VOLUME 67 □ NUMBER 9 □ SEPTEMBER 1981

FEDERAL RESERVE BULLETIN

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

The FEDERAL RESERVE BULLETIN is issued monthly under the direction of the staff publications committee. This committee is responsible for opinions expressed except in official statements and signed articles. The artwork is provided by the Graphic Communications Section under the direction of Peter G. Thomas. Editorial support is furnished by the Economic Editing Unit headed by Mendelle T. Berenson.

Table of Contents

647 *BANK LENDING TO DEVELOPING COUNTRIES: RECENT DEVELOPMENTS IN HISTORICAL PERSPECTIVE*

International banks became important lenders to the developing countries of Latin America, Asia, and Africa during the 1970s and have stepped up their lending further over the past two years.

657 *PROFITABILITY OF INSURED COMMERCIAL BANKS*

In an environment of high and widely fluctuating interest rates, commercial banks experienced relatively strong profitability during 1980.

671 *CHANGES IN BANK LENDING PRACTICES, 1979–81*

Large banks generally relaxed their nonprice terms of credit in the second half of 1980 and the first three quarters of 1981.

687 *TREASURY AND FEDERAL RESERVE FOREIGN EXCHANGE OPERATIONS*

The U.S. dollar advanced strongly against all currencies in the period from February through July 1981.

707 *INDUSTRIAL PRODUCTION*

Output decreased about 0.4 percent in August.

709 *ANNOUNCEMENTS*

Establishment of new discount rate for extended credit to banks and thrift institutions that are under sustained liquidity pressures.

Administrative guidance to aid Federal Reserve Banks in implementing provisions of Regulation A pertaining to the extended credit program for depository institutions facing liquidity strains.

Amendment of Regulation J to make Federal Reserve check collection services available to all depository institutions. (See Legal Developments.)

Admission of one state bank to membership in the Federal Reserve System.

712 *RECORD OF POLICY ACTIONS OF THE FEDERAL OPEN MARKET COMMITTEE*

At the meeting on July 6–7, 1981, in accordance with the Full Employment and Balanced Growth Act of 1978 (the Humphrey–Hawkins Act), the Committee reviewed its ranges for growth of the monetary and credit aggregates for the period from the fourth quarter of 1980 to the fourth quarter of 1981 and gave preliminary consideration to objectives for monetary growth that might be appropriate for 1982.

The Committee agreed to retain the previously established ranges for the monetary aggregates for 1981. These ranges, abstracting from the impact of NOW accounts on a nationwide basis, were 3 to 5½ percent for M1-A, 3½ to 6 percent for M1-B, 6 to 9 percent for M2, and 6½ to 9½ percent for M3. The associated range for bank credit was 6 to 9 percent. In light of its desire to maintain moderate growth in money over the balance of the year, the Committee wished to affirm that growth in M1-B near the lower end of its range would be acceptable and desirable. At the same time, the Committee recognized that growth in the broader monetary aggregates might be high in their ranges.

The Committee tentatively agreed that for the period from the fourth quarter of 1981 to the fourth quarter of 1982, growth of

M1, M2, and M3 within ranges of 2½ to 5½ percent, 6 to 9 percent, and 6½ to 9½ percent would be appropriate. The upper and lower ends of the range for M1 were reduced ½ percentage point and 1 percentage point respectively from the 1981 range for M1-B. The ranges for the broader aggregates were unchanged from those for 1981. However, given the expectation that growth of these aggregates in 1981 would be around the upper end of the ranges and looking toward results in 1982 more toward the middle of the ranges, the new ranges were fully consistent with year-to-year reductions in growth.

720 *LEGAL DEVELOPMENTS*

Revision of Regulation C; amendments to Regulations J and K; various rules and bank holding company and bank merger orders; and pending cases.

A1 *FINANCIAL AND BUSINESS STATISTICS*

A3 Domestic Financial Statistics
A46 Domestic Nonfinancial Statistics
A54 International Statistics

A69 *GUIDE TO TABULAR PRESENTATION, STATISTICAL RELEASES, AND SPECIAL TABLES*

A70 *BOARD OF GOVERNORS AND STAFF*

A72 *FEDERAL OPEN MARKET COMMITTEE AND STAFF; ADVISORY COUNCILS*

A73 *FEDERAL RESERVE BANKS, BRANCHES, AND OFFICES*

A74 *FEDERAL RESERVE BOARD PUBLICATIONS*

A76 *INDEX TO STATISTICAL TABLES*

A78 *MAP OF FEDERAL RESERVE SYSTEM*

Bank Lending to Developing Countries
Recent Developments in Historical Perspective

This article was prepared by David P. Dod of the Board's Division of International Finance.

Developing countries of Latin America, Asia, and Africa became important borrowers from international banks during the 1970s and have stepped up their borrowing over the past two years. Part of the recent increase can be attributed to demands by the developing countries for external credit to cushion the impact of external strains on their economies. The prominent contributing factors have been the escalation of world oil prices in 1979–80, the related slowdown of economic activity in industrial countries and downturn of world prices for nonfuel commodities, and the rising interest cost of outstanding borrowings by developing countries from world financial markets.

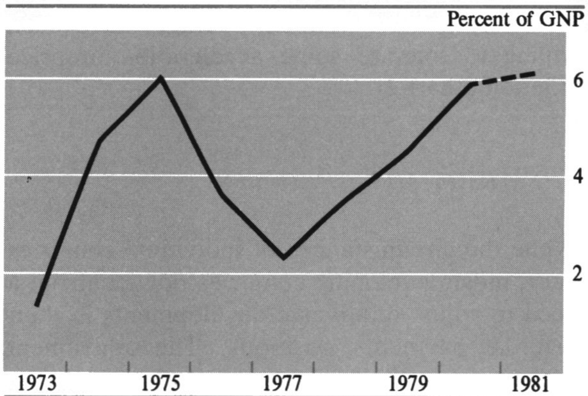
A large share of the recent borrowing by developing countries might have been expected in any event, in view of their tendency to sustain external deficits and in light of the international banking relationships they have built up over the past decade. For a number of developing countries, a long-range program of borrowing from international commercial banks has been a specific objective of public policy. Central governments and state enterprises have undertaken substantial long-term borrowing from international banks. Governments in most developing countries have significantly regulated the terms on which private companies may borrow abroad and have often applied direct financial incentives or disincentives. An increase in public-sector and private borrowing combined has been necessary in view of economic policies in developing countries that have contributed to higher, sustained deficits in the current account of their balance of payments.

The persistence of high levels of borrowing from international banks by some developing countries has shifted markedly the composition of their external debt and has created a more complex task of debt management than they faced a decade ago. Compared with debt to foreign official lenders, which were once the predominant creditors for all developing countries, debt to banks bears shorter maturities and requires more frequent refinancing. It also bears higher and more variable interest costs. Major borrowers from banks have therefore had to pay increasing attention to external debt-service obligations when formulating objectives for their balance of payments and their domestic economies.

Balance of Payments Needs

Needs for external financing of the developing countries apart from those in the Organization of Petroleum Exporting Countries have risen sharply during 1979–81 (chart 1). For some—Korea, Taiwan, Thailand—costs for oil imports have

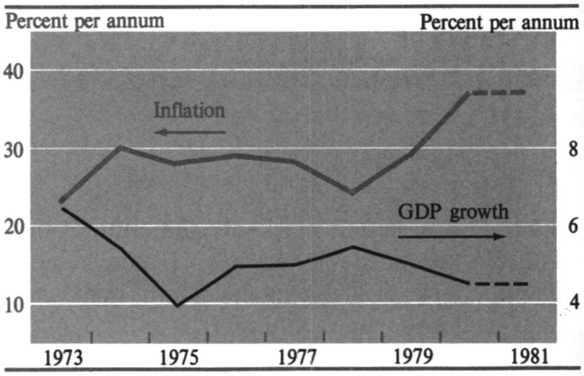
1. Current account deficits of the non-OPEC developing countries



Current account is balance of payments for goods, services, and private and official transfers.

Sources. IMF, World Bank, and Federal Reserve staff estimates.

2. Economic activity and inflation in the non-OPEC developing countries



Inflation is change in consumer prices.
GDP is gross domestic product.
SOURCE: IMF *World Economic Outlook* and Federal Reserve staff adjustments.

increased by 4 to 5 percent of national income, a more severe impact, relatively, than that experienced in any of the major industrial countries. For others, the 1980–81 slowdown in economic growth of the industrial countries has slowed the growth of export markets and has contributed to the cyclical weakening in world market prices for their exports of primary commodities. For countries with high levels of net external debt, rising interest rates on world financial markets have imposed additional needs for external financing.

Recent external forces affecting the non-OPEC developing countries have been broadly similar to those at work following the first world oil shock of late 1973. The initial responses of policymakers in the developing countries have also been broadly similar, as they have again sought to maintain reasonably high levels of economic activity and, on average, have been willing to tolerate some acceleration in price inflation (chart 2).

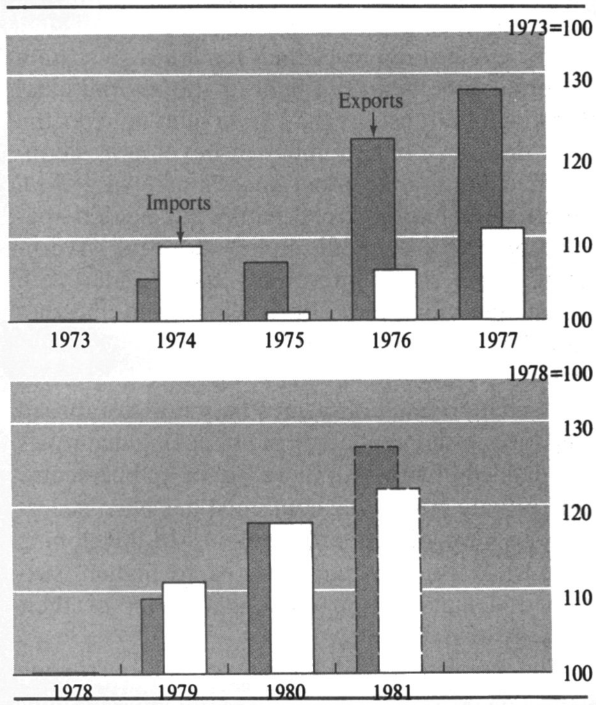
The Adjustment Process

While the circumstances of individual countries vary, most developing countries now confront a need to adjust to adverse developments in their external payments positions. The adjustment process must basically consist of policies to expand the volume of their exports and to restrain the volume of imports.

The severity of the required adjustment effort by developing countries is somewhat uncertain. It depends in part on factors that are beyond their control, notably future shifts in their terms of trade that may offset or compound their recent setbacks. It also depends upon their view of the average level of current account deficit that they believe is desirable over the longer term and upon the willingness of foreign creditors to supply the implied financing.

Developing countries have not been adjusting quickly to the oil shock of 1979–80, judging by relative growth in the volume of exports and imports. Rapid export expansion has been maintained on average, but growth in the volume of imports does not yet appear to have slowed significantly (chart 3). At this stage, non-OPEC developing countries appear to be adjusting less vigorously to recent adversities than they did in response to the oil shock of late 1973 and to the related collapse of nonfuel commodity prices in 1974–75. To some extent the recent slow adjustment may be attributed to a lag in curtailing expansionary fiscal policies adopted by many developing countries in 1979–80, before the full dimensions of the second oil shock became clear.

3. Volume of exports and imports by non-OPEC developing countries

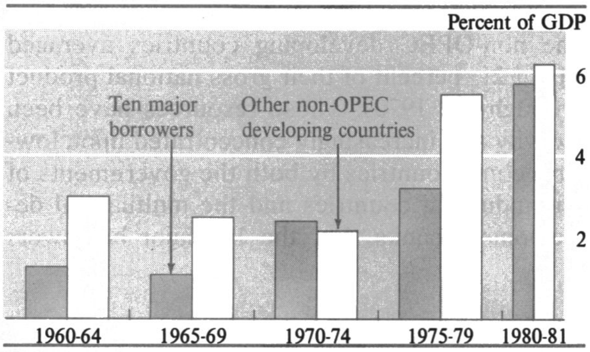


SOURCES. IMF *World Economic Outlook* and Federal Reserve staff adjustments.

More recently, the tendency of some countries to resist depreciation of their currencies against the U.S. dollar has inhibited balance of payments adjustment. As the exchange value of the dollar has risen strongly over the past year against European and Japanese currencies, such resistance has eroded the competitiveness of the internationally tradable goods and services of many developing countries.

The apparent sluggishness of recent actions toward balance of payments adjustment may signify only a lag by developing countries in recognizing their adjustment needs. Or it may signify a perception by many of these countries that they can aim for and sustain higher levels of current account deficits in the future than they sustained in the 1970s (chart 4). In the latter case, the external debt of developing countries would be expected to expand at a correspondingly more rapid pace through the 1980s.

4. Average current account deficits in relation to GDP



The ten major borrowers are Argentina, Brazil, Chile, Colombia, Korea, Mexico, Peru, the Philippines, Taiwan, Thailand.
SOURCES. IMF and World Bank.

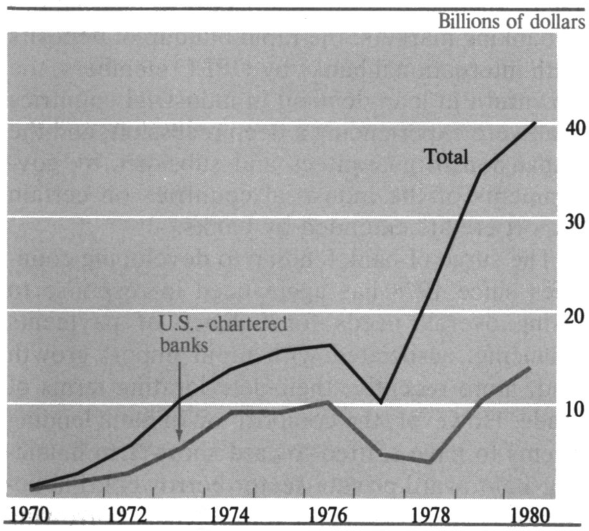
A high-deficit, high-debt strategy by developing countries is sometimes rationalized as a means to finance a higher level of capital formation, which, if effectively utilized, facilitates more rapid economic growth by the borrower. Although some countries (Colombia, Taiwan, Malaysia) have prospered without recourse to this strategy, the high-deficit approach to economic growth remains appealing to many developing countries. The feasibility of such a strategy, however, depends on the ability of the borrowing country to attract external financing from banks and other foreign creditors.

External Financing from Banks in the 1970s

Bank lending to developing countries has taken three principal forms: short-term private trade financing; long-term loans guaranteed by the governments of industrial countries to promote exports of capital goods; and long-term, non-guaranteed loans arranged in large blocks through syndicates of international banks. The volume of each form of bank lending expanded rapidly through the 1970s.

Before the sharp increase in needs for balance of payments financing that followed the oil shock of 1973–74, external borrowing from banks by developing countries was already growing vigorously (chart 5). The early 1970s had been a period of unusually favorable terms of trade, strong external payments positions, and rapidly rising reserves for most developing countries. Yet the fragmentary data that are available suggest that their debt to banks more than doubled in dollar terms between the end of 1970 and the end of 1973, reaching about $35 billion. The fastest growing component of that debt was medium-term syndicated loans from commercial

5. Net external borrowing from banks by the non-OPEC developing countries



Total is lending from U.S. banks and banks headquartered in other industrial countries whose authorities provide statistical reports to the Bank for International Settlements (BIS).
U.S.-chartered banks include U.S. offices and foreign branch offices and exclude lending denominated in local currency.
SOURCES. *BIS, Fifty-First Annual Report*, 1980/1981, BULLETIN table 3.20, and Federal Reserve staff estimates.

banks. Measured on the basis of new credit announcements, the flow of such loans rose from less than $1 billion in 1971 to $4½ billion in 1973, with the bulk of the loans being arranged for borrowers in four Latin American countries—Brazil, Mexico, Peru, and Argentina.

A critical institutional innovation helping to popularize syndicated term loans among the banks was the use of "floating" rates of interest, adjusted at regular intervals to reflect market conditions. In a period of relatively volatile and rising interest rates, banks favored that feature of internationally syndicated loans as a means of avoiding the interest-rate risk inherent in alternative, fixed-interest investments such as bonds and mortgages.

During 1973–74, demands by developing countries for external, trade-related financing also accelerated sharply. Fueled by high levels of public spending, the volume of their imports jumped about one-third. Meanwhile, the prices of their imports rose by two-thirds, under the combined influence of the sharp increase in oil prices by OPEC and the general uptrend of world inflation.

Immediate needs for balance of payments financing during the mid-1970s generated higher demand by developing countries for all types of bank lending (chart 5). On the supply side, three factors helped to ease their access to international banking markets: the rapid buildup of deposits with international banks by OPEC members, the downturn in loan demand in industrial countries that were experiencing a deep recession, and the expansion in guarantees and subsidies by governments of the industrial countries on certain export credits extended by banks.

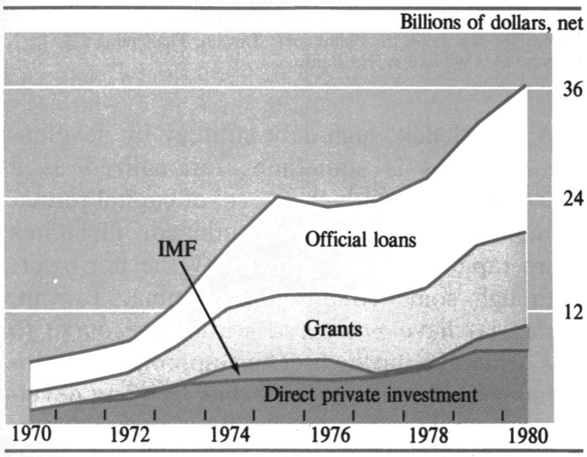
The surge of bank lending to developing countries since 1978 has again been in response to rising overall needs for balance of payments financing, associated with rapid import growth and, more recently, their deteriorating terms of trade. However, the composition of bank lending seems to have shifted toward short-term financing and toward private-sector borrowers. Public-sector borrowers in several major borrowing countries—Argentina, Chile, Colombia, Mexico, and Peru—appear to have reduced their role in arranging external financing from banks. In each case, upward adjustments in domestic interest rates or changes in the exchange rate system offered effective inducements to banks and nonbank private borrowers to assume a compensating, more active role in foreign borrowing.

Official and Nonbank Private Capital Flows

Throughout the 1970s nonbank private investors provided relatively little new external financing for developing countries, considering that they had entered the decade with a larger stock of claims on these countries than the banks. Direct investment in foreign-controlled companies (financed by equity capital or by loans from the parent company) has been and continues to be the most important vehicle for nonbank private capital flows to developing countries. Such flows appear to have amounted to about $8 billion in 1980 (chart 6), but they may be subject to somewhat more undercounting than other capital flows.

Official external grants and loans recorded by the non-OPEC developing countries averaged about 2½ percent of their gross national product through the 1970s. Those resources have been heavily and increasingly concentrated upon lower-income countries by both the governments of the industrial countries and the multilateral development banks. For the 10 major borrowers

6. Major sources of official and nonbank private financing



SOURCES. IMF Annual Reports and *World Economic Outlook* and Federal Reserve staff estimates.

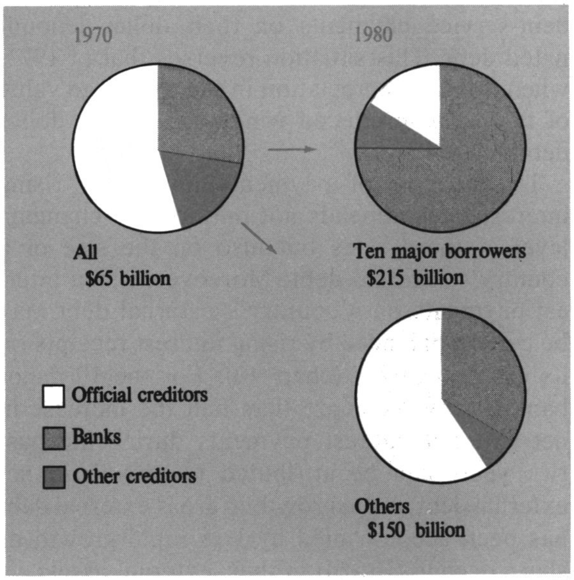
from banks (see note to chart 4), the relative importance of foreign official capital inflows declined sharply during the 1960s and 1970s.

Most developing countries borrowed from the International Monetary Fund at some point during the 1970s. Net disbursements from the IMF tend not to be an important source of financing because of the revolving character of its resources. Nevertheless, those resources play an important role in meeting needs for exceptional financing during periods of global economic strain.

External Indebtedness of the Developing Countries

A decade of relatively high current account deficits, and of increased dependence upon nonconcessional loans, has markedly altered the structure of external debt for the major developing-country borrowers (chart 7). As a result, interest costs are relatively higher and the average maturity of their debt is much shorter than in 1970. These characteristics of the current debt profile demand increased skill in debt management and flexibility in adapting economic policy to changing circumstances.

