**656[r]**	**1,362**	**1,996**	**1,755[r]**	**1,737**	**2,815**
5 Europe	−3,077	2,068	4,770	170	554	948	1,339	1,173[r]	1,393	2,204
6 France	−405	−438	−156	−120	−82	−85	−105	−63	−68	−26
7 Germany	−50	730	598	29	235	270	283	134	234	229
8 Netherlands	−357	−122	396	25	33	47	125	109	121	166
9 Switzerland	−1,542	−75	1,406	−87	125	107	280	288[r]	420	698
10 United Kingdom	−677	1,674	2,269	293	210	579	700	615[r]	634	1,021
11 Canada	1,691	355	139	34	−31	−70	93	121	−59	77
12 Latin America and Caribbean	495	1,718	344	−35	89[r]	243	305	−68[r]	213	198
13 Middle East[1]	−1,992	238	316	54	8	−174	227	208	−19	127
14 Other Asia	−378	313	544	−26	−16	384	−25	268[r]	154	122
15 Africa	−22	24	115	0	−4	−1	12	25	30	59
16 Other countries	175	168	78	−34	55	32	44	26	24	28
17 Nonmonetary international and regional organizations	**129**	**84**	**55**	**−51**	**28**	**−89**	**165**	**−12**	**20**	**47**
BONDS[2]										
18 Foreign purchases	39,296	87,176	27,912	7,482	7,401	12,466	9,755	6,065[r]	9,284	12,564
19 Foreign sales	26,199	43,068	15,102	3,634[r]	2,786	4,284	4,558	2,939	4,936	7,227
20 Net purchases, or sales (−)	**13,096**	**44,109**	**12,811**	**3,848[r]**	**4,614**	**8,182**	**5,197**	**3,126[r]**	**4,348**	**5,337**
21 Foreign countries	**12,799**	**44,203**	**12,464**	**4,174[r]**	**4,768**	**7,824**	**5,555**	**3,229[r]**	**4,199**	**5,036**
22 Europe	11,697	40,042	9,844	3,947[r]	3,662	6,835	5,176	2,840[r]	3,121	3,883
23 France	207	210	−24	42	8	−15	0	27	−33	−17
24 Germany	1,724	2,001	−90	159	308	897	408	−2	45	−132
25 Netherlands	100	222	113	−4	0	158	13	85	3	25
26 Switzerland	643	3,987	1,306	154	249	804	1,013	235	511	560
27 United Kingdom	8,429	32,757	8,460	3,517[r]	3,036	4,903	3,696	2,471[r]	2,616	3,374
28 Canada	−62	189	−226	−31	42	110	19	2	−31	−198
29 Latin America and Caribbean	376	498	246	−64	81	124	68	18	27	200
30 Middle East[1]	−1,030	−2,643	−159	−187	11	−215	−435	−174	0	15
31 Other Asia	1,817	6,068	2,749	508	966	975	703	541	1,064	1,144
32 Africa	1	11	2	0	1	0	4	1	1	0
33 Other countries	0	38	9	1	6	−5	19	2	17	−10
34 Nonmonetary international and regional organizations	**297**	**−95**	**347**	**−326**	**−154**	**358**	**−358**	**−103**	**149**	**301**
	Foreign securities									
35 Stocks, net purchases, or sales (−)	−1,101	−3,895	−2,088	−217[r]	−49[r]	−303[r]	−413	123	−772	−1,440
36 Foreign purchases	14,816	21,006	9,061	1,563[r]	2,168[r]	2,159[r]	2,740	2,509[r]	2,933	3,618
37 Foreign sales	15,917	24,902	11,149	1,780[r]	2,217[r]	2,462[r]	3,153	2,386[r]	3,705	5,058
38 Bonds, net purchases, or sales (−)	−3,930	−4,018	−4,036	−417[r]	−756[r]	272[r]	−138	−67	−966	−3,003
39 Foreign purchases	56,017	81,153	32,652	6,833[r]	8,538	9,000[r]	8,370	9,796	10,418	12,438
40 Foreign sales	59,948	85,171	36,688	7,250[r]	9,294[r]	8,728[r]	8,507	9,862	11,385	15,441
41 Net purchases, or sales (−), of stocks and bonds	**−5,031**	**−7,913**	**−6,124**	**−635[r]**	**−805[r]**	**−31[r]**	**−551**	**57**	**−1,738**	**−4,443**
42 Foreign countries	**−4,642**	**−8,977**	**−6,029**	**−870[r]**	**−793[r]**	**−254[r]**	**−886**	**−31**	**−1,879**	**−4,119**
43 Europe	−8,655	−9,926	−6,137	−762[r]	−635[r]	−1,046[r]	−424	−379	−1,918	−3,840
44 Canada	542	−1,686	−1,029	2	−27	112[r]	−394	−219	−319	−491
45 Latin America and Caribbean	2,460	1,850	638	191	48	32	85	220	297	121
46 Asia	1,356	667	1,086	−318[r]	−179[r]	814[r]	−352	395	563	127
47 Africa	−108	75	21	−2	−5	37[r]	42	7	10	4
48 Other countries	−238	43	−608	19	6	−204	156	−56	−512	−40
49 Nonmonetary international and regional organizations	**−389**	**1,063**	**−96**	**235**	**−13**	**223**	**335**	**88**	**140**	**−324**