7. External debt of the non-OPEC developing countries, by type of credits



Sources. World Bank, BIS, and Federal Reserve staff estimates.

Flexible exchange rate and interest rate policies have proven to be important tools for managing balance of payments financing problems of many of the major borrowers. In a number of recent instances, upward adjustments in interest rates have been used to induce increased external borrowing and to reverse capital flight by the private sector. In other instances, countries that have clung to a rigid structure of interest rates and foreign exchange rates have found their fundamental problems of external adjustment exacerbated by private capital outflows.

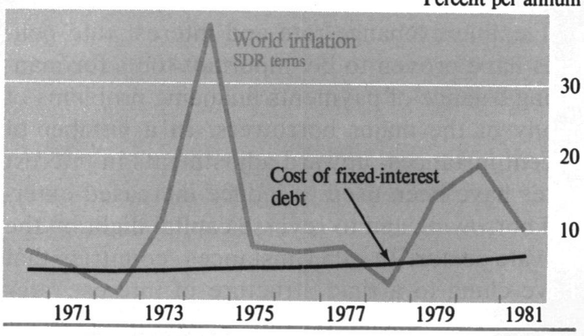
For most low-income developing countries external debt through the 1970s continued to take the form mainly of concessional (low-interest), long-maturity loans from foreign official lenders. Debt of these countries to foreign banks has consisted predominantly of short-term credits or externally guaranteed loans related to the purchase of specific imports.

Impact of Rising Interest Rates

The upswing in world interest rates over the past two years has had a varying impact on the debt burdens of developing countries. Judged against conditions in the 1970s, the burden of their market-based debt has certainly risen. Market rates of interest have moved up faster than inflation rates in the major capital-market countries, especially during the past 18 months. Thus the "real" cost of borrowing, approximated by the difference between the external interest rate facing borrowers of dollars, marks, or yen, and the concurrent rate of inflation in world prices measured in the respective currency, has risen to exceptionally high levels.

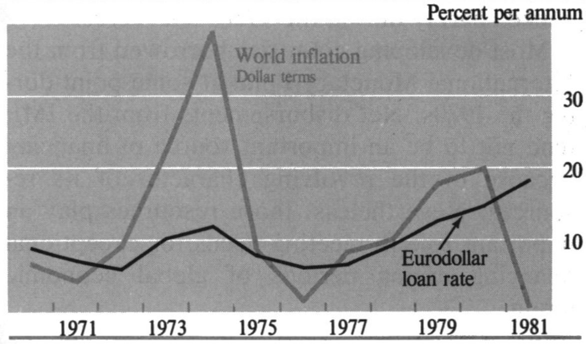
For most low-income developing countries, changes in world inflation have had the decisive influence on the real burden of external debt over the past decade (chart 8). Fixed-interest, concessional loans have remained the principal component of their external debt, and the average nominal interest rate on concessional debt has actually declined since 1970. As part of an effort to increase real transfers of resources to low-

8. Indicators of real interest cost confronting low-income developing countries



World inflation is unit value of world trade in SDR terms.
Cost of fixed-interest debt (all currency denominations) is an average for all developing countries, based on reports from creditor sources; average cost of fixed-interest debt of the low-income countries is less.
SOURCES. IMF and OECD.

9. Indicators of real interest cost of major borrowers from banks



World inflation is unit value of world trade in dollar terms.
SOURCES. IMF and Federal Reserve staff estimates.

income countries during the 1970s, bilateral-aid donors within the Development Assistance Committee of the Organisation of Economic Cooperation and Development have striven to increase the average degree of concessionality (that is, the discount from market terms) on economic development assistance. Interest rates on other fixed-interest debt of the developing countries—notably, official and guaranteed export credits and loans from the multilateral development banks—have risen since the mid-1970s but have lagged far behind contemporary market rates of interest. The resulting average rate of interest on all forms of fixed-interest debt has risen by only 2 percentage points since 1970. Because of high average rates of world inflation, the real interest cost of external debt for most low-income countries has been strongly negative throughout the past decade.

The major borrowers from banks also enjoyed low real costs of borrowing during the 1970s but, subsequently, have experienced by any measure an abrupt increase in such costs. One contributing factor has been the large fraction of their total debt that is subject to variable, market rates of interest. Short-term commercial and syndicated term loans loom large for these countries, and the interest rates payable on such debt have been marked up quickly in response to the rising short-term rates of interest in world financial markets (chart 9).

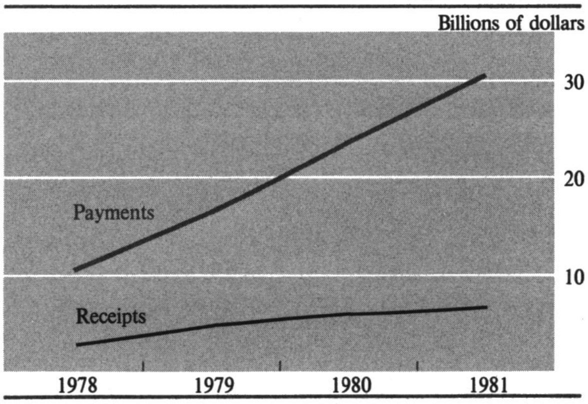
A second factor has been the high proportion of dollar-denominated debt in the overall external indebtedness of the major borrowers. More than four-fifths of the external debt to banks of the 10 largest borrowers cited previously is estimated to be denominated in U.S. dollars. Over the past two years, U.S. dollar rates of interest have risen more than interest rates on other major currencies.

More recently, the dollar has also appreciated sharply in foreign exchange markets, and this development has tended to reduce, in dollar terms, the prices of goods and services traded in world markets. As a result, dollar debtors in the world economy must export a larger volume of goods and services in order to help finance the debt-service payments on their dollar-denominated debt. This situation reverses that of 1973, when a sharp depreciation in the exchange value of the dollar produced windfall gains for dollar debtors.

The balance of payments impact of rising interest rates depends not only on the changing level of these rates but also on the size of a country's external debt. Moreover, rising interest payments on a country's external debt may be counterbalanced by rising interest receipts on its external assets (chart 10). For the 10 major bank borrowers, more than half the increase in net external interest payments during the past two years can be attributed to growth in net external debt; rapid growth in gross external debt has been accompanied by less rapid growth or sharp decline (Brazil) in their external assets.

Recent increases in net external interest burdens of major developing countries are large in relation to those of any other modern episode.

10. Interest payments and receipts



Payments and receipts are external interest payments and receipts of the ten major borrowers.

SOURCES. National balance of payments data and Federal Reserve staff estimates.

However, even at the current level of interest rates, net interest payments abroad exceed 4 or 5 percent of national income in only a few countries. The capacity to finance such interest transfers appears on average to be well within the means of the borrowing enterprises. The total of tax revenue and operating income of major borrowing entities within these countries—the government sector and private investors—often amounts to more than half of national income.

CONSTRAINTS ON BANK LENDING TO DEVELOPING COUNTRIES

While the external interest burdens on developing countries may appear to be modest in relation to the real resources that they command, the priority of claims by foreign creditors over other claims on a country's resources can never be fully assured. There is a risk that government borrowers, under adverse political or economic circumstances, will accommodate domestic needs at the expense of their obligations to foreign creditors. Where the government restricts the access of private borrowers to foreign exchange, private borrowers may also face no alternative but to suspend payments on their external obligations. These so-called country risks in international lending may lead borrowers to request rescheduling of their debt-service obligations.

Recourse to delays in debt service and to formal requests for debt rescheduling may have lasting unsettling effects on a borrower's access to international capital markets. In addition, rescheduled external bank debt normally bears an interest cost as high as, or higher than, that on the original loans. Nevertheless, debtor governments have requested rescheduling of their external bank debt more frequently in the past two years (table 1).

One factor contributing to bank reschedulings has been the linkage to debt reschedulings by official creditors under the informal Paris Club framework. Borrowing governments have been seeking and obtaining more frequent debt rescheduling from official creditors, some of which have offered interest rate concessions. As a condition of Paris Club agreements, creditor governments normally oblige the debtor to seek a comparable rescheduling of its debts to other major creditors. Fulfillment of this condition in several instances has required a separate rescheduling arrangement involving only the commercial banks.

A second institutional factor leading to publicized debt reschedulings by developing countries has been the dispersion among small banks of participations in syndicated long-term loans to public-sector borrowers. A wider body of creditors raises the need for a formal negotiating framework and has increased the public visibility of debt reschedulings.

Risk and Return on Bank Lending

During the 1970s the returns to U.S. banks on foreign loans were attractive, on average, while loan losses were low. Loan losses reported by banks on their international loans were and have remained lower than those reported on domestic loans. The loss experience on loans to developing countries has also been favorable, although banks seldom cite separately statistics for that component of their international lending.

The returns to U.S. banks on their international lending have become less attractive compared with returns on domestic lending since the mid-1970s. On international syndicated credits, a decline has occurred in the average "spread" earned by the lender above the base rate of interest on interbank funds in the Eurodollar market. Moreover, in 1980–81, the base rate in the Eurodollar market has also declined relative

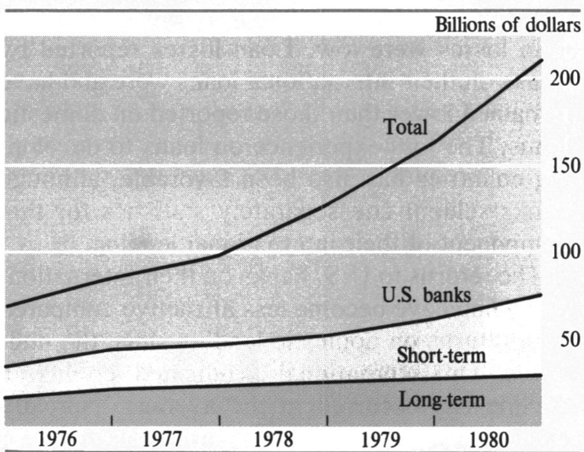
1. Recent cases of multilateral debt rescheduling requested by national governments from international banks

Date of agreement	Country	Participating creditors	Types of debt to banks rescheduled or restructured
September 1978 April 1978 July 1981	Jamaica	commercial banks	long-term debt of government borrowers
December 1978	Peru	commercial banks, preceded by separate rescheduling by foreign governments	long-term debt of government borrowers
June/August 1979	Turkey	commercial banks, preceded and followed by separate reschedulings with foreign governments and nonbank private creditors	short-term government-guaranteed debt
Pending	Sudan	commercial banks, preceded by separate rescheduling by foreign governments	short- and long-term debt of government borrowers
April 1980 Under negotiation	Zaire	commercial banks, preceded and followed by separate reschedulings by foreign governments	long-term debt of government borrowers nonsyndicated long-term debt of government borrowers
September 1980 and pending	Bolivia	commercial banks	long-term debt of government borrowers
December 1980	Nicaragua	commercial banks	long-term debt of government borrowers
Pending	Poland	commercial banks, preceded by separate rescheduling by foreign governments	long-term debt of government borrowers
Under negotiation	Liberia	commercial banks, preceded by separate rescheduling by foreign governments	long-term debt of government borrowers
Under negotiation	Costa Rica	commercial banks	short- and long-term debt of government borrowers

to the prime rate of interest established for borrowers in the domestic U.S. market for bank loans. As a result of these two factors, the apparent average yield on new syndicated loans to developing countries, which had averaged about 1 percentage point higher than the U.S. prime rate during 1973–78, has fallen significantly below prime during 1980–81.

In the late 1970s, U.S. commercial banks responded to the apparent declining relative profitability of syndicated term loans by sharply restraining their exposure in the long-term end of the market. Since mid-1979, however, their short-term lending to developing countries has grown rapidly, suggesting that yields on unpublicized, short-maturity loans may have become somewhat more attractive. Banks headquartered in other industrial countries also shortened the average maturity of their loans to developing countries during 1980 (chart 11).

11. Outstanding external bank claims on non-OPEC developing countries



Sources. BIS, U.S. country exposure lending survey, and Federal Reserve staff estimates.

The interest and participation by U.S. banks in syndicated term loans to developing countries appear to have revived since late 1980, partly because banks now face financially more attractive options to set the floating interest rate on many such loans at some margin above the prime rate in the United States rather than to link it to the interbank rates prevailing in the Eurodollar market.

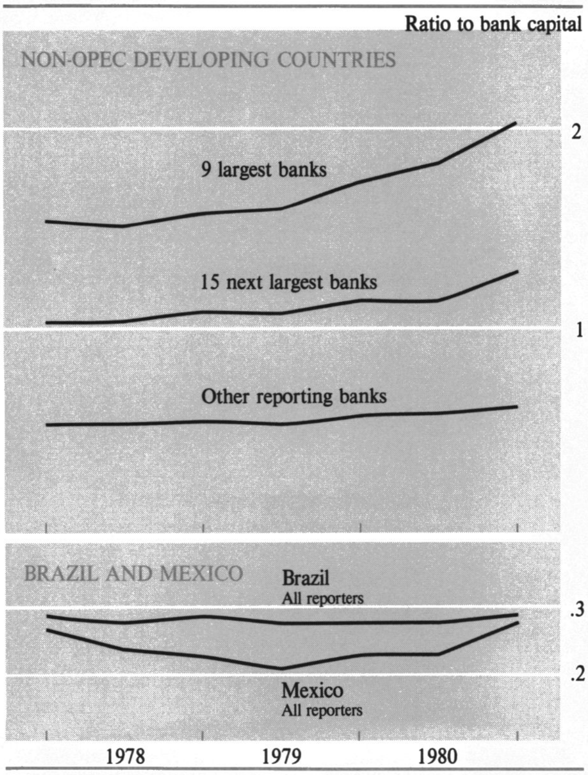
Country Exposure of Banks

While the competition among banks may suffice to maintain a reasonable balance over time between risk and return on banks' loans to developing countries, the loan exposure of some banks in some countries still warrants close analysis. As a bank's loans to a given country rise to a high level relative to the capital of the bank, that "country exposure" tends to arouse anxiety:

among the bank's management, who are averse to a possible severe loss; among bank supervisors, whose agencies may insure or must otherwise protect the bank's depositors; and among the authorities of the borrowing country, whose ability in the event of need to expand or even to maintain that country's access to external bank credits may come into question. These factors place a real, if indeterminate, limit on the exposure in a country that bank creditors, as a group, or the government of the borrowing country will find acceptable.

Overall exposure of U.S. commercial banks in developing countries has tended to rise in relation to the banks' capital funds during the past two years. This development follows a period in which the bulk of new lending was provided by large, non-U.S. banks that previously had borne lower levels of exposure in developing countries than the largest U.S. banks. In that period, U.S. banks in all size classes, including those with low loan exposure in developing countries, had abruptly slowed the pace of their net lending to developing countries (chart 12).

12. U.S. bank exposure in relation to bank capital



The exposure of a bank in all developing countries combined is not necessarily a matter for concern. The economic fortunes, financial behavior, and repayment capabilities of foreign borrowers are highly diverse—probably more diverse than those of domestic borrowers. High concentration of a bank's loans in a single foreign country is in principle a more valid point for concern. Since the mid-1970s, U.S. banks on average have maintained loan exposures in Brazil and Mexico that are exceeded only by their claims on the United Kingdom or Japan but, of course, are only a small fraction of the claims on borrowers in the United States. The exposure of U.S. banks in Brazil and Mexico has grown less rapidly on average over the past few years than their exposure with other developing-country borrowers.

Just as there is diversity among countries in the management of external debt, there is also diversity in the performance of different categories of borrowers or credits within a particular country. Policies that limit a government's ability to service its debt may not prevent private-sector borrowers from meeting their debt-service obligations. Conditions that lead to disruption or rescheduling of term loans may not cause serious delays in the repayment of trade-related loans.

Balance of Payments Objectives and Borrowing Needs

Policies and objectives for balance of payments adjustment by developing countries tend to determine their needs for external borrowing from banks.

Alternative sources of financing have been and are likely to remain less responsive to shifts in current account deficits. Changes in external reserves may act as a buffer to short-run variations in the current account and, thus, may increase (as in 1972–73 and 1976–78) or relieve (as in 1974–75 and 1980–81) the need for external borrowing. For the longer run, the scope for attracting external capital from new nonbank sources—institutional investors, nonfinancial corporate investors, direct public issues of bonds on international capital markets—appears rather narrow. That narrowness of alternative, nonbank channels of finance has been a principal subject of scrutiny for the multilateral World Bank–IMF Development Committee that was established in 1974. Progress toward widening these channels has been slow, and techniques proposed to achieve faster results have encountered philosophical objections from governments of the prospective investing and recipient countries.

Constraints on official and nonbank private inflows of capital imply that decisions by developing countries to maintain high current account deficits will require high ongoing levels of external borrowing from banks. A set of fiscal and monetary policies and policies on wages, prices, and exchange rates that produced a lower deficit in the current account would, conversely, generate a lower level of borrowing.

Proponents of capital flows to developing countries postulate that investment begets growth and that net foreign savings, which finances the current account deficit, begets investment. However, there may be slippages in the transmutation of foreign savings into incremental investment. In particular, the tighter fiscal policy that would help a country to achieve a lower current account deficit would at the same time tend to produce a higher level of domestic savings. There may also be uncertainty over the value of benefits to be achieved from that incremental investment. Such slippages and uncertainty warrant careful reevaluation by national authorities in light of the higher real cost that borrowings from international capital markets now appear to carry. □

Profitability of Insured Commercial Banks

Barbara Negri Opper of the Board's Division of Research and Statistics prepared this article.[1]

High and widely fluctuating interest rates during 1980 created opportunities for profit but also potential for loss. In this environment, insured commercial banks experienced relatively strong profitability. Industrywide returns on assets and on equity during 1980 nearly matched the decade peak reached in 1979, and dollar profits slightly surpassed the record set last year.

As a group, only the smaller institutions were able to increase rates of return on assets from 1979. Small banks increased their interest margins by shifting asset allocations dramatically toward money market instruments, which allowed them to reap short-run profits from an inverted yield curve and to repair asset and liability maturity imbalances caused by their continued reliance on six-month money market certificates (MMCs). At large banks, yields on interest-earning assets increased sharply from 1979, but costs of interest-bearing liabilities increased even faster, cutting into interest margins. Large banks as a class were able to take advantage of swings in market interest rates, however, as profits on trading accounts exceeded those of a year earlier and more than offset enlarged losses on securities transactions. Some large banks were buffeted by these rate movements, however, and incurred trading-account losses.

Table 1 summarizes, for all insured commercial banks, income and expenses relative to average assets. Appendix table A.1 presents dollar amounts of income and expenses in detail.

Exposure to interest rate risk appeared to have had a predominantly negative effect on net interest margins during 1980, despite providing periodic profit opportunities. Large banks that experienced increased margins held about equal amounts of rate-sensitive assets and liabilities; other large banks, with reduced interest margins, generally had an excess of rate-sensitive liabilities. Similarly, small banks whose interest margins increased had significantly closer alignment of rate-sensitive assets and liabilities than banks whose margins declined, although most small banks had some excess of rate-sensitive liabilities. Because many interest rate relationships were distorted at times during 1980, the timing of asset growth within the year had an important influence on changes in bank interest margins.

Noninterest income grew faster than assets during 1980, due in part to fiduciary and service income, as well as to the gains in trading accounts at money center and other large commercial banks. Operating costs also expanded rapidly and in many cases offset gains in noninterest revenue. Loan loss provisions grew slightly fast-

1. Income and expense as percent of average assets, all insured commercial banks, 1978–80[1]

Item	1978	1979	1980
Gross interest earned	7.24	8.62	9.87
Gross interest expense	4.17	5.50	6.78
Net interest margin	3.07	3.12	3.09
Noninterest income	.74	.78	.89
Loan-loss provision	.25	.24	.25
Other noninterest expense	2.50	2.54	2.63
Income before tax	1.06	1.12	1.10
Taxes[2]	.29	.28	.28
Other[3]	−.02	−.04	−.03
Net income	.76	.80	.79
Cash dividends declared	.26	.28	.29
Net retained earnings	.50	.52	.50
MEMO			
Net interest margin, taxable equivalent[4]	3.48	3.48	3.46
Average assets (billions of dollars)[1]	1,419	1,594	1,768

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

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

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

4. For each bank with profits before tax greater than zero, income from state and local obligations was increased by $[1/(1 - t) - 1]$ times the lesser of profits before tax or interest earned on state and local obligations (t is the marginal federal income tax rate.) This adjustment approximates the equivalent pretax return on state and local obligations.

1. The data base was developed by Nancy Pittman, and research assistance was provided by Mary McLaughlin.

er than assets industrywide, especially at small banks.

With lower net interest margins prevailing on foreign office business, and with that business accounting for an increased fraction of consolidated assets, consolidated net interest margins fell at commercial banks with foreign offices. Gains in trading accounts and other noninterest income only partially offset the decrease in net interest margins, and consolidated profitability of banks with foreign branches declined slightly from 1979.