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.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions

Millions of dollars

Country or area	1984	1985	1986	1985				1986		
			Jan.–Mar.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.p
	Transactions, net purchases or sales (−) during period[1]									
1 **Estimated total[2]**	**21,501**	**29,786r**	**8,499**	**6,547r**	**−647r**	**2,500r**	**6,460r**	**−1,359**	**292**	**9,566**
2 Foreign countries[2]	16,496	29,303r	5,295	4,002r	−116r	2,276r	3,066r	−884	3,823	2,355
3 Europe[2]	11,014	3,918r	3,739	960r	−699r	−995r	180	114	1,818	1,808
4 Belgium-Luxembourg	287	476	−165	49	10	29	−44	33	−2	−196
5 Germany[2]	2,929	1,917	913	294	17	−101	302	132	459	322
6 Netherlands	449	269	−174	127	−126	155	−82	26	−261	61
7 Sweden	40	976	−22	−33	−41	−42	−41	−200	193	−14
8 Switzerland[2]	656	760	205	25	116	−151	−116	68	115	22
9 United Kingdom	5,188	−2,186r	2,801	285	−733r	−584r	50	−60	1,388	1,474
10 Other Western Europe	1,466	1,706	180	214	58	−301	111	116	−75	138
11 Eastern Europe	0	0	0	0	0	0	0	0	0	0
12 Canada	1,586	−190	170	106	138	−394	−71	−461	−131	762
13 Latin America and Caribbean	1,418	4,312	918	562	125	735	90	107	584	227
14 Venezuela	14	238	10	2	91	72	−41	−53	−63	127
15 Other Latin America and Caribbean	536	2,343	704	556	110	367	265	86	448	171
16 Netherlands Antilles	869	1,731	204	4	−76	296	−133	74	200	−70
17 Asia	2,431	20,839r	221	2,237r	248r	2,979r	2,833r	−584	1,251	−446
18 Japan	6,289	18,859	880	1,884	1,630	3,039	902	−861	1,601	140
19 Africa	−67	112	−38	0	9	1	9	−8	−12	−18
20 All other	114	311	284	137	63	−51	25	−52	314	22
21 Nonmonetary international and regional organizations	5,009	483r	3,206	2,545	−530	224r	3,393	−474	−3,532	7,212
22 International	4,612	−394	2,997	1,883	−430	−15	3,001	−194	−3,766	6,957
23 Latin American regional	0	18	88	−1	0	8	7	14	51	23
MEMO										
24 Foreign countries[2]	16,496	29,303r	5,295	4,002r	−116r	2,276r	3,066r	−884	3,823	2,355
25 Official institutions	505	8,427r	1,375	1,064	−1,209	−236r	2,712r	362	619	394
26 Other foreign[2]	15,992	20,876r	3,919	2,938r	1,093r	2,512r	355	−1,246	3,204	1,961
Oil-exporting countries										
27 Middle East[3]	−6,270	−1,576r	−686	−826r	−814r	−413r	740	222	−301	−607
28 Africa[4]	−101	7	1	0	4	0	2	1	0	−2