Interest Income

Loan portfolio yields at all banks increased 170 basis points on average (table 2). Loan yields at money center banks increased almost one-third faster than the industry average because floating-rate and short-term loans dominate their portfolios. Loan yields at small banks also increased. At 155 basis points, the yield improvement at small banks exceeded average increases recorded by all other nonmoney center groups.[2] Earlier in the 1970s, changes in loan portfolio yields of small banks lagged changes registered at other banks. However, yields increased rapidly during 1980 as small banks took several actions to protect near-term profitability in order to offset the shift to higher-cost, more market-sensitive sources of funds. In their loan portfolios, small banks shifted away from consumer loans, on which usury ceilings tended to bind and turnover to be slow, and toward business loans carrying either short maturities or variable interest rates.

2. Rates of return on fully consolidated portfolios, all insured commercial banks, 1978-80[1]

Percent

Item	1978	1979	1980
Securities, total	6.47	7.05	7.88
U.S. government	7.37	8.25	9.38
State and local government	5.24	5.58	6.03
Other	8.80	9.24	10.55
Loans, gross	10.32	12.01	13.71
Net of loan loss provision	9.82	11.55	13.19
Taxable equivalent[2]			
Total securities	8.89	9.31	10.23
State and local	10.62	10.44	11.13
Total securities and gross loans	9.95	11.37	12.88

1. Calculated as described in the "Technical note," Bulletin, vol. 65 (September 1979), p. 704.
2. See note 4 to table 1.

Returns from securities portfolios at all banks increased 92 basis points after adjustment for taxable equivalence. With about one-fifth of bank securities portfolios maturing during 1980, part of the increase in portfolio yield reflects rollover of portfolios at higher market interest rates. Another part reflects the impact of concentrating acquisitions in shorter maturities at interest rates above those prevailing on longer maturities. The shift toward shorter-term securities was most pronounced at small commercial banks, at which the proportion of outstanding securities portfolios maturing within one year rose from 17 percent to 24 percent during 1980.

On average, banking industry assets allocated to loans declined marginally during 1980 (table 3). Allocations to federal funds sold, security resale agreements, and holdings of interest-bearing interbank balances increased, which is consistent with heightened variability in liability interest costs and enlarged dependence on short-term liabilities. This portfolio shift was most pronounced at banks that experienced the greatest change in their liability structures. Acquisitions of money market assets and of short-term government securities represented one-third of the asset growth of small banks, far higher than the fraction of outstanding assets of small banks that these instruments represent. By contrast, money center banks, funded by money market instruments for many years, allocated an even larger proportion of assets to loans in 1980 than a year earlier.

Interest income scaled to average consolidated assets increased 125 basis points for all insured banks taken together and grew about one-fourth faster at money center banks. At small banks, interest income increased at about the industry average, and unlike past periods of rising market interest rates, increased faster than at larger nonmoney center banks (chart 1). This heightened responsiveness resulted partly from the asset reallocation described earlier and partly from above-average asset growth, which allowed small banks to acquire instruments carrying current market yields.

2. Appendix table A.2 contains summary statistics by class of bank. A similar table presented 1979 data (Federal Reserve Bulletin, vol. 66, September 1980, p. 705).

3. Portfolio composition as percent of total assets including loan loss reserves, all insured commercial banks, 1978–80[1]

Average during year

Item	Domestic			Fully consolidated		
	1978	1979	1980	1978	1979	1980
Interest-earning assets	79.2	80.4	80.2	82.4	83.0	82.9
Loans	53.3	56.0	55.1	54.6	56.3	55.4
Securities	21.3	20.0	20.1	18.4	17.2	17.0
U.S. Treasury	7.7	6.6	6.4	6.5	5.5	5.3
U.S. government agencies	3.2	3.4	3.7	2.7	2.8	3.0
State and local governments	9.8	9.5	9.4	8.3	8.0	7.8
Other bonds and stocks	.6	.5	.5	.9	.8	.8
Gross federal funds sold and reverse RPs	4.0	4.0	4.4	3.3	3.4	3.7
Interest-bearing deposits[2]	.6	.4	.6	6.1	6.2	6.8
MEMO: Average gross assets (billions of dollars)	1,198	1,329	1,460	1,406	1,593	1,768

1. Percentages are based on aggregate data and thus reflect the heavier weighting of large banks. Data are based on averages for call dates in December of the preceding year and June and December of the current year.

2. Interest-bearing deposits first were reported on a fully consolidated basis in December 1978. The number shown for 1978 is an average based on the reported December amount and estimates for the earlier call report dates.

Interest Expense

Interest costs for liabilities not covered by deposit rate ceilings increased more than 200 basis points during 1980 (table 4). Much of this increase reflects the behavior of market interest rates affecting large certificates of deposit (CDs), federal funds, and other liabilities issued in the U.S. money markets. Interest costs on deposits issued by foreign offices also rose rapidly, although they affected a much smaller proportion of banking system liabilities.

Interest costs for savings and small time deposits increased 145 basis points at all banks, and they increased even more at small banks. Since fixed deposit ceilings were maintained well below market interest rates, growth in deposits with variable rate ceilings, together with an increase in average market yields, accounted for the rise in interest costs. The money market certificate (MMC), carrying costs equal to the discount rate on six-month Treasury bills, was the dominant retail time deposit, increasing from 15 percent to more than 30 percent of bank savings and small time deposits during the year. Interest rates offered on MMCs increased on average from 10½ percent in 1979 to 12 percent in 1980. The small saver certificate (SSC), authorized on January 1, 1980, and pegged to the thirty-month Treasury yield, attracted $30 billion of intermediate-term deposits, but inflows were restrained during part of the year by the 11.75 percent interest "cap" imposed in March.

Continuing what has become a long-standing trend, demand deposits diminished in relative importance as a source of funds and for the first time financed less than one-fourth of total assets at commercial banks (table 5). In the past, much of the shifting from demand deposits seemed attributable to sophisticated cash management techniques of corporations and the U.S. government. In 1980, however, consumers also shifted by substituting automatic transfer service (ATS) accounts for demand deposits in response to ATS plans marketed in anticipation of the nationwide extension of negotiable order of withdrawal (NOW) accounts on January 1, 1981.[3] This early

3. In 1980, commercial banks outside New York and New England—where NOW accounts already existed—lost $12 billion of nontransaction savings accounts and $3 billion of demand deposits of individuals, partnerships, and corporations; their interest-bearing transaction accounts grew $7 billion.

4. Rates paid for fully consolidated liabilities, all insured commercial banks, 1978–80[1]

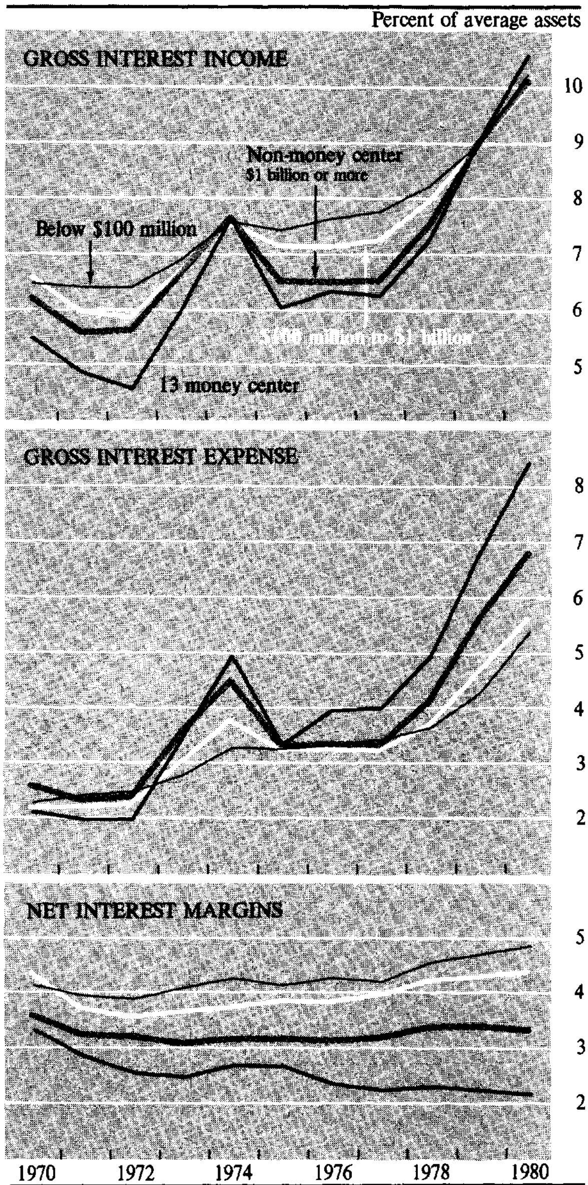
Percent

Item	1978	1979	1980
Time and savings accounts	6.76	8.69	10.66
Negotiable CDs[2]	7.85	10.52	12.56
Deposits in foreign offices	8.04	11.38	14.03
Other deposits	5.81	6.65	8.10
Subordinated notes and debentures	7.77	8.41	8.90
Gross federal funds purchased and RPs	8.68	12.95	14.68
Other liabilities for borrowed money	7.00	9.17	11.34
Total	6.81	9.13	11.10
MEMO: Not covered by regulatory ceilings[2]	8.02	11.20	13.45

1. Calculated as described in the "Technical note," BULLETIN (September 1979) p. 704.

2. Does not include nonnegotiable time deposits of $100,000 or more.

1. Components of interest margins



Size categories are based on year-end consolidated assets.

Gross interest income is adjusted for taxable equivalence. Net interest margins are gross interest income adjusted for taxable equivalence minus gross interest expense.

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

shifting from consumer demand deposits to interest-bearing transaction accounts had some impact on commercial bank costs, hinting at the larger effect likely after a full transition to NOW accounts.

Interest costs scaled to average assets increased at all size groups of commercial banks (chart 1). As expected, such costs rose fastest at money center banks, reflecting especially large increases in money market rates. Uncharacteristic, however, was the increase in interest costs at small banks, which approached that at large nonmoney center banks and exceeded that at medium-sized banks. This rise reflected both the shift out of demand balances into interest-bearing deposits, especially pronounced at small banks, and the shift within interest-bearing deposits to escalating-cost MMCs.

Net Interest Margins

With interest costs increasing faster than interest income, the average net interest margin of all insured commercial banks fell slightly during 1980. Large banks experienced reductions in interest margins; banks with less than $1 billion in assets showed gains.

Interest margins of money center banks fell 8 basis points in 1980. Some of the decline may reflect the increase in the share of assets in foreign offices, at which margins tend to be lower than at domestic offices. Some also may reflect intensified domestic and foreign competition from suppliers of short-term funds to major corporate borrowers, manifested by the spread of loan pricing options favorable to borrowers. In addition, variations in interest rates during the year brought profound changes to relationships between the prime rate and typical money center bank funding costs; consequently, the timing within the year when domestic liabilities matured and had to be reissued had a material impact on net interest margins.

Net interest margins of nonmoney center large banks also fell in 1980. Some of these institutions expanded their foreign office operations, and as with money center banks, this alteration in business mix could have exerted downward pressure on margins. In addition, many of these banks are still adjusting to financing by a larger volume of liabilities with costs sensitive to movements in market rates of interest.

Although more small banks experienced erosion in net interest margins in 1980 than in 1979—37 percent versus 29 percent—enough banks had expanded margins to bring the average margin for the entire group above that in 1979 (table 6).

5. Composition of financial liabilities as percent of total assets including loan loss reserves, all insured commercial banks, 1978–80[1]

Average during year

Item	Domestic 1978	Domestic 1979	Domestic 1980	Fully consolidated 1978	Fully consolidated 1979	Fully consolidated 1980
Financial claims	89.1	88.0	87.6	90.2	89.7	89.1
Demand deposits	31.9	30.3	29.1	26.9	25.3	24.0
Interest-bearing claims	57.2	57.7	58.5	63.3	64.4	65.1
Time and savings accounts	48.3	47.3	47.8	55.2	55.0	55.5
Large time[2]	15.0	15.2	15.5	12.7	12.7	12.8
In foreign offices	.....	.....	.....	14.5	15.6	16.1
Other domestic	33.3	32.1	32.3	28.1	26.7	26.7
Subordinated notes and debentures	.5	.4	.4	.4	.4	.4
Other borrowings	1.1	2.0	1.9	1.5	2.4	2.3
Gross federal funds purchased and repurchase agreements	7.3	7.9	8.4	6.2	6.6	6.9
MEMO						
Managed liabilities[3]	23.9	25.6	26.1	35.3	37.6	38.4
Average gross assets (billions of dollars)	1,198	1,329	1,460	1,406	1,593	1,768

1. Percentages are based on aggregate data and thus reflect the heavier weighting of large banks. Data are based on averages for call dates in December of the preceding year and June and December of the current year.

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

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

By contrast, half of the large nonmoney center banks experienced erosion in interest margins in 1980, about the same as last year, but those losses were sufficient to reduce the average margin for the group as a whole.

A number of balance-sheet characteristics differentiated banks with increased net interest margins from others within groups. One is that the average estimated fraction of assets exposed to market interest rate changes (column 3 of table 6) was significantly smaller at banks with increased margins than at their peers. Also, though not shown in the table, the fraction of assets financed by rate-sensitive liabilities grew less at nonmoney center banks with increased margins. At small banks with improved margins, more-

6. Factors associated with the 1979–80 change in net interest margins, all insured commercial banks[1]

Percent except for number of banks

Assets, year-end 1980	Number (1)	Rate-sensitivity[2]: Assets (2)	Rate-sensitivity[2]: Assets less liabilities (3)	Average interest margin[3]: 1980 (4)	Average interest margin[3]: 1979 (5)	Average interest margin[3]: Percent change (6)	Asset growth: H1 (7)	Asset growth: H2 (8)
Less than $25 million								
Increased margins	4,768	16.9	−8.3	5.47	4.70	16.4	3.8	9.3
Others	2,804	16.8†	−11.9	4.61	5.09	−9.4	6.9	9.1†
$25 million to $100 million								
Increased margins	3,077	14.3	−14.1	5.15	4.72	9.2	2.4	7.3
Others	1,971	13.0	−16.8	4.33	4.66	−7.1	3.7	7.3†
$100 million to $1 billion								
Increased margins	729	20.3	−12.5	4.73	4.38	7.9	1.2	7.3
Others	599	16.6	−16.0	4.08	4.42	−7.7	2.9	5.9
13 money center								
Increased margins	5	58.7	−3.0	2.02	1.94	4.0	8.5	3.9
Others	8	57.6†	−5.3†	2.15†	2.29	−6.2	4.6†	3.6†
Others $1 billion or more								
Increased margins	79	42.8	.1	3.80	3.52	7.9	−.2	8.3
Others	78	37.4	−6.2	3.42	3.73	−8.3	2.8	5.9*

1. Differences between means are statistically significant at the .01 level except when noted by an asterick (*), which are significant at the .05 level, and a dagger (†), which are not within the .05 range.

2. Average, as a percent of total assets, on the December 1979 and March, June, September, and December 1980 call dates. Rate-sensitive assets: interest-bearing deposits, federal funds sold, reverse RPs, loans and government debt maturing in one year or less, and other loans with floating rates. Small banks do not report the loan detail, so their holdings of loans to financial institutions, construction loans, and purpose loans are included. Rate-sensitive liabilities: large time deposits and foreign office deposits due in one year or less, federal funds, RPs, MMCs, and other short-term borrowings.

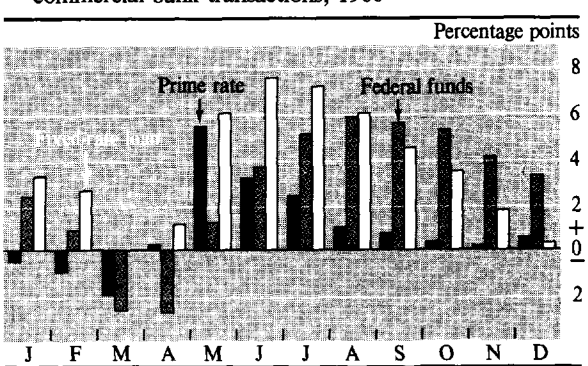
3. Taxable equivalent, as a percent of average assets.

over, the estimated fraction of assets invested in rate-sensitive instruments increased faster than at their peers.

Finally, nonmoney center banks with improved interest margins grew significantly more slowly than their peers during the first half of 1980 (columns 7 and 8, table 6). Within the first half, the economy slumped and special credit restraints were imposed; in association with those events market interest rates peaked and then dropped sharply. Speeds of adjustment varied among interest rates, causing distortions in certain traditional relationships upon which profitable intermediation depended.

Chart 2 illustrates rate relationships for three common, hypothetical, commercial bank transactions. One transaction is a one-month loan tied to the prime rate and financed by reservable 30-day CDs; that bar in the chart shows the annual rate of net interest earned on that transaction repeated monthly during 1980. The other two transactions, more typical for small banks, involve net interest earned by issuing reservable six-month MMCs at average interest rates prevailing each month. One bar shows the annualized net return from investing the proceeds of an MMC issued in that month in federal funds, rolled over at the average funds rate in the current and ensuing five months. Another bar shows the net return from investing in a six-month loan yielding a fixed 16 percent interest, such as a consumer loan. With net interest margins of most small banks ranging between 4¼ percent and 5½ percent, clearly the fixed-rate transaction initiated during the first four months of 1980 would have depressed the net interest

2. Net interest earned on selected commercial bank transactions, 1980



Interest is at an annual rate.

margin of a typical small bank. Any federal funds–MMC transaction entered into during the first six months of 1980 would have resulted in below-average net earnings. In both instances, above-average net returns would have been associated with transactions consummated in the summer and early fall. Banks' intrayearly growth patterns clearly were material in determining whether these shifting relationships would result in gains or losses.

As in the previous two years, small banks relying heavily on MMCs for their funding experienced significantly lower net interest margins than those with below-average amounts of those deposits. The difference in 1980 after adjustment for taxable equivalence amounted to 79 basis points (table 7). That difference incorporates the much higher gross interest expenses, only partially offset by higher interest income, of the group most intensively using MMCs. Unlike earlier years, however, the two groups of small banks did not differ in the rate of growth of total assets. In 1980, the low-MMC group financed its

7. Comparison of operating results in 1980, small insured commercial banks with greatest and least reliance on MMCs[1]

Means in percent

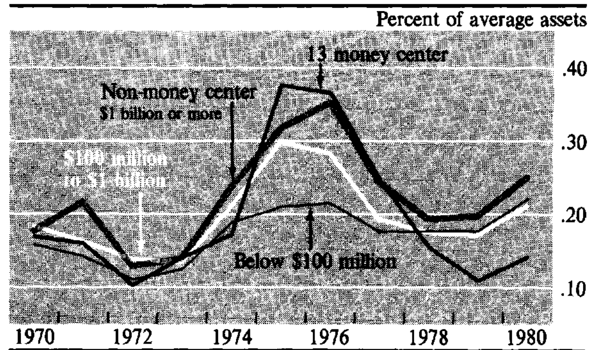
Item	Quartile	
	Highest	Lowest
Growth in total assets (percent)	13.5*	13.6
Income and expense scaled to average consolidated assets		
Interest income	9.93	9.65
Interest expense	5.69	4.57
Net interest margin, taxable equivalent	4.69	5.48
Noninterest income	.48	.84
Loan loss provision	.27	.32
Other noninterest expense	2.79	3.97
Profit before tax	1.66*	1.64
Net income	1.25*	1.21
As percent of year-end financial claims		
Transactions balances	26.3	37.7
NOW, ATS	.7	1.3
Passbook, small time except MMCs	32.2	34.4
MMCs	34.1	12.1
Managed liabilities	7.4	15.7
Average change in 1980 (thousands of dollars)		
Total financial claims	2,087	2,380
Transactions	−16	559
NOW, ATS	107	210
Passbook, small time except MMCs	−1,104	−411
MMCs	3,013	1,339
Managed liabilities	196	893

1. Top and bottom quartiles, as determined by MMCs as a percent of total financial claims at the end of 1980, of all banks with year-end assets below $100 million.

The differences between means of the two groups are all statistically significant at the 1 percent level except where indicated (*).

asset growth by issuing more transaction accounts and managed liabilities (large time deposits) and by retaining more passbook and non-MMC small-denomination time deposits than the group that relied principally on MMCs. This difference in funding sources also carried noninterest implications; the low-MMC group earned higher rates of noninterest income, perhaps in association with deposit service fees, and paid higher noninterest expenses, presumably to service the higher volume of transaction accounts. In 1980, the interest and noninterest differences between these two groups were offsetting; their profit rates were about equal.

3. Net loan losses charged[1]



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

Loan Losses and Other Noninterest Income and Expense

Bank loan loss provisions grew, but did not keep pace with increases in actual losses charged net of recoveries (table 8). All size groups experienced trivial changes in cash recoveries and substantial increases in loan charge-offs. Net loan losses increased relative to assets at all size groups (chart 3).