1. Estimated official and private transactions in marketable U.S. Treasury securities with an original maturity of more than 1 year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.
2. Includes U.S. Treasury notes publicly issued to private foreign residents denominated in foreign currencies.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Percent per annum

Country	Rate on Apr. 30, 1986		Country	Rate on Apr. 30, 1986		Country	Rate on Apr. 30, 1986	
	Per-cent	Month effective		Per-cent	Month effective		Per-cent	Month effective
Austria	4.0	Aug. 1985	France[1]	7.50	Apr. 1986	Norway	8.0	June 1983
Belgium	8.75	Apr. 1986	Germany, Fed. Rep. of	3.5	Mar. 1986	Switzerland	4.0	Mar. 1983
Brazil	49.0	Mar. 1981	Italy	14.0	Mar. 1986	United Kingdom[2]	....	....
Canada	9.23	Apr. 1986	Japan	3.5	Apr. 1986	Venezuela	8.0	Oct. 1985
Denmark	7.0	Oct. 1983	Netherlands	4.5	Mar. 1986			

1. As of the end of February 1981, the rate is that at which the Bank of France discounts Treasury bills for 7 to 10 days.
2. Minimum lending rate suspended as of Aug. 20, 1981.
NOTE. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper and/or government commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood the central bank transacts the largest proportion of its credit operations.

3.27 FOREIGN SHORT-TERM INTEREST RATES

Percent per annum, averages of daily figures

Country, or type	1983	1984	1985	1985			1986			
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
1 Eurodollars	9.57	10.75	8.27	8.08	8.02	7.99	8.02	7.89	7.42	6.80
2 United Kingdom	10.06	9.91	12.16	11.49	11.50	11.66	12.78	12.60	11.70	10.43
3 Canada	9.48	11.29	9.64	8.73	8.85	9.25	10.23	11.81	10.94	9.57
4 Germany	5.73	5.96	5.40	4.77	4.82	4.80	4.65	4.47	4.49	4.48
5 Switzerland	4.11	4.35	4.92	4.53	4.07	4.13	4.08	3.85	3.84	4.04
6 Netherlands	5.58	6.08	6.29	5.89	5.90	5.79	5.71	5.74	5.44	5.23
7 France	12.44	11.66	9.91	9.29	8.95	8.92	8.95	8.81	8.28	7.66
8 Italy	18.95	17.08	14.86	14.16	14.29	14.71	14.88	15.91	16.05	13.62
9 Belgium	10.51	11.41	9.60	8.97	8.66	9.14	9.75	9.75	9.75	8.51
10 Japan	6.49	6.32	6.47	6.47	7.29	7.36	6.54	6.04	5.47	4.85

NOTE. Rates are for 3-month interbank loans except for Canada, finance company paper; Belgium, 3-month Treasury bills; and Japan, Gensaki rate.