At insured commercial banks with assets exceeding $300 million, the dollar increase in loan losses charged net of recoveries is about equally attributable to loans to individuals and to business loans extended to U.S. addressees.[4] At these large banks, the increased net personal loan charge-offs were not associated with growth in outstanding consumer loans. Possibly some of the personal loan charge-offs experienced during 1980 might have occurred earlier except that some 1979 bankruptcies were postponed to benefit from liberalized personal bankruptcy provisions that became effective October 1, 1979; some other portion of these charge-offs might be attributed to the liberalization per se.

Most categories of noninterest income and expense increased relative to assets, in about equal amounts at large and small banks. Small gains were realized in fiduciary income, and at large banks trading-account profits grew. Service fees on deposits increased about 4 basis points relative to average assets at all size groups other than money center banks, presumably in associa-

4. Information on the sectors in small bank loan portfolios that experienced credit deterioration is not available.

8. Loan portfolio losses and recoveries, all insured commercial banks, 1979–80

Millions of dollars, except as noted

Year, and size of bank[1]	Losses charged	Recoveries	Net losses: Dollar amount	Net losses: Percent of loans[2]	Loan loss provision
1979					
All banks	3,731	1,197	2,534	.28	3,764
Less than $100 million	823	256	567	.30	783
$100 million to $1 billion	758	218	540	.30	745
$1 billion or more					
Money center	860	329	531	.20	895
Others	1,290	394	897	.34	1,341
1980					
All banks	4,852	1,276	3,576	.36	4,452
Less than $100 million	1,006	264	742	.39	889
$100 million to $1 billion	988	245	743	.38	912
$1 billion or more					
Money center	1,089	316	773	.25	1,036
Others	1,769	451	1,318	.45	1,615

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

tion with the introduction of interest-bearing consumer transaction accounts. Large banks, particularly the money center institutions, realized gains from other service income, a category that includes loan service fees as well as fees for miscellaneous banking services.

Wage and salary expenses increased at all size categories of banks; those expenses increased 7 basis points relative to average assets at banks with less than $1 billion in assets, and by about half that at larger banks. Occupancy costs and other operating costs also increased at all size groups, adding about 8 basis points to small bank expense ratios but substantially less to those of large banks.

Profitability and Dividends

Average returns on assets for all commercial banks as a group declined marginally in 1980. Improved rates of return at small banks were about offset by lower profitability at large nonmoney center banks. Among other size groups, 1980 returns on assets were maintained at 1979 levels (table 9).

Rates of return on assets showed more dispersion in 1980 than in 1979, a change not apparent from the relative stability in overall average rates of return. The rate of loss incurred by banks in the lowest one percentile of peer group profitability increased sharply compared with 1979, particularly at banks with more than $25 million in assets. In addition, more banks incurred losses than in 1979. At the same time, profitability rates of banks in the top fifth and first percentiles were close to one-tenth higher in 1980 than in 1979 at all except the largest banks, at which returns earned by the best performers were unchanged from last year.

In aggregate, cash dividends increased somewhat faster than assets. At small banks, growth in dividends kept pace with earnings. At other nonmoney center banks, however, dividends increased faster than income and retained earnings scaled to average assets were lower than in 1979.

During 1980 little equity was attracted from external sources, continuing the recent pattern associated with extremely high equity capital costs. Retained income generated more than four-fifths of the increase in equity during 1980 at both large and small banks (table 10). At most groups of commercial banks, and for all banks taken together, the increase in equity capital was sufficient only to keep pace with assets. Equity capital ratios consequently remained about level with those in 1979. One exception is small banks, at which earnings retention exceeded asset growth and the capital-to-assets ratio grew from 8.1 to 8.4 percent. With this leverage reduction, returns on equity at small banks increased less than asset returns. In another exception, asset growth at the money center banks slightly outpaced equity additions; with a small increase in leverage, returns on equity increased despite stability in the return on average assets.

Insured U.S. Commercial Banks with Foreign Offices

At the end of 1980, 178 insured U.S. commercial banks had foreign offices or Edge Act or Agreement corporations and held consolidated assets of $1.1 trillion.[5] This aspect of U.S. commercial banking grew in importance during the year: the number of banks with foreign offices increased by 14, and excluding intracompany balances, the proportion of consolidated assets held at foreign offices increased from 30½ percent to 32 percent. Foreign offices and international business represented a larger share of consolidated returns on assets than in 1979.

During 1980, liabilities issued in domestic markets often carried lower reserves-adjusted interest costs than those issued abroad. At the end of the year, domestic offices of these banks had outstanding a net $23 billion in funds advanced to their own foreign offices, an increase of $20 billion from the beginning of the year. Reflecting the enlarged role of domestic offices as a funding source, deposits issued to third parties by foreign offices dropped from 87 to 83 percent of total liabilities during the year; at domestic offices the proportion of assets allocated to intracompany business more than doubled to 3½ percent (table 11).

The predominant loan customers of foreign

5. Appendix table A.3 shows dollar amounts of income and expenses of banks with foreign offices.

9. Profit rates, all insured commercial banks, 1975–80

Percent

Type of return and size of bank[1]	1975	1976	1977	1978	1979	1980
Return on assets[2]						
All banks	.69	.70	.71	.76	.80	.79
Less than $100 million	.89	.94	.98	1.04	1.15	1.18
$100 million to $1 billion	.75	.78	.82	.90	.96	.96
$1 billion or more						
Money center	.56	.54	.50	.53	.56	.56
Others	.59	.60	.62	.68	.72	.66
Return on equity[3]						
All banks	11.8	11.5	11.8	12.9	13.9	13.7
Less than $100 million	11.5	11.8	12.4	13.2	14.1	14.2
$100 million to $1 billion	11.1	11.1	12.0	13.2	13.9	13.7
$1 billion or more						
Money center	13.8	12.3	11.4	12.8	14.0	14.4
Others	11.2	10.6	11.2	12.5	13.5	12.7

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

10. Sources of increase in total equity capital, all insured commercial banks, 1975–80[1]

Millions of dollars, except as noted

Year	Net retained income[2]		Net increase in equity capital		Increase in equity capital from retained income (percent)	
	Total	Large banks[3]	Total	Large banks[3]	Column 1/ column 3	Column 2/ column 4
	(1)	(2)	(3)	(4)	(5)	(6)
1975	4,224	1,690	5,526	2,396	76	71
1976	4,834	1,909	7,254	3,371	67	57
1977	5,599	2,157	7,094	2,939	79	73
1978	7,019	2,947	8,148	3,304	86	89
1979	8,350	3,616	9,952	4,291	84	84
1980	8,859	3,843	10,828	4,567	82	84

1. In 1976, equity capital was affected by one-time accounting changes in the treatment of loan loss and valuation reserves. Data for 1976 have been adjusted for that definitional change.
2. Net income less cash dividends declared on preferred and common stock.
3. Banks with fully consolidated assets of $1 billion or more.

11. Assets and liabilities, U.S. insured commercial banks with foreign offices, December 31, 1980

Item	Domestic offices		Foreign offices	
	Billions of dollars	Percent of total	Billions of dollars	Percent of total
Total assets	**769**	**100**	**354**	**100**
Cash and due from banks	118	15	131	37
Gross federal funds sold and reverse RPs	26	3	*	*
Securities	116	15	11	3
Loans	415	54	185	52
Other[1]	94	12	27	8
Total liabilities	**716**	**100**	**353**	**100**
Deposits	531	74	294	83
Noninterest-bearing[2]	225	31	17	5
Interest-bearing	306	43	277	78
Savings and small time	147	21	n.a.	n.a.
Time over $100,000	159	22	n.a.	n.a.
Nondeposit financial claims	128	18	1	5
Federal funds purchased and RPs	102	14	*	*
Subordinated notes and debentures	4	1	15	*
Other liabilities for borrowed money	22	3	15	4
Other[1]	57	8	43	12

1. Of these amounts, $27 billion represents net funds advanced by domestic offices to their own foreign offices and $4 billion represents net funds advanced to domestic offices by their own foreign offices.
2. Demand deposits in domestic offices, noninterest-bearing deposits in foreign offices.

* Less than $500,000 or 0.5 percent.

n.a. Not available.

branches continued to be borrowers domiciled outside the United States (table 12). Depositors identifiable as foreign residents—primarily banks located abroad—accounted for more than half of total foreign office deposits.

12. Customers, U.S. insured commercial banks with foreign offices, December 31, 1980

Billions of dollars

Item	Domestic offices	Foreign offices
Total loans, gross	**421**	**187**
Real estate	109	7
To financial institutions	41	35
In the United States	20	1
Outside the United States	10	27
Not specified	11	7
Commercial and industrial	174	109
To U.S. addressees	166	6
To non-U.S. addressees	8	103
To individuals	67	6
To foreign governments	3	25
Other	27	5
MEMO		
To U.S. addressees	186	7
To non-U.S. addressees	21	155
Not specified	214	25
Total deposits	**531**	**294**
Individuals, partnerships, and corporations	428	110
U.S. federal, state, and local governments	27	1
Foreign governments and official institutions	9	33
Commercial banks in the United States	48	18
Banks in foreign countries	11	130
Certified and officers' checks	9	2

The gross rate of interest earned on invested assets increased 132 basis points at domestic offices and double that at foreign offices (table 13). Rates of interest paid for interest-bearing liabilities increased even faster than asset returns at domestic offices, but at foreign offices they lagged improvement in asset yields. Net interest margins at foreign offices increased relative to total assets, but remained less than half the level at domestic offices (table 14). At domestic offices, net interest margins also increased relative to total assets, notwithstanding the faster increase in rates paid for funds over rates of return. Interest-bearing liabilities financed less than three-fifths of domestic office assets, so the impact of the relatively sharp increase in those interest costs was diluted.

On a consolidated basis, gross interest expenses grew somewhat faster than gross interest earnings and consolidated net interest margins of banks with foreign offices were lower than last year (table 15). Increases in noninterest income—gains in trading accounts as well as increased income from nondeposit service charges—exceeded those in noninterest expenses, and before-tax profitability declined by less than the shrinkage in interest margins. □

13. Rates of return and rates paid for funds, U.S. insured commercial banks with foreign offices, 1979 and 1980[1]

Percent

Item	Domestic offices		Foreign offices	
	1979	1980	1979	1980
Loans	12.30	13.82	13.21	16.00
Interest-earning assets[2]	11.92	13.24	12.35	15.06
Interest-bearing deposits	8.36	10.11	11.38	14.03
Interest-bearing claims	9.31	11.10	11.32	13.97

1. Calculated as described in the "Technical note," BULLETIN (September 1979), p. 704.
2. Taxable equivalent approximated for domestic offices according to the method described in table 1, note 4.

14. Interest income and expense as percent of average assets, U.S. insured commercial banks with foreign offices, 1979 and 1980

Item	Domestic offices		Foreign offices	
	1979	1980	1979	1980
Gross interest income	7.38	8.67	9.46	12.37
Gross interest expense	4.57	5.79	8.19	10.99
Net interest margin	2.82	2.88	1.26	1.39
Taxable equivalent[1]	3.13	3.23	1.26	1.39

1. Approximated for domestic offices according to the method described in table 1, note 4.

15. Consolidated income and expenses, U.S. insured commercial banks with foreign offices, 1979–80

Percent of average assets

Item	1979	1980
Gross interest income	8.75	10.08
Gross interest expense	6.25	7.65
Net interest margin	2.50	2.43
Taxable equivalent[1]	2.74	2.68
Noninterest income	.84	.98
Loan loss provisions	.22	.24
Other noninterest expense	2.17	2.25
Income before tax	.95	.92
Foreign offices[2]	.22	.26
Domestic offices[2]	.73	.66
Net income	.63	.61
International business[2]	.16	.19
Domestic business[2]	.47	.42

1. Approximated for domestic offices according to the method described in table 1, note 4.
2. See table A.3. Reflects amounts attributed, giving full allocation of income and expense.

A.1 Report of income, all insured commercial banks

Amounts shown in millions of dollars

Item	1972	1973	1974	1975	1976	1977	1978	1979	1980
Operating Income—Total	**40,065**	**52,794**	**67,872**	**66,285**	**80,388**	**90,069**	**113,170**	**149,795**	**190,109**
Interest									
Loans	25,498	35,213	46,942	43,197	51,471	58,881	75,948	101,942	126,663
Balances with banks	n.a.	n.a.	n.a.	n.a.	4,459	4,860	6,662	10,561	16,035
Federal funds sold and securities purchased under resale agreement	1,023	2,474	3,695	2,283	1,979	2,471	3,664	6,106	8,750
Securities (excluding trading accounts)									
Total income	8,329	9,138	10,344	12,201	14,333	15,140	16,432	18,755	22,968
U.S. Treasury and U.S. government agencies and corporations	4,520	4,905	5,428	6,758	8,362	8,835	9,335	10,630	13,400
States and political subdivisions	3,490	3,861	4,449	4,911	5,116	5,338	6,003	6,928	8,131
Other[1]	319	372	467	532	855	967	1,094	1,197	1,437
Trust department	1,366	1,460	1,506	1,600	1,795	1,980	2,138	2,375	2,738
Direct lease financing	n.a.	n.a.	n.a.	n.a.	534	699	862	1,073	1,371
Service charges on deposits	1,256	1,320	1,450	1,547	1,629	1,797	2,039	2,517	3,173
Other charges, fees, etc.	1,079	1,247	1,405	1,647	2,175	2,404	2,930	3,635	4,352
Other operating income	1,512	1,942	2,530	3,811	2,011	1,903	2,495	2,831	4,059
Operating expenses—Total	**32,836**	**44,113**	**58,645**	**57,313**	**70,466**	**78,484**	**98,104**	**131,950**	**170,675**
Interest									
Time and savings deposits	13,781	19,747	27,777	26,147	34,894	38,701	50,054	71,693	98,130
Time CD's of $100,000 or more issued by domestic offices	n.a.	n.a.	n.a.	n.a.	7,083	6,732	11,693	18,105	24,753
Deposits in foreign offices	n.a.	n.a.	n.a.	n.a.	8,745	10,216	14,559	24,523	34,941
Other deposits	n.a.	n.a.	n.a.	n.a.	19,066	21,753	23,802	29,065	38,436
Federal funds purchased and securities sold under repurchase agreements	1,425	3,883	5,970	3,313	3,305	4,536	7,247	12,218	16,707
Other borrowed money[2]	115	499	912	374	665	816	1,452	3,162	4,380
Capital notes and debentures	212	253	280	292	343	391	445	497	541
Salaries, wages, and employee benefits	9,040	10,076	11,526	12,624	14,686	16,276	18,654	21,465	24,565
Occupancy expense[3]	2,658	2,970	3,396	3,837	4,464	4,959	5,559	6,255	7,325
Provision for loan losses	964	1,253	2,271	3,578	3,650	3,244	3,499	3,764	4,453
Other operating expenses	4,640	5,432	6,514	7,149	8,456	9,561	11,194	12,796	14,573
Income before taxes and securities gains or losses	7,229	8,681	9,227	8,973	9,922	11,585	15,067	17,843	19,435
Applicable income taxes	1,708	2,120	2,084	1,790	2,287	2,829	4,155	4,736	5,009
Income before securities gains or losses	5,522	6,560	7,143	7,182	7,635	8,756	10,911	13,109	14,426
Net securities gains or losses (−) after taxes	90	−27	−87	35	190	95	−225	−350	−492
Extraordinary charges (−) or credits after taxes	18	22	12	32	24	47	45	39	17
Net income	5,630	6,555	7,068	7,249	7,849	8,898	10,731	12,797	13,950
Cash dividends declared	2,191	2,423	2,760	3,025	3,029	3,299	3,714	4,449	5,091
MEMO									
Number of banks	13,721	13,964	14,216	14,372	14,397	14,397	14,380	14,352	14,421
Average fully consolidated assets (billions of dollars)	738	857	987	1,052	1,123	1,257	1,418	1,593	1,768

1. Includes interest income from other bonds, notes, debentures, and dividends from stocks.

2. Includes interest paid on U.S. Treasury tax and loan account balances, which were begun in November 1978.

3. Occupancy expense for bank premises plus furniture and equipment expenses minus rental income received for bank premises.

n.a. Not available.

NOTE. For "Notes on comparability of commercial bank income data before 1976," see BULLETIN, vol. 64 (June 1978), p. 446.

A.2 Earnings, portfolio composition, and interest rates, all insured commercial banks, 1980[1]

Item	All	Assets: Less than $100 million	Assets: $100 million to $1 billion	Assets: $1 billion or more: Money center	Assets: $1 billion or more: Others
	Balance sheet (as percent of average consolidated assets)				
Interest-earning assets	82.9	89.4	87.2	78.0	81.1
Loans	55.4	55.9	55.4	55.4	55.0
Securities	17.0	27.8	25.2	7.2	15.0
U.S. Treasury	5.3	9.2	7.9	2.2	4.5
U.S. government agencies	3.0	6.3	4.4	.9	2.3
State and local governments	7.8	11.8	12.3	2.8	7.7
Other bonds and stock	.8	.5	.6	1.4	.5
Gross federal funds sold and reverse RPs	3.7	5.5	5.4	1.6	3.6
Interest-bearing deposits	6.8	.2	1.3	13.7	7.4
Financial claims	89.1	89.8	90.7	87.8	89.1
Demand deposits	24.0	26.7	28.8	17.5	26.1
Interest-bearing claims	65.1	63.1	62.0	70.3	63.0
Time and savings deposits	55.5	61.4	55.2	57.8	49.7
Large time	12.8	9.5	14.4	11.1	15.7
In foreign offices	16.0	0	.2	40.3	11.4
Other domestic	26.7	52.0	40.6	6.4	22.6
MMCs	8.2	17.4	12.2	1.8	6.6
Subordinated notes and debentures	.4	.2	.4	.2	.6
Other borrowings	2.3	.4	.9	4.2	2.4
Gross RPs and federal funds purchased	6.9	1.0	5.4	8.2	10.4
MEMO: Managed liabilities	38.4	11.1	21.3	63.9	40.4
	Effective interest rates (percent)				
On securities	7.88	7.89	7.64	8.83	7.67
State and local governments	6.03	5.80	5.82	6.95	6.11
On loans, gross	13.71	12.43	12.79	14.95	13.85
Net of loan loss provision	13.19	11.90	12.26	14.56	13.23
Taxable equivalent					
Securities	10.23	9.98	10.00	11.25	10.29
Securities and gross loans	12.88	11.60	11.91	14.52	13.08
For time and savings deposits					
Negotiable CDs	12.56	11.66	12.13	13.37	12.66
In foreign offices	14.03	...	12.99	13.94	14.37
Other deposits	8.10	8.36	8.06	8.29	7.72
For managed liabilities	13.45	11.66	12.48	13.73	13.63
For all interest-bearing liabilities	11.10	8.89	9.50	13.07	11.36
	Earnings and expenses (as percent of average consolidated assets)				
Gross interest income	9.87	9.67	9.47	10.40	9.71
Gross interest expense	6.78	5.36	5.62	8.40	6.76
Net interest margin	3.09	4.31	3.85	2.00	2.95
Noninterest income	.89	.64	.82	.96	1.01
Loan loss provision	.25	.26	.26	.19	.30
Other noninterest expense	2.63	3.12	3.20	1.83	2.76
Profits before tax	1.10	1.57	1.20	.94	.90
Taxes	.28	.36	.22	.36	.19
Other	−.03	−.03	−.03	−.01	−.05
Net income	.79	1.18	.96	.56	.66
Dividends	.29	.31	.36	.22	.29
Retained income	.50	.87	.60	.34	.37
MEMO: Net interest margin, taxable equivalent	3.46	4.85	4.40	2.15	3.31

1. See notes to tables in the text.

A.3 Income attributable to international business of U.S. commercial banks with foreign offices, 1980

Millions of dollars

Item	Amount
Pretax income attributable to foreign offices[1]	2,701
Plus: Pretax income attributable to international business conducted in domestic offices	966
Less: adjustment amount[2]	203
Pretax income attributable to international business	3,464
Less: All income taxes attributable to international business	1,519
Net income attributable to international business	1,945
MEMO	
Provision for possible loan losses attributable to international business	384
Noninterest income attributable to foreign offices[1]	1,769
Noninterest income attributable to international business	2,276
Noninterest expense attributable to foreign offices[1]	3,572
Noninterest expense attributable to international business	4,340
Intracompany interest income attributable to international business	4,585
Intracompany interest expense attributable to international business	6,021
Interest income of domestic offices from foreign-domiciled customers	2,891
Fully consolidated	
Pretax income	9,626
Total applicable taxes	2,995
Net income[3]	6,326
Average total assets	1,043,494

1. Including Edge Act and Agreement subsidiaries.
2. Reflects the amount necessary to reconcile the preceding two amounts with pretax income attributable to international business. For example, net income of foreign offices from business with U.S.-domiciled customers would be included here.
3. After gains and losses from securities transactions and extraordinary items.

Changes in Bank Lending Practices, 1979–81

This article was prepared by Warren T. Trepeta of the Board's Division of Research and Statistics.[1]

According to the Senior Loan Officer Opinion Survey on Bank Lending Practices (LPS), large banks generally relaxed their nonprice terms of credit in the second half of 1980 and in the first three quarters of 1981.[2] This policy has reversed the trend toward more restrictive nonprice lending terms that had prevailed from early 1978 to mid-1980.

The Federal Reserve from time to time publishes the results of the senior loan officer survey in the BULLETIN. The previous article analyzed the eleven surveys from February 1977 through August 1979 (FEDERAL RESERVE BULLETIN, vol. 65, October 1979, pp. 797–815). This article discusses the eight surveys from November 1979 through August 1981.[3] It also refers to selected data from the Survey of Terms of Bank Lending (STBL).[4] Quantitative results from the STBL on the characteristics of business loans made by 48

1. Richard Field and Carol Keyt provided research assistance for the article.

2. The Federal Reserve has conducted a quarterly survey of changes in lending practices at selected commercial banks since 1964. These surveys, which are conducted on the 15th of the middle month of each quarter, have provided qualitative information on past and prospective changes in business loan demand, adjustment of nonrate features of lending to businesses, and changes in banks' willingness to extend commercial and industrial loans and other types of credit.

Through February 1981, the survey panel included roughly 120 banks. As of September 1980, almost one-fourth of the panel had domestic assets of $5 billion or more, two-thirds had assets between $1 billion and $5 billion, and 9 percent had assets under $1 billion. In May 1981, the panel was reduced to 60 members of the former sample, distributed about evenly across Federal Reserve Districts. As of September 1980, two-fifths of the revised panel had domestic assets of $5 billion or more, and the remainder had assets between $1 billion and $5 billion. Through February 1981, members of the LPS panel were asked to complete a reporting form containing 22 questions. Since then, Reserve Bank officers familiar with bank lending practices have conducted telephone interviews with the reduced panel of senior loan officers. Each quarter, respondents are asked 6 core questions retained from the former 22. In addition, when appropriate, the survey will include supplemental questions addressing special issues in bank lending practices.

3. Statistical summaries of these surveys appear in the appendix. Table A7 reports February 1981 responses to the revised survey's six core questions from only those banks remaining in the current LPS panel in order to permit a comparison of survey results for February with those for May and August 1981.

4. First conducted in February 1977, the STBL gathers information on the gross volume and on the rate and selected nonrate characteristics of short-term (less than one year) and long-term (one year or more) business loans extended during the first full week of the middle month of each quarter. The STBL panel includes 48 large commercial banks, of which 35 also respond to the LPS, and a stratified sample of other banks, from which estimates for all commercial banks are derived. The STBL also obtains data on construction and land development loans and loans to farmers. The results of the most recent STBL are shown in the Financial and Business Statistics of the BULLETIN.

1. Growth of business loans excluding bankers acceptances at commercial banks, 1978–81

Seasonally adjusted annual rate.

Year and quarter	All commercial banks	Large banks[1]	Other banks[2]
1978			
Q1	21.7	22.6	21.5
Q2	16.5	20.1	11.8
Q3	11.8	7.3	17.4
Q4	14.4	6.9	23.9
1979			
Q1	21.0	17.8	24.4
Q2	18.1	23.0	12.5
Q3	19.5	22.3	16.1
Q4	8.6	.8	18.0
1980			
Q1	18.6	20.3	16.9
Q2	−10.7	−11.3	−10.4
Q3	14.3	15.7	13.1
Q4	24.2	20.5	28.5
1981			
Q1	5.8	−4.2	17.2
Q2	9.0	18.3	−1.0
July–August[e]	20.9	25.3	15.5

1. Domestically chartered weekly reporting banks with domestic assets, as of December 31, 1977, of $750 million or more.

2. Defined as domestically chartered banks with assets of less than $750 million plus foreign-related banking institutions in the United States.

e Estimated.

large banks usually conform with LPS results on qualitative changes in lending practices at large banks. However, STBL data for other banks correspond less closely with LPS results, suggesting—along with the frequently disparate rates of growth of business loans at large and other banks (table 1)—that business loan demand and credit policies may differ considerably among banks of different size and type.

1979:4 to 1980:1
A Period of Further Restraint

During the first three quarters of 1979, large weekly reporting banks accelerated their business lending from the already robust pace of 1978, further increasing their reliance on costly borrowed funds to finance asset growth (table 2).

2. Selected balance sheet ratios at large commercial banks, 1976–81[1]

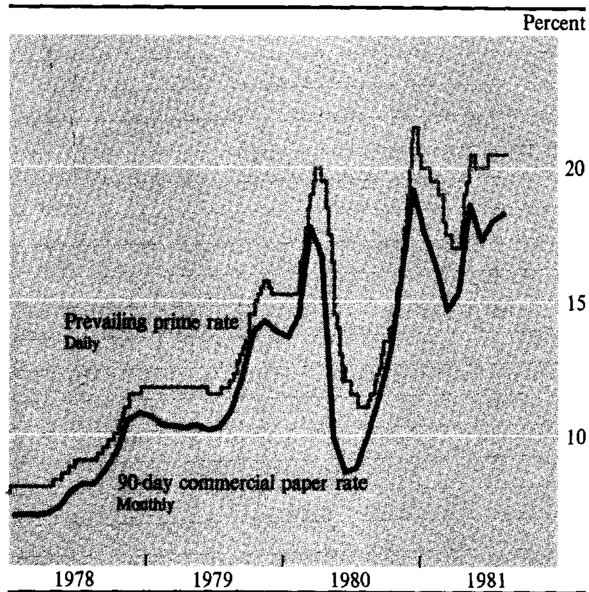
Period	Borrowing to selected assets[2]	Liquid assets to liabilities[3]
1976:4	30.1	13.1
1977:4	30.6	13.8
1978:4	35.2	10.4
1979		
Q1	38.1	11.7
Q2	38.3	12.0
Q3	38.9	11.7
Q4	40.5	10.7
1980		
Q1	39.7	10.2
Q2	40.2	9.8
Q3	39.5	10.0
Q4	40.2	9.7
1981		
Q1	41.4	10.1
Q2	42.3	10.0
Q3	43.8	10.4

1. Monthly averages of Wednesday figures for middle month of quarter.
2. Borrowing includes gross liabilities of banks to their foreign branches, all CDs of $100,000 or more, net federal funds purchased and security repurchase agreements, and all other liabilities for borrowed money other than Treasury tax and loan accounts and borrowings from Federal Reserve Banks. Selected assets include all assets less federal funds sold and cash items in the process of collection.
3. Liquid assets include Treasury and other securities maturing in one year or less, loans to brokers and dealers and domestic commercial banks, holdings of bankers acceptances, and gross sales of federal funds. Liabilities are total liabilities less capital accounts, valuation reserves, and demand deposits due to banks.

Note. Beginning 1979:1, the panel of large banks was changed to include only those banks with assets of $750 million or more on December 31, 1977. While the number of banks reporting thus fell from 317 to 171, the panel's share in assets of the banking system as a whole dropped only slightly.

Large banks exhibited some resistance to strong business loan demand, with the number of LPS respondents that reported a tightening of terms on commercial and industrial loans exceeding the number that indicated an easing in each of the first three surveys of 1979. This movement toward restrictive credit policies was less widespread than that reported throughout 1978, however, as both market interest rates and the prime rate stabilized after a substantial climb (chart).

Selected measures of the cost of credit



The 90-day commercial paper rate has been converted from a discount-rate basis to a nominal annual yield.

In the fourth quarter of 1979, borrowing by nonfinancial corporations dropped sharply; a reduction in internally generated funds was more than offset by decreases in inventories and in net additions to holdings of financial assets. The decline in borrowing occurred primarily in the short- and intermediate-term area, in the form of a runoff of nonfinancial commercial paper and a substantial reduction in growth of business loans at banks. As the fourth quarter began, the Federal Reserve announced several measures to restrain growth of money and credit, including an increase of 1 percent in the discount rate and a marginal reserve requirement of 8 percent on increases over base-period levels in managed liabilities issued by large member banks and by U.S. branches and agencies of foreign banks. In addition, the System adopted a new operating procedure emphasizing reserve aggregates, rather than the federal funds rate, as the instrument of monetary control. With this evidence of the Federal Reserve's intent to restrain monetary expansion, and with large banks experiencing a sharp drop in liquidity and in growth of core deposits, the number of LPS respondents reporting tighter terms on business loans and reduced willingness to make loans in every category showed a marked increase. Restrictive measures included firmer standards to qualify for the prime rate and for given spreads above prime, larger compensating-balance requirements, and stricter review of credit applications from new customers. In addition, a substantial number of banks reported more stringent policies toward established customers for the first time since November 1978.

In November 1979 well over half the LPS panel reported a reduced willingness to make both short- and long-term business loans at fixed rates. Correspondingly, STBL data for November indicated declines of almost 10 percentage points in the proportions of new business loans made at fixed rates in both maturity categories at 48 large banks (table 3). At other banks, the fraction of long-term loans made at fixed rates registered an even greater decline, while the figure for shorter maturities was essentially unchanged.

Consistent with the firming of standards to qualify for the prime rate reported in the LPS, STBL data showed an increase at other than the 48 large banks in the spread over prime of the weighted-average interest rate on short-term business loans made at or above prime (table 3). At the 48 large banks, however, this spread was

3. Selected terms of commercial and industrial loans, 1979–81

Percent unless noted otherwise

Maturity, by type of bank	1979				1980				1981	
	Feb.	May	Aug.	Nov.	Feb.	May	Aug.	Nov.	Feb.	May
	Weighted-average interest rate less the prime rate on loans made at or above prime[1]									
Short-term[2]										
48 large banks......	.68	.70	.60	.58	.58	.74	.60	.41	.78	.33
Other banks	.81	.87	.74	.82	.78	1.00	.96	.83	.91	.78
	Weighted-average difference between prime rate and interest rate on loans made below prime[1]									
Short-term										
48 large banks......	.98	.87	.58	1.18	1.23	4.14	1.08	.65	1.81	.65
Other banks	1.49	1.52	1.07	1.75	2.11	2.47	1.20	1.77	2.76	1.77
	Loans made below prime									
Short-term										
48 large banks......	34.2	39.8	37.2	19.8	50.0	53.1	57.9	20.3	71.4	38.0
Other banks	30.7	24.6	21.2	26.6	15.3	26.8	16.2	16.0	22.6	31.2
	Loans made on a fixed-rate basis									
Short-term										
48 large banks......	36.5	42.6	39.4	30.3	45.4	46.3	68.4	45.4	67.2	51.8
Other banks	59.5	63.1	63.3	64.5	55.6	64.3	57.9	56.1	50.7	49.4
Long-term										
48 large banks......	23.5	23.6	22.7	13.5	19.8	15.0	19.8	13.2	24.7	17.0
Other banks	52.5	70.6	69.8	53.1	55.8	44.0	51.2	51.8	28.5	33.1
	Weighted-average maturity									
Short-term										
48 large banks......	2.2	1.9	1.7	1.9	1.4	1.7	1.1	1.3	1.0	1.1
Other banks	2.7	2.6	2.4	2.7	2.5	3.0	2.8	2.3	2.7	2.4
Long-term										
48 large banks......	44.5	46.3	37.9	54.6	47.2	46.6	51.1	52.4	46.2	51.7
Other banks	50.7	49.4	49.8	38.3	35.9	36.7	37.8	38.2	50.4	47.8

1. Interest rate spreads, expressed as differences between simple annual rates, are weighted by the dollar volume of loans. The relevant prime rate is the prime reported by individual banks in the Survey of Terms of Bank Lending, rather than the widely quoted prevailing prime.

2. Loans with an original maturity of less than one year.

essentially unchanged. Meanwhile, an increase occurred at the 48 large banks in the difference between the prime rate and the weighted-average interest rate on below-prime, short-term business loans.

The results for the large banks appear to reflect a spread of the commercial paper rate over the prime rate during the week of the STBL—an unusual occurrence. Most below-prime lending at money-center banks consists of large and very short-term loans to highly creditworthy corporate customers that have access to the commercial paper market; therefore, interest rates on such loans are closely related to money market rates.[5] When the commercial paper rate rose above the prime early in November, such credits probably dropped out of the below-prime category, resulting in a decline in the fraction of short-term loans made below prime at the 48 large banks (table 3). What may have dominated loans remaining in the below-prime category at those banks—at rates well under prime—were restructured loans and loans made under commitments featuring interest rate caps, which tend to bind in a period of rapidly rising rates.[6] Moreover, some below-prime loans were likely converted to loans at prime, and the volume of loans at prime may have been further augmented by substitution away from issuance of commercial paper. Such a shift by highly creditworthy borrowers toward borrowing at the prime rate would have tended to reduce the difference between the prime rate and the weighted-average interest rate on short-term loans made at or above prime, and thus to offset the effects of tighter standards to qualify for the prime and spreads above prime reported in the LPS.

Although the first quarter of 1980 witnessed only a moderate increase in the gap between the capital expenditures and the internally generated funds of nonfinancial businesses, these firms

5. As reported, such lending was initially developed to provide users of commercial paper with transitional facilities to bridge gaps of a few days between issues of commercial paper.

6. The STBL also showed an increase in the proportion of short-term loans made below prime at other than the 48 large banks; this rise likely reflected an interaction between rapidly rising interest rates and cap provisions, which, together with restructured loans, appear to account for most of the below-prime lending at nonmoney-center banks.

4. Commercial and industrial loan commitments at selected large commercial banks, 1979–81[1]

Billions of dollars, seasonally adjusted

Month-end	Total	Unused[2]	Loans made under commitments[3]
1979			
February	258.3	158.0	100.3
May..........	272.7	167.2	105.5
August	286.2	174.3	111.9
November	300.1	186.1	114.0
1980			
February	321.6	201.8	119.8
May..........	346.6	229.5	117.1
August	353.2	233.7	119.5
November	363.4	236.0	127.4
1981			
February	378.6	250.6	128.0
May..........	400.6	266.7	133.9
July..........	425.3	288.2	137.1

1. These figures are excerpted from a monthly series appearing in Federal Reserve statistical release G.21. Included in the series are 122 weekly reporting banks accounting for about 85 percent of all commercial and industrial loans. As of February 1981, several banks accounting for less than ½ percent of unused commitments were dropped from the reporting panel.

2. Unused commitments are the amounts still available for lending under official promises to lend that are expressly conveyed to the bank's customers orally or in writing, usually in the form of a formally executed agreement signed by one of the bank's officers.

3. Loans made under commitments are outstanding loans, less repayments of principal, made under commitments currently or previously in force.

borrowed much more heavily than in the previous quarter in order to augment their holdings of liquid assets. This buildup and a sharp rise in commercial and industrial loan commitments outstanding at banks (table 4) suggest that businesses anticipated a reduction in credit availability—presaged by a surge in monetary expansion, restrained provision of nonborrowed reserves, an increase of 1 percent in the discount rate in February, and rumors of forthcoming credit controls. In mid-March the Federal Reserve announced a multifaceted special credit restraint program, as part of a broader administration anti-inflation effort. Despite the pickup in business lending and loan commitment activity at large banks before the February 1980 LPS, about one-fourth of respondents indicated that business loan demand had eased since November, while only half that proportion reported greater strength.[7] Projections of changes in business loan

7. Some respondents may have failed to adjust adequately for seasonal variation in loan demand. Growth of business loans at large banks is seasonally weak in February, whereas November brings a seasonal increase. Growth of business loan commitments is seasonally strong in both months, but more so in November.

demand over the next three months were about evenly mixed.

The February LPS also indicated a further decline in willingness to make most types of loans and additional tightening of terms on business loans. While the proportions of respondents who reported such shifts in lending policy generally were smaller than in November, reports of further restraint, viewed against the backdrop of a perceived softening of business loan demand, suggest that large banks expected the Federal Reserve to maintain a restrictive stance. A further decline in willingness to make short-term business loans at fixed rates was reported by a substantial minority of LPS respondents, who may have expected, correctly, that short-term interest rates soon would increase. Similar expectations on the part of borrowers and correspondingly strong demand for the fixed-rate feature may account for the observed increase at the 48 large banks in the proportion of short-term, as well as long-term, business loans made at fixed rates, according to the STBL for February. At the same time, however, the weighted-average maturity of business loans declined (table 3). In addition, with the prime rate again exceeding the commercial paper rate, in contrast to November, the proportion of short-term business loans made below prime at the 48 large banks proved much higher in February than three months earlier.

1980:2 TO 1980:3
CREDIT CONTROLS AND THEIR REMOVAL

In the second quarter of 1980, the narrow monetary aggregates and bank credit declined abruptly, as a sharp falloff in economic activity and the borrower response to the special credit restraint program reduced demands for money and credit. Nonfinancial corporations took advantage of lower bond yields to lengthen the maturity of their liabilities. They also diverted demand for short-term credit to the commercial paper market from banks as the spread of the sluggishly declining prime rate over the rapidly falling commercial paper rate widened to an unprecedented 7½ percentage points in May and remained quite wide by historical standards for the rest of the quarter. In May, three-fourths of LPS respondents reported that business loan demand had dropped off since February, and almost as many expected further easing over the next three months.

The relatively high cost of bank credit in the second quarter may have reflected in part a desire among bankers to adhere to the central bank's voluntary guidelines for growth of bank loans. In May, the proportions of LPS respondents that indicated reduced willingness to lend were higher than in February for most loan categories—especially installment loans to individuals, a broad segment of which fell under the special deposit requirement of 15 percent on increases in covered consumer credit.

Consistent with the restrictive bank posture evidenced by the slow decline in the prime rate, LPS respondents on balance tightened their standards for credit to new and nonlocal corporate customers; firmed slightly both their compensating-balance requirements on business loans and their standards to qualify for the prime rate and for given spreads over prime; and left other terms on business loans unchanged between February and May despite weakening loan demands. In addition, STBL data show some widening of the spread between the prime rate and the weighted-average interest rate on short-term business loans made at or above prime. Given its tendency to follow market interest rates more closely than the prime, the weighted-average interest rate on below-prime loans dropped almost 3 percentage points further below the prime, but nevertheless failed by a large margin to keep pace with market rates.

Rapid growth of money and credit resumed in the third quarter, helped by the completion in July of the phaseout of the special credit restraint program. Although a sharp drop in inventories reduced corporate needs for external funds to finance capital expenditures, nonfinancial businesses increased their issuance of debt and equity as they stepped up their acquisitions of financial assets, especially liquid instruments, from the very low second-quarter pace. With bond yields rising over the quarter, net issuance of bonds slowed a bit, and firms focused increases in their borrowing on the short- and intermediate-term markets, particularly from banks. Nonfinancial commercial paper outstanding decreased and business loan growth at banks surged, as the spread of the prime rate over the commercial paper rate narrowed to more typical levels. Nevertheless, a plurality of the respondents to the August LPS reported an easing of business loan demand over the previous three months, perhaps because the onset of the third quarter's robust growth in business loans did not occur until early August and, at midmonth, may still have been viewed as random. Indeed, respondents who projected a drop in demand over the next three months continued to outnumber those expecting a pickup, but by a smaller margin than in May.

A more accommodative Federal Reserve stance was suggested by the phaseout of the special credit restraint program and by three declines in the discount rate of 1 percentage point each in late May, June, and July. So, LPS respondents on balance indicated a shift between May and August toward greater willingness to make most types of loans, especially installment loans to individuals, which became more attractive with the removal of the special deposit requirement on covered consumer credit. In August, for the first time since February 1978, the number of LPS respondents who reported a greater inclination to make short-term business loans at fixed rates exceeded the number who reported less willingness to do so. Consistent with this shift, STBL data for August revealed a substantial increase in the proportion of short-term business loans made at fixed rates at the 48 large banks. Meanwhile, in August as in May, a substantial minority of LPS respondents reported a decline in willingness to offer fixed rates on long-term business loans, probably because long-run trends in interest rates remained uncertain. Nevertheless, the STBL showed some increase from May to August in the proportion of long-term loans made at fixed rates.

As LPS respondents became more willing to lend between May and August, they relaxed their terms on business loans for the first time since early 1978. Reports of easier standards in reviewing credit applications from new and nonlocal customers outnumbered indications of greater stringency. The same was true of policies toward established and local customers, policies that had changed relatively little over the history of the survey. Also, more than one-fourth of respondents reduced compensating-balance requirements, and somewhat smaller proportions eased standards to qualify for the prime rate and for given spreads over prime; relatively few banks firmed these terms on business loans. Accordingly, STBL data for August showed a decline in the spread over prime of the weighted-average interest rate on short-term loans made at or above prime. In addition, the substantial narrowing of the spread between the prime rate and the commercial paper rate compressed the difference between the prime rate and the weighted-average rate on short-term, below-prime loans, but this average fell into closer alignment with the commercial paper rate between May and August, consistent with other signs of easing credit policies.