3.28 FOREIGN EXCHANGE RATES

Currency units per dollar

Country/currency	1983	1984	1985	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.	1986 Mar.	1986 Apr.
1 Australia/dollar[1]	90.14	87.937	70.026	67.74	68.11	70.00	69.93	70.79	72.28
2 Austria/schilling	17.968	20.005	20.676	18.236	17.658	17.151	16.389	15.976	15.965
3 Belgium/franc	51.121	57.749	59.336	52.474	51.251	49.843	47.748	46.603	46.394
4 Brazil/cruzeiro	573.27	1841.50	6205.10	8913.95	9915.71	11345.26	13020.00	13.84[3]	13.84
5 Canada/dollar	1.2325	1.2953	1.3658	1.3765	1.3954	1.4070	1.4043	1.4009	1.3879
6 China, P.R./yuan	1.9809	2.3308	2.9434	3.2086	3.2095	3.2095	3.2152	3.2202	3.2143
7 Denmark/krone	9.1483	10.354	10.598	9.3918	9.1221	8.9468	8.6048	8.4096	8.3928
8 Finland/markka	5.5636	6.0007	6.1971	5.5709	5.4824	5.4131	5.2465	5.1517	5.1235
9 France/franc	7.6203	8.7355	8.9799	7.9095	7.6849	7.4821	7.1575	6.9964	7.2060
10 Germany/deutsche mark	2.5539	2.8454	2.9419	2.5954	2.5122	2.4384	2.3317	2.2752	2.2732
11 Greece/drachma	87.895	112.73	138.40	153.037	150.186	148.69	143.48	141.43	142.50
12 Hong Kong/dollar	7.2569	7.8188	7.7911	7.8042	7.8064	7.8081	7.8042	7.8125	7.7957
13 India/rupee	10.1040	11.348	12.332	12.1010	12.1524	12.243	12.370	12.289	12.393
14 Ireland/pound[1]	124.81	108.64	106.62	119.19	122.48	124.75	129.79	132.87	133.71
15 Italy/lira	1519.30	1756.10	1908.90	1753.72	1713.50	1663.14	1588.21	1548.43	1559.45
16 Japan/yen	237.55	237.45	238.47	204.07	202.79	199.89	184.85	178.69	175.09
17 Malaysia/ringgit	2.3204	2.3448	2.4806	2.4341	2.4291	2.4489	2.4704	2.5367	2.5981
18 Netherlands/guilder	2.8543	3.2083	3.3184	2.9230	2.8293	2.7489	2.6343	2.5678	2.5629
19 New Zealand/dollar[1]	66.790	57.837	49.752	57.230	52.633	51.657	53.177	52.820	56.127
20 Norway/krone	7.3012	8.1596	8.5933	7.8076	7.6524	7.5541	7.2789	7.1711	7.1603
21 Portugal/escudo	111.610	147.70	172.07	162.963	160.798	157.99	152.63	149.40	150.79
22 Singapore/dollar	2.1136	2.1325	2.2008	2.1084	2.1213	2.1289	2.1401	2.1600	2.1880
23 South Africa/rand[1]	89.85	69.534	45.57	37.57	37.05	42.40	47.94	49.04	48.77
24 South Korea/won	776.04	807.91	861.89	893.35	893.13	892.75	888.57	886.66	887.95
25 Spain/peseta	143.500	160.78	169.98	159.658	156.052	152.91	147.31	143.06	144.11
26 Sri Lanka/rupee	23.510	25.428	27.187	27.449	27.420	26.342	27.596	27.623	27.791
27 Sweden/krona	7.6717	8.2706	8.6031	7.8127	7.6817	7.5938	7.3997	7.2610	7.2433
28 Switzerland/franc	2.1006	2.3500	2.4551	2.1306	2.1042	2.0660	1.9547	1.9150	1.9016
29 Taiwan/dollar	n.a.	39.633	39.889	39.981	39.906	39.405	39.239	39.027	38.689
30 Thailand/baht	22.991	23.582	27.193	26.315	26.715	26.676	26.492	26.418	26.429
31 United Kingdom/pound[1]	151.59	133.66	129.74	143.96	144.47	142.44	142.97	146.74	149.85
MEMO									
32 United States/dollar[2]	125.34	138.19	143.01	128.08	125.80	123.65	118.77	116.05	115.67

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

NOTE. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) release. For address, see inside front cover.

Guide to Tabular Presentation, Statistical Releases, and Special Tables

GUIDE TO TABULAR PRESENTATION

Symbols and Abbreviations

c	Corrected	0	Calculated to be zero
e	Estimated	n.a.	Not available
p	Preliminary	n.e.c.	Not elsewhere classified
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)	IPCs	Individuals, partnerships, and corporations
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)	REITs	Real estate investment trusts
		RPs	Repurchase agreements
		SMSAs	Standard metropolitan statistical areas
		. . . . .	Cell not applicable

General Information

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local government" also includes municipalities, special districts, and other political subdivisions.

In some of the tables details do not add to totals because of rounding.