1980:4 TO 1981:3
ADDITIONAL EASING OF LENDING TERMS

A further pickup in economic activity boosted demands for money and credit in the fourth quarter of 1980 and drove market interest rates and the prime rate to new highs by the end of the year. Nonfinancial businesses raised a greater volume of funds than in the third quarter by issuing equity at a record rate and by boosting their short- and intermediate-term borrowing, while reducing bond issuance to about half the third-quarter volume. Business lending at banks surged to its fastest pace since autumn 1979, reflecting in part the unusually narrow spread between the prime rate and the commercial paper rate; nonfinancial commercial paper outstanding declined for the second consecutive quarter. More than a third of LPS respondents reported in November that business loan demand had strengthened since the August survey, while only a few indicated a falloff.

The liquidity of large banks declined between August and November, and their reliance on borrowed funds increased considerably. Even so, responses to the November LPS indicated that on balance the survey panel's willingness to make most types of loans had either declined only slightly or stayed constant over the previous three months, and that nonprice terms on business loans had remained about unchanged or had eased slightly. If the survey had been taken a bit later, it might well have indicated a more restrictive lending stance; just after the November survey date, the Federal Reserve increased the discount rate and reimposed the surcharge on frequent borrowings from the discount window by large banks.

In the May–August period, LPS respondents on balance partly reversed the trend of several years toward reduced willingness to make short-term, fixed-rate loans. However, they resumed this stance in the August–November period as interest rates rose sharply. In addition, they continued to indicate growing reluctance to make long-term loans at fixed rates. Consistent with these reports, STBL data for November showed substantial declines in the proportions of both short- and long-term business loans made at fixed rates at the 48 large banks, although other banks indicated little change. The STBL also revealed a decline in the spread over prime of the weighted-average interest rate on loans made at or above prime, confirming LPS results that indicated a slight easing of standards to qualify for the prime rate and for given spreads over prime. However, at the 48 large banks, the spread of the prime rate over the weighted-average interest rate on below-prime loans narrowed, and the frequency of below-prime lending plummeted, as the margin between the prime rate and the commercial paper rate became unusually slim. At the same time, the average rate on below-prime loans slipped further below the prime at other banks, likely reflecting the interaction of rising interest rates with cap provisions in loan commitments.

In the first quarter of 1981, nonfinancial businesses tapped domestic markets for a sharply reduced volume of funds. They also shifted their borrowing from short- and intermediate-term markets to the bond market, despite high bond rates, apparently in order to strengthen their balance sheets. In addition, as declines in the commercial paper rate outpaced reductions in the prime rate, nonfinancial firms shifted demand for short-term credit from banks to the commercial paper market, adding to the outstanding stock of nonfinancial commercial paper after two quarters of runoff. With business lending decelerating sharply over the quarter, the proportion of LPS respondents reporting a decline in demand for business loans rose from less than one-tenth in November to more than one-third in February, and the fraction reporting stronger demand exhibited a similar, but opposite shift.[8] Furthermore, expectations of easier demand for business loans predominated among the minority of LPS respondents predicting some change in demand in the next three months.

Despite weak growth of core deposits and a substantial increase in reliance on relatively expensive borrowed funds, the February LPS indicated that the willingness of large banks to make most types of loans was about unchanged from November. At the same time, a somewhat greater number of respondents reported a relaxation than indicated a firming of compensating-balance requirements for business loans and standards to qualify for the prime rate and for given spreads above prime. The reported easing of such standards was not evident in STBL data for February: they revealed an increase from November in the excess over prime of the weighted-average interest rate on business loans made at or above prime. In addition, LPS results indicating unchanged willingness to make short-term loans at fixed rates and a further disinclination to offer fixed rates on long-term loans were not borne out by STBL data for the 48 large banks; those data showed increases in the proportion of fixed-rate loans in both maturity categories, suggesting that demand for such credit may have strengthened. Last, consistent with the decline in the commercial paper rate relative to the prime rate, the STBL revealed a drop in the weighted-average interest rate on below-prime loans of more than 1 percentage point relative to the prime and a

8. These shifts appear small in light of the dramatic drop in the growth rate of business loans at domestic offices of large commercial banks between November and February. The survey, however, does not specify precisely the meaning of "loan demand," which some respondents may interpret to include the demand for lines of credit. Commercial and industrial loan commitments at large banks expanded much more rapidly in the November–February period than in the previous three months. In addition, some respondents may include in domestic office loan demand those demands expressed at domestic offices but satisfied through bookings at foreign branches. The weakness in business loan growth at large banks in the first two months of 1981 in part reflected booking of about $2 billion of loans to U.S. firms at foreign branches of domestically chartered banks.

substantial increase in the proportion of short-term loans made below prime.

Financing activity by businesses picked up in the second quarter of 1981, boosted by remaining tax liabilities for 1980 and perhaps by a weakening of profits associated with a decline in economic activity following rapid growth in the first quarter. Equity issuance accelerated from an already strong pace. With interest rates remaining high in the bond markets, nonfinancial firms concentrated their borrowing in short maturities, increasing the rates of growth of both nonfinancial commercial paper outstanding and business loans at banks. The revised, shortened LPS of May did not ask respondents their perceptions of business loan demand over the previous three months.[9] Expectations were mixed regarding the strength of demand over the next three months.

Respondents to the LPS substantially eased their terms on business loans between February and May, even though the Federal Reserve moved quickly to restrain money growth following a surge in April, and despite the fact that large banks increased their reliance on borrowed funds considerably further between February and May. Large minorities of LPS respondents indicated in May that over the previous three months, they had reduced compensating-balance or fee requirements for business loans and had relaxed standards to qualify for the prime rate and for given spreads above prime. The number of respondents who reported an easier stance on lending to new and nonlocal customers was small, but greater than in February. Few respondents indicated that they had tightened their terms on business loans.

Consistent with the LPS results, STBL data for May showed that the excess over prime of the weighted-average interest rate on short-term loans made at or above prime declined to its lowest level in the history of the STBL at the 48 large banks and dropped at other banks as well. In addition, with the narrowing of the spread between the prime rate and the commercial paper rate between February and May, the weighted-average interest rate on below-prime loans moved into closer alignment with the prime rate, and the proportion of short-term loans made below prime dropped considerably.

With interest rates in bond markets climbing further, nonfinancial corporations continued to concentrate their borrowing in the short and intermediate maturities in July and August of 1981. Over this period, business lending at banks surged, boosted in part by a substantial volume of loans related to corporate mergers. Responses to the August LPS replicated the pattern of May, indicating a further easing of nonprice terms on business loans. As in the three previous quarters, the easing of lending terms occurred despite increased use of borrowed funds by large banks, and may have reflected an effort to meet competition from foreign-related banking institutions in the United States. A number of LPS respondents have commented that intense competition from foreign banks for both national and regional business has forced them to trim profit margins on loans, as well as to include in credit agreements multiple options to base the pricing of loans on either the prime rate, domestic money market rates, or the London interbank offered rate.[10] □

9. See footnote 2.

10. As of this writing, results of the August STBL were not yet available.

A1. Senior loan officer opinion survey on bank lending practices, selected large U.S. banks
Policy on November 15, 1979, compared with policy three months earlier

Number of banks; figures in parentheses indicate percentage distribution of total banks reporting

Item	Total		Much stronger		Moderately stronger		Essentially unchanged		Moderately easier		Much easier	
LOAN DEMAND												
Strength of demand for commercial and industrial loans[1]												
1 Compared with three months earlier	121	(100)	2	(1.7)	27	(22.4)	71	(58.7)	19	(15.8)	2	(1.7)
2 Anticipated in next three months	121	(100)	1	(.9)	20	(16.6)	49	(40.5)	49	(40.5)	2	(1.7)
INTEREST RATE POLICY	Total		Much firmer		Moderately firmer		Essentially unchanged		Moderately easier		Much easier	
Standards of creditworthiness												
3 To qualify for prime rate	121	(100)	3	(2.5)	33	(27.3)	84	(69.5)	1	(.9)	0	(0)
4 To qualify for spread above prime	121	(100)	5	(4.2)	48	(39.7)	66	(54.6)	2	(1.7)	0	(0)
	Total		Considerably greater		Moderately greater		Essentially unchanged		Moderately less		Much less	
Willingness to make fixed-rate loans												
5 Short-term (under one year)	121	(100)	1	(.9)	1	(.9)	53	(43.9)	46	(38.1)	20	(16.6)
6 Long-term (one year or longer)	121	(100)	1	(.9)	6	(5.0)	40	(33.1)	33	(27.3)	41	(33.9)
CREDIT AVAILABILITY AND NONPRICE TERMS	Total		Much firmer		Moderately firmer		Essentially unchanged		Moderately easier		Much easier	
Reviewing credit lines or loan applications for												
7 Established customers	121	(100)	1	(.9)	16	(13.3)	103	(85.2)	1	(.9)	0	(0)
8 New customers	121	(100)	13	(10.8)	56	(46.3)	52	(43.0)	0	(0)	0	(0)
9 Local service area customers	120	(100)	2	(1.7)	18	(15.0)	100	(83.4)	0	(0)	0	(0)
10 Nonlocal service area customers	120	(100)	12	(10.0)	44	(36.7)	62	(51.7)	2	(1.7)	0	(0)
Compensating balance requirements												
11 Commercial and industrial loans	121	(100)	6	(5.0)	30	(24.8)	83	(68.6)	2	(1.7)	0	(0)
12 Loans to finance companies	121	(100)	8	(6.7)	20	(16.6)	92	(76.1)	1	(.9)	0	(0)
	Total		Considerably greater		Moderately greater		Essentially unchanged		Moderately less		Much less	
Willingness to make other types of loans												
13 Secured construction and land development loans	121	(100)	0	(0)	0	(0)	43	(35.6)	55	(45.5)	23	(19.1)
Secured real estate loans												
14 1- to 4-family residential properties	120	(100)	0	(0)	1	(.9)	55	(45.9)	39	(32.5)	25	(20.9)
15 Multifamily residential property	116	(100)	0	(0)	0	(0)	53	(45.7)	44	(38.0)	19	(16.4)
16 Commercial and industrial property	121	(100)	0	(0)	0	(0)	66	(54.6)	43	(35.6)	12	(10.0)
17 Installment loans to individuals	121	(100)	0	(0)	2	(1.7)	69	(57.1)	45	(37.2)	5	(4.2)
Commercial and industrial loans												
18 One to five years maturity	121	(100)	0	(0)	3	(2.5)	88	(72.8)	27	(22.4)	3	(2.5)
19 Over five years maturity	121	(100)	0	(0)	0	(0)	68	(56.2)	40	(33.1)	13	(10.8)
20 Loans to finance companies	121	(100)	0	(0)	0	(0)	94	(77.7)	21	(17.4)	6	(5.0)
21 Loans to securities brokers and dealers	120	(100)	0	(0)	0	(0)	74	(61.7)	35	(29.2)	11	(9.2)
22 Participation loans with correspondent banks	121	(100)	0	(0)	3	(2.5)	96	(79.4)	17	(14.1)	5	(4.2)

1. After allowance for bank's usual seasonal variation.

A2. Senior loan officer opinion survey on bank lending practices, selected large U.S. banks
Policy on February 15, 1980, compared with policy three months earlier

Number of banks; figures in parentheses indicate percentage distribution of total banks reporting

Item	Total		Much stronger		Moderately stronger		Essentially unchanged		Moderately easier		Much easier	
LOAN DEMAND												
Strength of demand for commercial and industrial loans[1]												
1 Compared with three months earlier	119	(100)	0	(0)	16	(13.5)	72	(60.6)	31	(26.1)	0	(0)
2 Anticipated in next three months	119	(100)	0	(0)	23	(19.4)	68	(57.2)	28	(23.6)	0	(0)
INTEREST RATE POLICY	Total		Much firmer		Moderately firmer		Essentially unchanged		Moderately easier		Much easier	
Standards of creditworthiness												
3 To qualify for prime rate	119	(100)	0	(0)	14	(11.8)	102	(85.8)	3	(2.6)	0	(0)
4 To qualify for spread above prime	119	(100)	0	(0)	19	(16.0)	96	(80.7)	4	(3.4)	0	(0)
	Total		Considerably greater		Moderately greater		Essentially unchanged		Moderately less		Much less	
Willingness to make fixed-rate loans												
5 Short-term (under one year)	119	(100)	0	(0)	1	(.9)	81	(68.1)	27	(22.7)	10	(8.5)
6 Long-term (one year or longer)	119	(100)	0	(0)	3	(2.6)	49	(41.2)	39	(32.8)	28	(23.6)
CREDIT AVAILABILITY AND NONPRICE TERMS	Total		Much firmer		Moderately firmer		Essentially unchanged		Moderately easier		Much easier	
Reviewing credit lines or loan applications for												
7 Established customers	119	(100)	0	(0)	6	(5.1)	110	(92.5)	3	(2.6)	0	(0)
8 New customers	119	(100)	2	(1.7)	23	(19.4)	90	(75.7)	4	(3.4)	0	(0)
9 Local service area customers	118	(100)	0	(0)	10	(8.5)	105	(89.0)	3	(2.6)	0	(0)
10 Nonlocal service area customers	118	(100)	5	(4.3)	24	(20.4)	88	(74.6)	1	(.9)	0	(0)
Compensating balance requirements												
11 Commercial and industrial loans	119	(100)	0	(0)	18	(15.2)	87	(73.2)	14	(11.8)	0	(0)
12 Loans to finance companies	119	(100)	0	(0)	13	(11.0)	101	(84.9)	5	(4.3)	0	(0)
	Total		Considerably greater		Moderately greater		Essentially unchanged		Moderately less		Much less	
Willingness to make other types of loans												
13 Secured construction and land development loans	119	(100)	0	(0)	3	(2.6)	72	(60.6)	40	(33.7)	4	(3.4)
Secured real estate loans												
14 1- to 4-family residential properties	118	(100)	1	(.9)	4	(3.4)	73	(61.9)	30	(25.5)	10	(8.5)
15 Multifamily residential property	115	(100)	0	(0)	1	(.9)	69	(60.0)	34	(29.6)	11	(9.6)
16 Commercial and industrial property	119	(100)	0	(0)	0	(0)	82	(69.0)	31	(26.1)	6	(5.1)
17 Installment loans to individuals	119	(100)	0	(0)	1	(.9)	69	(58.0)	43	(36.2)	6	(5.1)
Commercial and industrial loans												
18 One to five years maturity	119	(100)	0	(0)	4	(3.4)	100	(84.1)	14	(11.8)	1	(.9)
19 Over five years maturity	119	(100)	0	(0)	1	(.9)	83	(69.8)	26	(21.9)	9	(7.6)
20 Loans to finance companies	119	(100)	0	(0)	0	(0)	105	(88.3)	9	(7.6)	5	(4.3)
21 Loans to securities brokers and dealers	118	(100)	0	(0)	1	(.9)	102	(86.5)	12	(10.2)	3	(2.6)
22 Participation loans with correspondent banks	119	(100)	1	(.9)	11	(9.3)	95	(79.9)	10	(8.5)	2	(1.7)

1. After allowance for bank's usual seasonal variation.

A3. Senior loan officer opinion survey on bank lending practices, selected large U.S. banks
Policy on May 15, 1980, compared with policy three months earlier

Number of banks; figures in parentheses indicate percentage distribution of total banks reporting

Item	Total		Much stronger		Moderately stronger		Essentially unchanged		Moderately easier		Much easier	
LOAN DEMAND												
Strength of demand for commercial and industrial loans[1]												
1 Compared with three months earlier	120	(100)	0	(0)	5	(4.2)	26	(21.7)	78	(65.0)	11	(9.2)
2 Anticipated in next three months	120	(100)	0	(0)	4	(3.4)	36	(30.0)	75	(62.5)	5	(4.2)
INTEREST RATE POLICY	Total		Much firmer		Moderately firmer		Essentially unchanged		Moderately easier		Much easier	
Standards of creditworthiness												
3 To qualify for prime rate	120	(100)	1	(.9)	15	(12.5)	100	(83.4)	4	(3.4)	0	(0)
4 To qualify for spread above prime	120	(100)	3	(2.5)	14	(11.7)	89	(74.2)	14	(11.7)	0	(0)
	Total		Considerably greater		Moderately greater		Essentially unchanged		Moderately less		Much less	
Willingness to make fixed-rate loans												
5 Short-term (under one year)	120	(100)	2	(1.7)	19	(15.9)	81	(67.5)	14	(11.7)	4	(3.4)
6 Long-term (one year or longer)	120	(100)	1	(.9)	8	(6.7)	76	(63.4)	19	(15.9)	16	(13.4)
CREDIT AVAILABILITY AND NONPRICE TERMS	Total		Much firmer		Moderately firmer		Essentially unchanged		Moderately easier		Much easier	
Reviewing credit lines or loan applications for												
7 Established customers	120	(100)	0	(0)	13	(10.9)	99	(82.5)	8	(6.7)	0	(0)
8 New customers	120	(100)	16	(13.4)	33	(27.5)	56	(46.7)	15	(12.5)	0	(0)
9 Local service area customers	120	(100)	0	(0)	14	(11.7)	93	(77.5)	13	(10.9)	0	(0)
10 Nonlocal service area customers	120	(100)	14	(11.7)	26	(21.7)	74	(61.7)	6	(5.0)	0	(0)
Compensating balance requirements												
11 Commercial and industrial loans	120	(100)	3	(2.5)	16	(13.4)	87	(72.5)	14	(11.7)	0	(0)
12 Loans to finance companies	120	(100)	2	(1.7)	15	(12.5)	98	(81.7)	5	(4.2)	0	(0)
	Total		Considerably greater		Moderately greater		Essentially unchanged		Moderately less		Much less	
Willingness to make other types of loans												
13 Secured construction and land development loans	120	(100)	0	(0)	4	(3.4)	63	(52.5)	35	(29.2)	18	(15.0)
Secured real estate loans												
14 1- to 4-family residential properties	118	(100)	0	(0)	8	(6.8)	75	(63.6)	32	(18.7)	13	(11.1)
15 Multifamily residential property	115	(100)	0	(0)	1	(.9)	73	(63.5)	29	(25.3)	12	(10.5)
16 Commercial and industrial property	120	(100)	0	(0)	7	(5.9)	69	(57.5)	37	(30.9)	7	(5.9)
17 Installment loans to individuals	120	(100)	0	(0)	7	(5.9)	37	(30.9)	51	(42.5)	25	(20.9)
Commercial and industrial loans												
18 One to five years maturity	120	(100)	0	(0)	13	(10.9)	87	(72.5)	18	(15.0)	2	(1.7)
19 Over five years maturity	120	(100)	0	(0)	6	(5.0)	77	(64.2)	29	(24.2)	8	(6.7)
20 Loans to finance companies	120	(100)	0	(0)	0	(0)	86	(71.7)	30	(25.0)	4	(3.4)
21 Loans to securities brokers and dealers	117	(100)	0	(0)	5	(4.3)	86	(73.6)	19	(16.3)	7	(6.0)
22 Participation loans with correspondent banks	120	(100)	1	(.9)	11	(9.2)	89	(74.2)	15	(12.5)	4	(3.4)

1. After allowance for bank's usual seasonal variation.

A4. Senior loan officer opinion survey on bank lending practices, selected large U.S. banks
Policy on August, 15, 1980, compared with policy three months earlier

Number of banks; figures in parentheses indicate percentage distribution of total banks reporting

Item	Total		Much stronger		Moderately stronger		Essentially unchanged		Moderately easier		Much easier	
LOAN DEMAND												
Strength of demand for commercial and industrial loans[1]												
1 Compared with three months earlier	120	(100)	0	(0)	12	(10.0)	51	(42.5)	49	(40.9)	8	(6.7)
2 Anticipated in next three months	120	(100)	0	(0)	19	(15.9)	73	(60.9)	25	(20.9)	3	(2.5)
INTEREST RATE POLICY	Total		Much firmer		Moderately firmer		Essentially unchanged		Moderately easier		Much easier	
Standards of creditworthiness												
3 To qualify for prime rate	120	(100)	0	(0)	4	(3.4)	101	(84.2)	15	(12.5)	0	(0)
4 To qualify for spread above prime	120	(100)	0	(0)	4	(3.4)	95	(79.2)	21	(17.5)	0	(0)
	Total		Considerably greater		Moderately greater		Essentially unchanged		Moderately less		Much less	
Willingness to make fixed-rate loans												
5 Short-term (under one year)	120	(100)	4	(3.4)	19	(15.9)	84	(70.0)	10	(8.4)	3	(2.5)
6 Long-term (one year or longer)	120	(100)	0	(0)	9	(7.5)	82	(68.4)	12	(10.0)	17	(14.2)
CREDIT AVAILABILITY AND NONPRICE TERMS	Total		Much firmer		Moderately firmer		Essentially unchanged		Moderately easier		Much easier	
Reviewing credit lines or loan applications for												
7 Established customers	120	(100)	0	(0)	1	(.9)	96	(80.0)	23	(19.2)	0	(0)
8 New customers	120	(100)	0	(0)	7	(5.9)	74	(61.7)	36	(30.0)	3	(2.5)
9 Local service area customers	119	(100)	0	(0)	1	(.9)	94	(79.0)	23	(19.4)	1	(.9)
10 Nonlocal service area customers	119	(100)	1	(.9)	8	(6.8)	87	(73.2)	20	(16.9)	3	(2.6)
Compensating balance requirements												
11 Commercial and industrial loans	120	(100)	0	(0)	7	(5.9)	81	(67.5)	32	(26.7)	0	(0)
12 Loans to finance companies	120	(100)	1	(.9)	3	(2.5)	107	(89.2)	8	(6.7)	1	(.9)
	Total		Considerably greater		Moderately greater		Essentially unchanged		Moderately less		Much less	
Willingness to make other types of loans												
13 Secured construction and land development loans	120	(100)	1	(.9)	26	(21.7)	87	(72.5)	3	(2.5)	3	(2.5)
Secured real estate loans												
14 1- to 4-family residential properties	118	(100)	0	(0)	14	(11.9)	94	(79.7)	6	(5.1)	4	(3.4)
15 Multifamily residential property	115	(100)	0	(0)	5	(4.4)	100	(87.0)	7	(6.1)	3	(2.7)
16 Commercial and industrial property	120	(100)	0	(0)	14	(11.7)	98	(81.7)	6	(5.0)	2	(1.7)
17 Installment loans to individuals	119	(100)	5	(4.3)	50	(42.1)	59	(49.6)	4	(3.4)	1	(.9)
Commercial and industrial loans												
18 One to five years maturity	120	(100)	2	(1.7)	19	(15.9)	96	(80.0)	3	(2.5)	0	(0)
19 Over five years maturity	120	(100)	2	(1.7)	10	(8.4)	96	(80.0)	9	(7.5)	3	(2.5)
20 Loans to finance companies	120	(100)	1	(.9)	10	(8.4)	106	(88.4)	3	(2.5)	0	(0)
21 Loans to securities brokers and dealers	119	(100)	2	(1.7)	16	(13.5)	97	(81.6)	3	(2.6)	1	(.9)
22 Participation loans with correspondent banks	120	(100)	2	(1.7)	24	(20.0)	93	(77.5)	1	(.9)	0	(0)

1. After allowance for bank's usual seasonal variation.

A5. Senior loan officer opinion survey on bank lending practices, selected large U.S. banks
Policy on November 15, 1980, compared with policy three months earlier

Number of banks; figures in parentheses indicate distribution of total banks reporting

Item	Total		Much stronger		Moderately stronger		Essentially unchanged		Moderately easier		Much easier	
LOAN DEMAND												
Strength of demand for commercial and industrial loans[1]												
1 Compared with three months earlier	117	(100)	1	(.9)	42	(35.9)	65	(55.6)	9	(7.7)	0	(0)
2 Anticipated in next three months	117	(100)	0	(0)	25	(21.4)	78	(66.7)	13	(11.2)	1	(.9)
INTEREST RATE POLICY	Total		Much firmer		Moderately firmer		Essentially unchanged		Moderately easier		Much easier	
Standards of creditworthiness												
3 To qualify for prime rate	117	(100)	2	(1.8)	5	(4.3)	99	(84.7)	11	(9.5)	0	(0)
4 To qualify for spread above prime	117	(100)	2	(1.8)	5	(4.3)	94	(80.4)	16	(13.7)	0	(0)
	Total		Considerably greater		Moderately greater		Essentially unchanged		Moderately less		Much less	
Willingness to make fixed-rate loans												
5 Short-term (under one year)	117	(100)	1	(.9)	10	(8.6)	78	(66.7)	21	(18.0)	7	(6.0)
6 Long-term (one year or longer)	117	(100)	0	(0)	4	(3.5)	68	(58.2)	26	(22.3)	19	(16.3)
CREDIT AVAILABILITY AND NONPRICE TERMS	Total		Much firmer		Moderately firmer		Essentially unchanged		Moderately easier		Much easier	
Reviewing credit lines or loan applications for												
7 Established customers	117	(100)	1	(.9)	3	(2.6)	110	(94.1)	3	(2.6)	0	(0)
8 New customers	117	(100)	3	(2.6)	3	(2.6)	102	(87.2)	9	(7.7)	0	(0)
9 Local service area customers	116	(100)	1	(.9)	4	(3.5)	102	(88.0)	9	(7.8)	0	(0)
10 Nonlocal service area customers	116	(100)	2	(1.8)	7	(6.1)	106	(91.4)	1	(.9)	0	(0)
Compensating balance requirements												
11 Commercial and industrial loans	117	(100)	0	(0)	11	(9.5)	84	(71.8)	22	(18.9)	0	(0)
12 Loans to finance companies	117	(100)	0	(0)	7	(6.0)	105	(89.8)	5	(4.3)	0	(0)
	Total		Considerably greater		Moderately greater		Essentially unchanged		Moderately less		Much less	
Willingness to make other types of loans												
13 Secured construction and land development loans	117	(100)	0	(0)	6	(5.2)	93	(79.5)	17	(14.6)	1	(.9)
Secured real estate loans												
14 1- to 4-family residential properties	114	(100)	0	(0)	3	(2.7)	87	(76.4)	19	(16.7)	5	(4.4)
15 Multifamily residential property	112	(100)	0	(0)	1	(.9)	94	(84.0)	10	(9.0)	7	(6.3)
16 Commercial and industrial property	117	(100)	0	(0)	5	(4.3)	99	(84.7)	11	(9.5)	2	(1.8)
17 Installment loans to individuals	116	(100)	0	(0)	9	(7.8)	85	(73.3)	18	(15.6)	4	(3.5)
Commercial and industrial loans												
18 One to five years maturity	117	(100)	0	(0)	2	(1.8)	111	(94.9)	3	(2.6)	1	(.9)
19 Over five years maturity	117	(100)	0	(0)	2	(1.8)	102	(87.2)	9	(7.7)	4	(3.5)
20 Loans to finance companies	117	(100)	0	(0)	0	(0)	111	(94.9)	5	(4.3)	1	(.9)
21 Loans to securities brokers and dealers	114	(100)	0	(0)	3	(2.7)	104	(91.3)	6	(5.3)	1	(.9)
22 Participation loans with correspondent banks	117	(100)	0	(0)	11	(9.5)	104	(88.9)	2	(1.8)	0	(0)

1. After allowance for bank's usual seasonal variation.

A6. Senior loan officer opinion survey on bank lending practices, selected large U.S. banks
Policy on February 15, 1981, compared with policy three months earlier

Number of banks; figures in parentheses indicate percentage distribution of total banks reporting

Item	Total		Much stronger		Moderately stronger		Essentially unchanged		Moderately easier		Much easier	
LOAN DEMAND												
Strength of demand for commercial and industrial loans[1]												
1 Compared with three months earlier	118	(100)	0	(0)	14	(11.9)	62	(52.6)	40	(33.9)	2	(1.7)
2 Anticipated in next three months	118	(100)	0	(0)	11	(9.4)	80	(67.8)	27	(22.9)	0	(0)
INTEREST RATE POLICY	Total		Much firmer		Moderately firmer		Essentially unchanged		Moderately easier		Much easier	
Standards of creditworthiness												
3 To qualify for prime rate	118	(100)	0	(0)	2	(1.7)	104	(88.2)	12	(10.2)	0	(0)
4 To qualify for spread above prime	118	(100)	0	(0)	3	(2.6)	97	(82.3)	18	(15.3)	0	(0)
	Total		Considerably greater		Moderately greater		Essentially unchanged		Moderately less		Much less	
Willingness to make fixed-rate loans												
5 Short-term (under one year)	118	(100)	0	(0)	10	(8.5)	96	(81.4)	9	(7.7)	3	(2.6)
6 Long-term (one year or longer)	118	(100)	0	(0)	3	(2.6)	80	(67.8)	22	(18.7)	13	(11.1)
CREDIT AVAILABILITY AND NONPRICE TERMS	Total		Much firmer		Moderately firmer		Essentially unchanged		Moderately easier		Much easier	
Reviewing credit lines or loan applications for												
7 Established customers	118	(100)	0	(0)	1	(.9)	111	(94.1)	6	(5.1)	0	(0)
8 New customers	118	(100)	1	(.9)	3	(2.6)	106	(89.9)	8	(6.8)	0	(0)
9 Local service area customers	117	(100)	0	(0)	2	(1.8)	109	(93.2)	6	(5.2)	0	(0)
10 Nonlocal service area customers	117	(100)	1	(.9)	3	(2.6)	109	(93.2)	4	(3.5)	0	(0)
Compensating balance requirements												
11 Commercial and industrial loans	118	(100)	0	(0)	3	(2.6)	91	(77.2)	24	(20.4)	0	(0)
12 Loans to finance companies	118	(100)	1	(.9)	4	(3.4)	104	(88.2)	9	(7.7)	0	(0)
	Total		Considerably greater		Moderately greater		Essentially unchanged		Moderately less		Much less	
Willingness to make other types of loans												
13 Secured construction and land development loans	118	(100)	0	(0)	6	(5.1)	93	(78.9)	18	(15.3)	1	(.9)
Secured real estate loans												
14 1- to 4-family residential properties	117	(100)	0	(0)	3	(2.6)	91	(77.8)	21	(18.0)	2	(1.8)
15 Multifamily residential property	114	(100)	0	(0)	2	(1.8)	96	(84.3)	15	(13.2)	1	(.9)
16 Commercial and industrial property	118	(100)	0	(0)	6	(5.1)	102	(86.5)	9	(7.7)	1	(.9)
17 Installment loans to individuals	117	(100)	0	(0)	8	(6.9)	87	(74.4)	17	(14.6)	5	(4.3)
Commercial and industrial loans												
18 One to five years maturity	118	(100)	0	(0)	8	(6.8)	107	(90.7)	2	(1.7)	1	(.9)
19 Over five years maturity	118	(100)	0	(0)	4	(3.4)	105	(89.0)	7	(6.0)	2	(1.7)
20 Loans to finance companies	118	(100)	0	(0)	3	(2.6)	106	(89.9)	7	(6.0)	2	(1.7)
21 Loans to securities brokers and dealers	117	(100)	0	(0)	7	(6.0)	104	(88.9)	5	(4.3)	1	(.9)
22 Participation loans with correspondent banks	118	(100)	0	(0)	16	(13.6)	101	(85.6)	1	(.9)	0	(0)

1. After allowance for bank's usual seasonal variation.

A7. Senior loan officer opinion survey on bank lending practices, selected large U.S. banks[1]
Policy on February 15, 1981, compared with policy three months earlier

Number of banks; figures in parentheses indicate percentage distribution of total banks reporting

Item	Total		Much stronger		Moderately stronger		Essentially unchanged		Moderately easier		Much easier	
1 Strength of demand for commercial and industrial loans anticipated in next three months[2]	60	(100)	0	(0)	3	(5.0)	47	(78.3)	10	(16.7)	0	(0)
	Total		Much firmer		Moderately firmer		Essentially unchanged		Moderately easier		Much easier	
2 Standards to qualify for prime rate	60	(100)	0	(0)	0	(0)	56	(93.3)	4	(6.7)	0	(0)
3 Standards to qualify for spread above prime	60	(100)	0	(0)	1	(1.7)	53	(88.3)	6	(10.0)	0	(0)
4 Stance on commercial and industrial lending to												
New customers[3]	60	(100)	0	(0)	0	(0)	58	(96.7)	2	(3.3)	0	(0)
Nonlocal customers[3]	60	(100)	0	(0)	0	(0)	56	(93.3)	4	(6.7)	0	(0)
5 Compensating balance requirements for commercial and industrial loans[4]	59	(100)	0	(0)	1	(1.7)	56	(94.9)	2	(3.3)	0	(0)
	Total		Considerably greater		Moderately greater		Essentially unchanged		Moderately less		Much less	
6 Willingness to make installment loans to individuals	59	(100)	0	(0)	5	(8.5)	41	(69.5)	11	(18.6)	2	(3.4)

1. As of May 1981 the reporting panel was cut about in half to 60 banks. This table reports February responses to questions retained beyond May from only those 60 banks in order to permit a comparison of survey results for February with those for May and August (tables A8 and A9).
2. After allowance for bank's usual seasonal variation.
3. Beginning May 1981, a single question addresses banks' stance on lending to both new and nonlocal customers.
4. The corresponding question in the May 1981 and later surveys refers to compensating balance and/or fee requirements on commercial and industrial loans.

A8. Senior loan officer opinion survey on bank lending practices, selected large U.S. banks Policy on May 15, 1981, compared with policy three months earlier

Number of banks; figures in parentheses indicate percentage distribution of total banks reporting

Item	Total		Much stronger		Moderately stronger		Essentially unchanged		Moderately easier		Much easier	
1 Strength of demand for commercial and industrial loans anticipated in next three months[1]	60	(100)	0	(0)	17	(28.3)	29	(48.3)	14	(23.3)	0	(0)
	Total		Much firmer		Moderately firmer		Essentially unchanged		Moderately easier		Much easier	
2 Standards to qualify for prime rate	60	(100)	0	(0)	1	(1.6)	46	(76.7)	12	(20.0)	1	(1.6)
3 Standards to qualify for spread above prime	60	(100)	0	(0)	0	(0)	35	(58.3)	25	(41.7)	0	(0)
4 Stance on commercial and industrial lending to new and nonlocal customers	60	(100)	0	(0)	5	(8.3)	46	(76.7)	9	(15.0)	0	(0)
5 Compensating balance or fee requirements for commercial and industrial loans	60	(100)	0	(0)	4	(6.7)	27	(45.0)	29	(48.3)	0	(0)
	Total		Considerably greater		Moderately greater		Essentially unchanged		Moderately less		Much less	
6 Willingness to make installment loans to individuals	59	(100)	0	(0)	3	(5.1)	42	(71.2)	12	(20.3)	2	(3.4)

1. After allowance for bank's usual seasonal variation.

A9. Senior loan officer opinion survey on bank lending practices, selected large U.S. banks Policy on August 15, 1981, compared with policy three months earlier

Number of banks; figures in parentheses indicate percentage distribution of total banks reporting

Item	Total		Much stronger		Moderately stronger		Essentially unchanged		Moderately easier		Much easier	
1 Strength of demand for commercial and industrial loans anticipated in next three months[1]	60	(100)	0	(0)	25	(41.7)	27	(45.0)	8	(13.3)	0	(0)
	Total		Much firmer		Moderately firmer		Essentially unchanged		Moderately easier		Much easier	
2 Standards to qualify for prime rate	60	(100)	0	(0)	1	(1.7)	50	(83.3)	9	(15.0)	0	(0)
3 Standards to qualify for spread above prime	60	(100)	0	(0)	1	(1.7)	36	(60.0)	23	(38.3)	0	(0)
4 Stance on commercial and industrial lending to new and nonlocal customers	60	(100)	0	(0)	6	(10.0)	47	(78.3)	7	(11.7)	0	(0)
5 Compensating balance or fee requirements for commercial and industrial loans	60	(100)	0	(0)	2	(3.3)	30	(50.0)	28	(46.7)	0	(0)
	Total		Considerably greater		Moderately greater		Essentially unchanged		Moderately less		Much less	
6 Willingness to make installment loans to individuals	59	(100)	1	(1.7)	6	(10.2)	44	(74.6)	5	(8.5)	3	(5.1)

1. After allowance for bank's usual seasonal variation.

Treasury and Federal Reserve Foreign Exchange Operations

This 39th joint report reflects the Treasury–Federal Reserve policy of making available additional information on foreign exchange operations from time to time. The Federal Reserve Bank of New York acts as agent for both the Treasury and the Federal Open Market Committee of the Federal Reserve System in the conduct of foreign exchange operations.

This report was prepared by Sam Y. Cross, Manager of Foreign Operations for the System Open Market Account and Senior Vice President in charge of the Foreign Group of the Federal Reserve Bank of New York. It covers the period February through July 1981. Previous reports have been published in the March and September BULLETINS *of each year beginning with September 1962.*

The U.S. dollar advanced strongly against all currencies during the period under review in response to a variety of economic and political factors in the United States and abroad. In the United States, the current account remained in surplus. The domestic economy showed considerable resilience. The demand for money and credit continued strong, and U.S. interest rates remained high. Also, price indexes published during the period pointed to a significant decline in the inflation rate. Moreover, the already favorable market sentiment toward the Reagan administration was strengthened by the administration's apparent resolve and effectiveness in translating from plan to action its major fiscal program designed to deal with inflation while revitalizing the U.S. economy.

The performance of major industrial countries abroad was less favorable. The current accounts of several countries, notably Germany, were in substantial deficit. Inflation was accelerating in most countries other than Japan. Economic activity abroad was generally sluggish. In many countries, the weakness of domestic demand was seen in the markets as constraining the authorities from raising interest rates sufficiently to attract capital inflows for financing current-account deficits at prevailing exchange rates or to curb inflation. Market participants focused on the policy challenges facing many governments abroad and were concerned that policies would not be adopted to deal with these problems effectively. Moreover, political developments in Eastern Europe and in the Middle East added to uncertainties for the outlook, especially for Europe, and left traders and investors with the view that the United States was a relatively attractive outlet for investment.

In this environment, the market perceived little downside risk for the dollar in the exchange markets. Consequently, the dollar fluctuated

1. Federal Reserve reciprocal currency arrangements

Millions of dollars

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

1. Decreased by $200 million effective May 23, 1981.

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

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

Bank drawing on System	Outstanding Jan. 1, 1981	1981 Q1	1981 Q2	1981 July	Outstanding July 31, 1981
Bank of Sweden...	0	200.0	−200.0	0	0

1. Data are on a value-date basis.

higher over most of the period under review. Early in February, the selling pressures against other currencies focused mostly on the German mark, which not only declined against the dollar but also was weak within the joint float arrangement of the European Monetary System (EMS). After midmonth, the German Federal Bank took strong action to defend the mark, and before long, increases in short-term interest rates in Germany were followed by rising interest rates in many other financial markets on the Continent. At the same time, interest rates in the United States eased somewhat. As market participants moved to cover short currency positions, the mark rebounded and other currencies also strengthened by mid-March.

From April to mid-May, there was renewed upward pressure on short-term U.S. interest rates and the dollar resumed its advance. By midspring this tendency was reinforced as the markets attempted to assess the implications of renewed unrest in Poland, the change of government in France, and political developments in several other European countries. Moreover, U.S. statistics for the first quarter highlighted the unexpected strength of the domestic economy. As market participants began to adjust their expectations concerning the near-term outlook for the economy and for interest rates, the dollar advanced strongly.

Coming into the summer, market participants took an increasingly bearish view of the outlook for Europe. A debate over monetary and exchange rate policies had emerged in the press, intensifying with the approach of the July 19–20 summit meeting at Ottawa. Market participants focused on complaints by foreign governments that the high level of U.S. interest rates was complicating their efforts to encourage economic recovery and to avoid further depreciations of their currencies. At the same time, evidence suggested that the U.S. economy had lost its upward momentum. Inflation figures continued to show improvement, while the growth of the narrow monetary aggregates had moderated. Expectations developed that U.S. interest rates might ease from their near-record highs. In these circumstances, the dollar remained in demand but fluctuated more irregularly than before.

After mid-July, the demand for credit in the United States was stubbornly strong in the face of high interest rates and the broader monetary aggregates continued to be buoyant. The market was impressed by Chairman Volcker's reaffirmation of the Federal Reserve's commitment to restrain monetary expansion. In addition, the market was becoming concerned about the impact of the U.S. government's near-term financing requirements on U.S. financial markets. In this environment, interest rates remained high, disappointing expectations of near-term declines. Moreover, as the administration's economic proposals gained congressional approval, market participants compared the breadth of support for the new policy directions in the United States with the continuing debates on a full range of policies in many countries abroad. As a result, market sentiment toward the dollar became bullish. The dollar closed the period advancing strongly across the board. The extent to which the exchange rates for individual currencies moved against the dollar depended in large part on economic and political factors in

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

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

Issues	Commitments Jan. 1, 1981	1981 Q1	1981 Q2	1981 July	Commitments July 31, 1981
Public series					
Germany	5,233.6	0	0	0	5,233.6
Switzerland	1,203.0	0	0	−744.5	458.5
Total	6,436.6	0	0	−744.5	5,692.1

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

their respective countries. But, overall, the dollar ended the period up 22¼ percent against sterling, up 16¾ percent against the Japanese yen, and up 16¼ percent against the German mark.

In their operations in the exchange market, the U.S. authorities intervened to settle a volatile market on nine trading days in February when the dollar was rising sharply. The equivalent of $610.0 million net of marks was purchased in the market and an additional $168.4 million of marks was bought from correspondents. The proceeds of these market and correspondent purchases were split evenly between the Federal Reserve and the Treasury and were added to their respective balances.