STATISTICAL RELEASES

List Published Semiannually, with Latest Bulletin Reference

SPECIAL TABLES

Published Irregulary, with Latest Bulletin Reference

Federal Reserve Board of Governors

PAUL A. VOLCKER, *Chairman*

HENRY C. WALLICH
EMMETT J. RICE

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DONALD J. WINN, *Assistant to the Board*
STEVEN M. ROBERTS, *Assistant to the Chairman*
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LEGAL DIVISION

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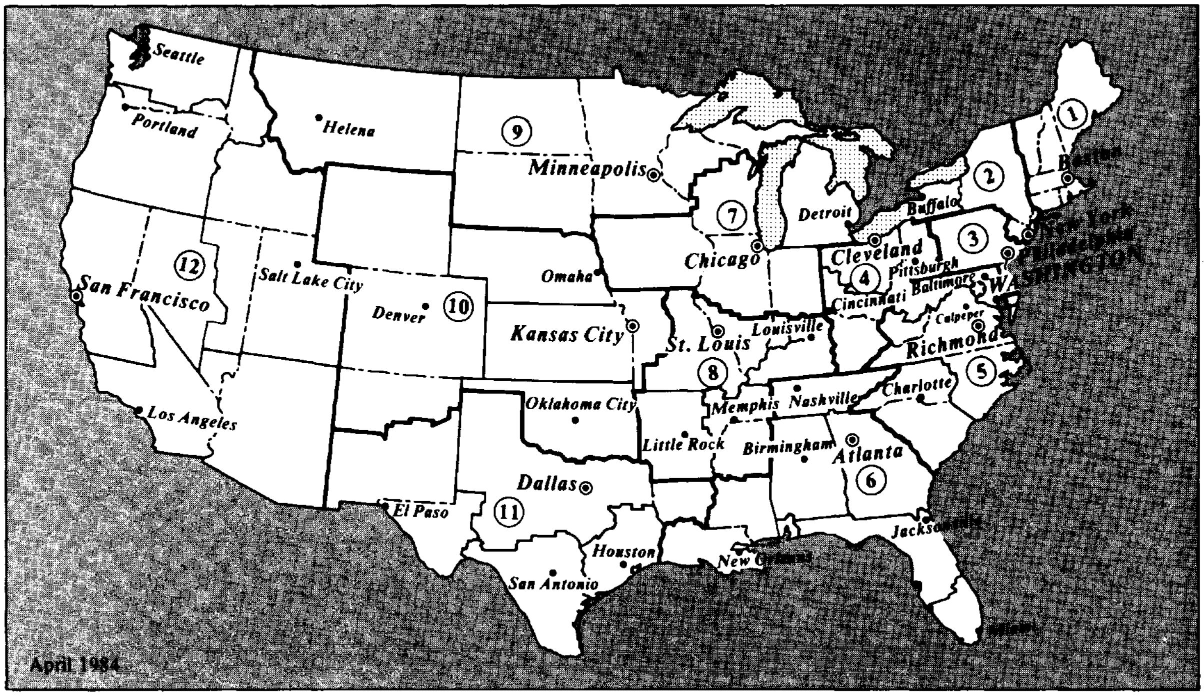

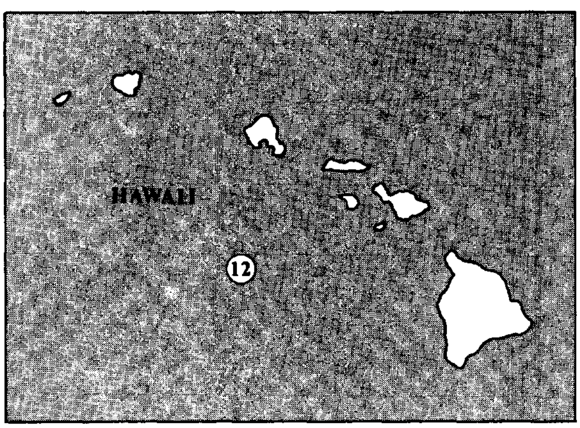

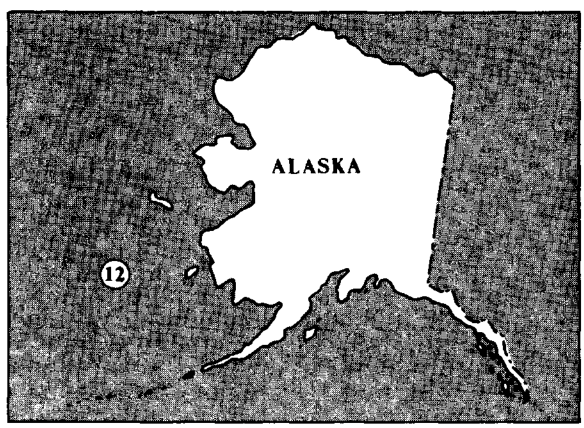

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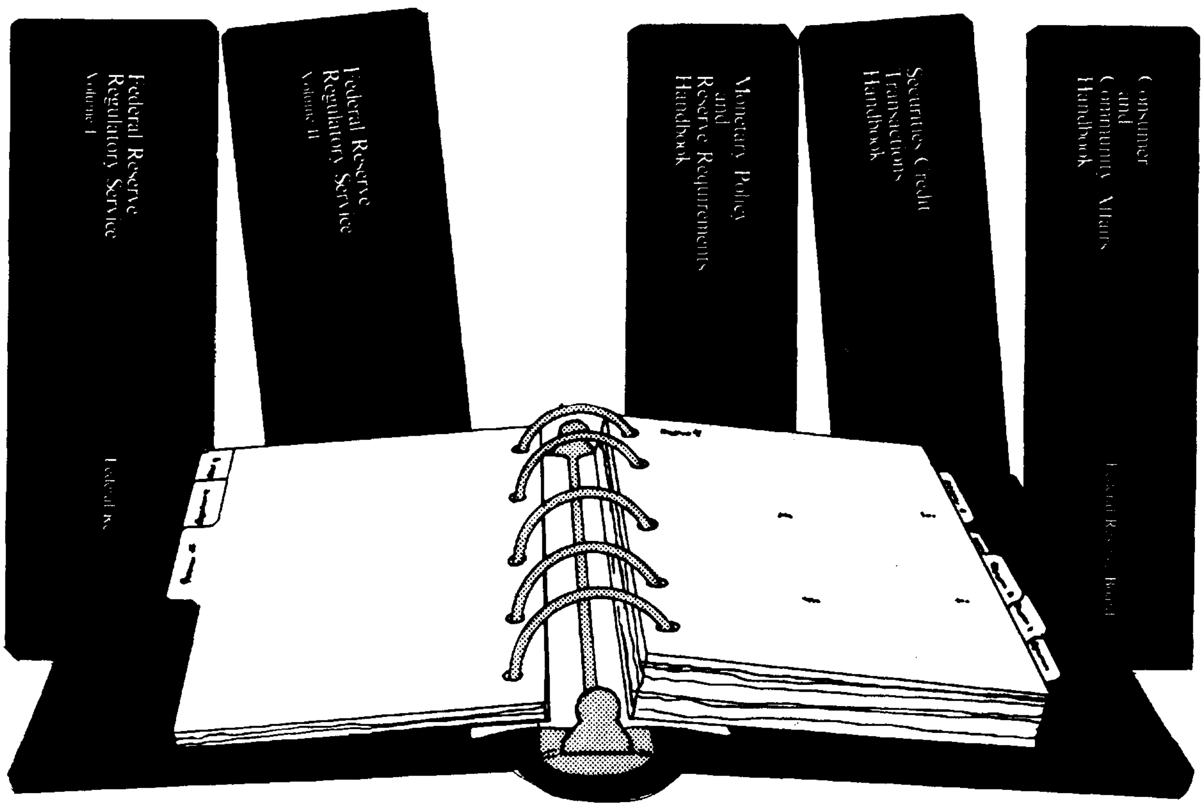

Publications of Interest

FEDERAL RESERVE CONSUMER CREDIT PUBLICATIONS

The Federal Reserve Board publishes a series of pamphlets covering individual credit laws and topics, as pictured below. The series includes such subjects as how the Equal Credit Opportunity Act protects women against discrimination in their credit dealings, how to use a credit card, and how to use Truth in Lending information to compare credit costs.

The Board also publishes the *Consumer Handbook to Credit Protection Laws*, a complete guide to consumer credit protections. This 44-page booklet explains how to use the credit laws to shop for credit, apply for it, keep up credit ratings, and complain about an unfair deal.

Protections offered by the Electronic Fund Transfer Act are explained in *Alice in Debitland.* This booklet offers tips for those using the new "paperless" systems for transferring money.

Copies of consumer publications are available free of charge from Publications Services, Mail Stop 138, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. Multiple copies for classroom use are also available free of charge.