On March 30, when trading in the exchange markets faltered amidst the uncertainties following the assassination attempt on President Reagan, the Trading Desk intervened to reassure the markets. A total of $74.4 million equivalent in marks was sold from balances, again split evenly between the Federal Reserve and the Treasury. On the following day, exchange markets quickly returned to more orderly conditions.

The Treasury indicated in April that, after study and consultation with officials of the Federal Reserve, the United States had adopted a minimal intervention approach—to intervene only when necessary to counter conditions of disorder in the exchange market. On May 4, Treasury Under Secretary Sprinkel set forth the rationale for this approach in testimony before the Joint Economic Committee of the Congress.

The United States did not intervene on its own account through the remainder of the period

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

Net profits or losses (−) in millions of dollars

Period	Federal Reserve	U.S. Treasury	
		Exchange Stabilization Fund	General account
1980 Q1	6.2	−.7	−144.3
Q2	−1.4	−3.8	0
1981 July	.1	0	61.6
Valuation profits and losses on outstanding assets and liabilities as of July 1981	−571.1	−1,807.2	1,313.5

1. Data are on a value-date basis.

under review. The Trading Desk continued to cooperate with other central banks by intervening as their agent from time to time in the New York market. Over the six-month period such operations were conducted in German marks, French francs, Japanese yen, and the Canadian dollar. In their own markets central banks of other countries continued to intervene, operating heavily at times, mostly to limit the decline of their currencies against the dollar.

In April, the Bank of Sweden repaid, prior to maturity, the $200 million drawn in January under the swap arrangement with the Federal Reserve, following a heavy reflow of funds into the Swedish krona. In May, an increase of $200 million in the arrangement that had been agreed upon for one year lapsed and the swap line reverted to the earlier figure of $300 million.

On July 27, the U.S. Treasury paid off the first maturing tranche equivalent to $744.5 million of its Swiss franc-denominated securities. These securities were issued with the cooperation of the Swiss authorities in connection with the dollar-support program of November 1978. After this redemption the Treasury had outstanding $5,692.1 million equivalent of foreign currency notes, public series, of which $5,233.6 million is denominated in German marks and $458.5 million in Swiss francs. These securities mature between September 1, 1981, and July 26, 1983.

In the seven months through July 1981, the Federal Reserve had gains of $4.9 million on its exchange market operations, while the Exchange Stabilization Fund lost $4.5 million. The Treasury's general account lost $82.7 million, reflecting losses of $144.3 million as a result of annual renewals at current market rates of the agreement to warehouse with the Federal Reserve the Swiss franc proceeds of Treasury securities and gains of $61.6 million on the reacquisition of Swiss francs in connection with the redemption at maturity of securities denominated in Swiss francs. As of July 31, valuation losses on outstanding balances were $571.1 million for the Federal Reserve and $1,807.2 million for the Exchange Stabilization Fund. The Treasury's general account had valuation gains of $1,313.5 million related to outstanding issues of securities denominated in foreign currencies.

GERMAN MARK

Early in 1981, Germany's current-account deficit showed no signs of contracting despite continued stagnation of the domestic economy. Though import demand had weakened and export orders had picked up from earlier depressed levels, these initial improvements were more than offset by the adverse impact on Germany's terms of trade of the sharp depreciation of the mark. At the same time, growing tourism, and interest and dividend payments led to a further deterioration in services. The authorities had hoped to correct the current-account deficit gradually by a shift of resources toward investment and exports and, in the interim, to finance the deficit by a combination of private and official capital inflows. But the protracted nature of the deficit exerted a negative impact on sentiment toward the mark, and private capital flowed heavily out of Germany instead. Meanwhile, domestic demand remained exceptionally weak. Central bank money was growing in the upper half of the 4 percent to 7 percent annual growth range, and short-term domestic interest rates at 9 percent were the subject of domestic debate—criticized for being too high to permit a recovery of domestic economic activity but too low to defend the mark from downward pressures in the exchange market.

By February, the outflow of funds from Germany accelerated sharply. Market participants were deeply concerned about the lack of resolution within Germany over the appropriate role for monetary policy in dealing with the weakness of the external sector and about security issues raised by persistent tensions in Poland. At the same time, there was growing confidence in the policies and leadership of the new U.S. administration under President Reagan, which had already established a clear direction for the United States in economic and military matters. With interest rates in Germany relatively low compared with those in the United States and some other industrial countries, funds flowed heavily out of marks, principally into dollar assets but also into sterling and higher-yielding currencies of the EMS. By midmonth the mark had plummeted to DM 2.25 against the dollar for a decline of 5½ percent from the levels at the end of January and some 20 percent from the previous September. Within the EMS the mark was trading at or near the floor of the joint float vis-à-vis the French franc. The German Federal Bank intervened in dollars and, together with the Bank of France, also in French francs to preserve the limits of the EMS. Largely reflecting these operations, Germany's foreign exchange reserves declined to $42.7 billion at the end of February, down $1.7 billion from the level outstanding on January 31. Meanwhile, during February the U.S. authorities intervened to settle trading conditions, which were frequently one way. The authorities bought $610.0 million equivalent of marks net in the market and $168.4 million equivalent from correspondents, which were added to balances of the Federal Reserve and of the U.S. Treasury.

The sharp and prolonged decline of the mark posed serious problems for the German authorities. The depreciating mark boosted domestic currency prices of oil and other dollar-invoiced imports relative to export prices, thus magnifying the current-account deficit. The rising cost of imports fed directly into domestic producer and consumer prices ahead of important spring wage negotiations and thereby threatened to provoke new domestic cost pressures. The mark's decline also complicated efforts to finance the external deficit and generated some uneasiness on the part of official mark holders. On February 19, the German Federal Bank temporarily closed the Lombard window, suspended the traditional fixed-rate facility, and announced that Lombard credits would henceforth be made available at its discretion and at rates determined on a day-to-day basis. German Federal Bank President Poehl stated that the immediate aim of these measures was to tighten German monetary policy in order to safeguard the stability of the mark. Thereafter, German short-term interest rates shot up and call money temporarily reached 20 to 30 percent before settling back to trade around 12 to 13 percent.

Exchange market participants reacted positively to the tightening of German monetary policy. As interest differentials adverse to the mark either narrowed sharply or disappeared completely, previously adverse commercial leads and lags were unwound and nonresidents repaid earlier mark-denominated borrowings. This reflow of short-term funds into marks, principally out of French and Belgian francs, strengthened the mark dramatically within the EMS, and the mark traded after mid-February at the top of the joint float arrangement. The German Federal Bank was therefore able to begin purchasing EMS currencies in the market to repay debt to the FECOM (European Fund for Monetary Cooperation), incurred earlier while the mark was at the bottom of the EMS. Meanwhile, with U.S. interest rates also coming off near-record highs, the mark rebounded against the dollar to trade around DM 2.09 to DM 2.12 through early April. For their part the U.S. authorities limited their intervention to one occasion, on March 30, following the assassination attempt on President Reagan, when they sold $74.4 million equivalent of marks out of balances.

During the spring the German Federal Bank maintained its essentially restrictive monetary policy stance. Officials stated that there was no basic conflict between internal and external policy considerations. Short-term stimulus to the economy, whatever the temporary benefits to growth, would be counterproductive since it would increase domestic consumption and inflation at the expense of longer-term needs such as capital formation, efficient economic decision-making, and productivity gains. The authorities therefore kept a tight rein on liquidity, mainly through open market operations and foreign currency swaps. These operations convinced exchange market participants that the German Federal Bank would not allow interest rates to ease. But the occasionally highly charged domestic debate over monetary policy also suggested that the authorities would not be in a position to increase short-term interest rates in the face of continued recession and substantial unemployment.

Meanwhile, in the United States, demands for money and credit pressed against a restrained supply of bank reserves and exerted upward pressure on short-term U.S. interest rates from April through mid-June. The rise in U.S. interest rates was not matched by increases in German money market rates, so that interest differentials adverse to the mark widened from 2 percent in March to 6 percent by early June. In the credit markets, however, yields on German bonds increased by more than yields in the United States. These pressures on the German bond market spilled over into the exchanges, as foreigners liquidated some of their mark-denominated assets to limit capital losses. In these circumstances, the mark was again under downward pressure and had dropped to DM 2.25 before May 10, when Francois Mitterrand was elected President of France. Then a wave of French franc selling pulled the mark and other EMS currencies even lower in the exchanges. To maintain the intervention limits of the joint float, the German Federal Bank, along with the Bank of France, sold large amounts of marks against French francs through the end of May before tough French exchange controls helped bring the market into better balance. The German Federal Bank also sold large amounts of dollars in the market to absorb part of the mark liquidity created by the EMS intervention and to moderate the steep fall of the mark against the dollar, which declined further to nearly DM 2.33 by the end of the month. Part of these dollar sales occurred through the agency of the Trading Desk at the Federal Reserve Bank of New York, operating on behalf of the German Federal Bank. However, the Trading Desk did not intervene in the exchanges on behalf of the Federal Reserve or the U.S. Treasury.

In mid-June, selling pressures on the mark abated. By this time, economic activity in the United States had turned sluggish, inflation figures had improved, and growth of the monetary aggregates had moderated. In these circumstances, U.S. interest rates had begun to soften and were widely expected to register sustained declines, thereby narrowing interest differentials adverse to the mark. But the market had become increasingly pessimistic over the outlook for Europe. Major political and security issues were of concern, as underlined by persistent tensions in Poland and by new questions about the framework of Western European relations raised by changes in several governments. With respect to Germany, there were open disputes in Germany's governing coalition over a broad range of issues. Germany's trade figures had not yet shown much evidence of improved competitiveness resulting from the substantial real depreciation of the mark. Consumer price inflation was also accelerating, and there was little prospect for a near-term reduction of price pressures, given the rise in labor compensation negotiated in the spring.

With these various concerns depressing sentiment toward the mark, the German currency weakened still further against the dollar in late June and July, when U.S. interest rates firmed up rather than declining as expected. Continued bearish sentiment toward the mark also hampered progress in financing the current account. For several months, long-term private capital had remained in deficit, although the pace of net outflows had slowed. By June the previous inflow of short-term capital was being reversed. Partly for this reason the German Federal Bank announced that German interest rates would remain high and that the growth of central bank money would be held in the lower half of the annual target range. At the same time, the German government continued to borrow heavily abroad in order to finance the sizable current-account deficit, amounting to DM 29 billion at an annual rate in the first six months of the year. Between January and June the public authorities raised about DM 14 billion in foreign credits, with a large share coming directly from Saudi Arabia.

During July, as the exchange market focused on fiscal policy developments in Germany relative to those in the United States, the mark came more heavily on offer. In Germany, increasing government expenditures threatened to raise the public-sector deficit in 1981 to 4.5 percent of gross national product, from under 3 percent only two years earlier. Although containing the upward trend in spending had become a priority, measures to reduce expenditures in the 1982 budget were drafted in the midst of heated public debate, raising some questions whether the final budget proposal would be approved by the Parliament. Meanwhile, the Reagan administration gained congressional support for major expenditure cuts and tax reductions, marking an important shift in fiscal policy that was aimed at reducing inflation and providing greater incentives to the private sector. The exchange market assessed the new direction of U.S. fiscal policy favorably. There were still concerns that defense outlays and tax cuts might in combination swell rather than reduce the budget deficit. But growing confidence that the Federal Reserve would keep the growth of bank reserves and the monetary aggregates under firm control helped alleviate inflationary fears and also reinforced expectations that U.S. interest rates would remain high. The market's generally positive reaction to the Reagan administration's economic program, coupled with the attraction of high yields on dollar placements, led to a surge of dollar bidding during July. In these circumstances, the mark dropped sharply lower in frequently heavy trading to DM 2.4770 by the end of the month for a net decline of 16½ percent over the six months under review. Meanwhile, Germany's foreign exchange reserves increased $647 million from February levels to stand at $43.4 billion on July 31, 1981. The rise in reserves mainly reflected sizable intervention purchases of currencies within the EMS after March—mostly French francs but also Belgian francs—which offset intervention sales of dollars in the final months of the period.

SWISS FRANC

Coming into 1981 the Swiss economy was continuing to show greater momentum than that of most other industrialized countries. At the same time, the pace of consumer price increases had accelerated sharply in response to resilient consumption demand and to the progressive decline in the Swiss franc during much of 1980. The Swiss authorities were anxious to combat these emerging inflationary pressures while mindful of the risks of precipitating a downturn for Switzerland in view of the sluggishness of the international economy. As a result, the Swiss National Bank announced it would leave its monetary-base growth target for 1981 unchanged from that of 1980 at 4 percent.

At that time, interest rates in Switzerland were well below those in all other major industrial countries, and the differential vis-à-vis the United States had again widened to 10 percentage points. In response, many corporate entities, governments, and other official agencies borrowed francs domestically or in the Euro-Swiss franc market, where many borrowers had options allowing them to switch loan currency denominations on rollover dates. In addition, with developments in Eastern Europe seen in the market as casting a cloud over all the Continent, the Swiss franc had lost some of its traditional attraction as a refuge for capital. As a result, inflows of funds were insufficient to offset the buildup of interest-sensitive capital outflows, and during January the Swiss franc continued to weaken both against the dollar and other European currencies. By the beginning of the period, the Swiss franc had declined about 16 percent from its 1980 highs to a three-year low of SF 1.9270 against the dollar and was trading at SF 0.90 against the German mark. Swiss foreign exchange reserves stood at $12.1 billion.

On February 3, the Swiss National Bank raised its discount and Lombard rates ½ percentage point to 3½ and 4½ percent respectively, the first change in these rates in nearly a year. The actions were taken to support the franc in the exchanges and to adjust official rates to tightening domestic money market conditions. But interest rate differentials unfavorable to the Swiss franc remained wide, and the franc continued to decline against a generally strengthening dollar. As the franc eased, the National Bank sold dollars to support the rate but operated in more modest amounts than many other central banks.

Following a change in the administration of Germany's Lombard facility, which precipitated a sharp rise in German money market interest rates, the Swiss National Bank announced a second round of interest rate increases. On February 20, the discount and Lombard rates were raised to 4 percent and 5½ percent respectively, and the National Bank also conducted foreign currency swap operations—its major tool for monetary control—so as to further tighten money market conditions. By mid-March, money market rates had risen to about 9 percent, levels not seen since the mid-1970s. Also, dollar interest rates eased somewhat and the adverse interest differentials narrowed sharply, helping the franc strengthen in the exchanges to a level of SF 1.8530 on March 18.

By this time it had become clear that the Swiss economy, rather than weakening as expected, continued to expand in the first quarter of 1981, in sharp contrast to the sluggishness in Germany and elsewhere. Increases in employment, though slowing from the strong 1980 pace, remained sufficient to enable Switzerland to avoid the rising unemployment so troublesome to many industrial nations. Domestic consumption and construction activity had remained buoyant even in the face of mortgage rates, which soared to levels not seen since 1975. These pressures had contributed to an acceleration of the inflation rate to about 6 percent which, though high by historical standards for Switzerland, was nevertheless still among the lowest rates in the world. In the United States the unexpected strength of the economy renewed monetary growth and put considerable upward pressure on dollar interest rates, which was sustained over the remainder of the period. As the dollar again came into demand, the franc fell in the exchanges.

With the economy robust, the Swiss authorities had leeway to pursue policies intended to push the inflation rate back down. Beginning in late April and continuing through May, the Swiss National Bank fostered tighter money market conditions by allowing liquidity-providing foreign currency swaps to run off. On May 11, the National Bank again raised the discount and Lombard rates, this time to 5 percent and 6½ percent respectively, and shortly thereafter announced a willingness to see the monetary base fall below its annual target range. In response, Swiss interest rates moved even higher, including the politically sensitive mortgage interest rate and other long-term interest rates.

These developments coincided with the presidential elections in France, and as all European currencies initially dropped against the dollar, the Swiss franc fell further to a low of SF 2.0790, down 12 percent from its March highs. Thereafter, however, Switzerland came to be seen as a politically stable and economically sound investment outlet and the Swiss franc began to regain some of the status of a "safe haven" currency. In the context of this improving exchange market psychology, speculative and investment flows turned in favor of the franc. Funds also flowed in from Germany to repay franc borrowings, which had become nearly as expensive as mark credit. Through the end of June the franc firmed slightly against the dollar and climbed against the mark to SF 0.85, thus breaking out of the narrow range around SF 0.90 that had held for about two years.

Through July the franc declined against the dollar in line with other currencies and against the mark, mainly in response to growing market expectations of an EMS realignment that was thought likely to benefit the mark. By the end of the month, the franc had declined to SF 2.15 against the dollar and to SF 0.87 against the mark, down about 11¾ percent against the dollar and up 4 percent against the mark for the six-month interval. For the period, overall Swiss foreign currency reserves fluctuated modestly, largely in response to foreign currency swap operations conducted to influence growth of the Swiss monetary base. At the close, Swiss reserves stood at \$9.9 billion, down \$2.2 billion from the end of January.

On July 27, the U.S. Treasury redeemed the first maturing tranche of its Swiss franc-denominated securities in the amount of SF 1.2 billion, issued in July 1979 with the cooperation of Swiss authorities in connection with the dollar-support program of November 1978. In order to neutralize the liquidity effects of the note transactions, the Swiss National Bank allowed a portion of maturing foreign currency swaps to run off, thereby absorbing liquidity injected by the retirement of the notes. As a result, the money markets remained generally steady over the end of the month.

JAPANESE YEN

Early in 1981 the yen continued to benefit in the exchanges from the rapid adjustment of Japan's economy to the second oil shock. Restrictive monetary and fiscal policies had successfully curtailed domestic demand, limited the buildup of inflationary expectations, and, together with moderate wage settlements, contained the impact of oil price increases on domestic costs. At the same time, changes in production processes under way since the mid-1970s had made industry less dependent on imported raw materials, particularly oil. These developments, together with the impact of the 1979–80 depreciation of the yen, led to a marked improvement in the current account, which swung from deep deficit to virtual balance. They also impressed international investors sufficiently to attract massive inflows of funds, particularly from Organization of Petroleum Exporting Countries (OPEC) investors eager to increase the share of yen-denominated assets in their portfolios. As a result, the yen rebounded in the exchanges to ¥ 206.10 in New York on January 31, up 21 percent against the dollar and 27 percent against the German mark from its lows of April 1980. The government proceeded to liberalize substantially exchange controls on international capital transactions. Also, Japan's foreign exchange reserves rose to \$22.7 billion by the end of January.

Meanwhile, however, domestic demand had stalled and, with the improvement in Japan's external position, the authorities had begun to relax the tight stance of policy after mid-1980. Yet, by early 1981, consumption and residential construction continued to falter and business fixed investment, previously the only domestic source of strength, was also decelerating rapidly. The growth of the monetary aggregates had slowed, and yen money market rates softened. Inflationary pressures had eased, partly reflecting the dampening impact on import prices of the yen's appreciation, so that wholesale-price inflation had dropped from a year-on-year rate of 24 percent in the spring of 1980 to about 5 percent in early 1981. Meanwhile, in the exchange market the rising dollar had eroded the yen's earlier buoyancy, but the rate nonetheless remained relatively stable around ¥ 208 through mid-March. Against the currencies on the Continent, the yen held up relatively well even while those currencies benefited from a sharp rise in their interest rates. In these circumstances, domestic pressures on the authorities intensified during February and March to adopt reflationary measures, including a reduction of interest rates.

On March 17, the government introduced a fiscal package that accelerated budgeted public works expenditures and provided low-cost financing to promote housing construction, to aid small companies, and to boost exports of industrial plants. These measures were generally thought to be modest so as not to compromise materially the goals of reducing the budget deficit in the fiscal year ending March 1982 and of easing the burden on the markets of financing the central government's large fiscal requirement. At the same time, the Bank of Japan lowered its discount rate 1 percentage point to 6¼ percent for the third cut in less than a year, reduced banks' reserve requirements, and then followed up by substantially relaxing window-guidance ceilings on the growth of bank lending.

But the authorities were also convinced that the large interest differentials adverse to the yen might trigger volatile capital outflows. Japan's interest rates were the lowest among the major industrial countries. The liberalization of Japanese exchange controls also provided greater opportunities for capital outflows. Among other things, the Bank of Japan introduced a new lending arrangement similar to the special Lombard facility in Germany, enabling the central bank to charge more than the official discount rate on its lending to commercial banks whenever necessary to counter potentially excessive capital outflows or downward pressures on the yen.

In the event, sentiment toward the yen in the exchanges turned more cautious during the spring. Though market participants were still confident in the thrust of Japan's economic policies and the overall performance of the economy, there were reasons to question whether the rapid improvement in the current account would continue. The likelihood of trade restrictions against Japan's automobile exports dimmed prospects for future export earnings, as did self-imposed export restraints by Japanese manufacturers in industries faced with growing protectionist sentiment abroad. Spreading recession in major overseas markets clouded export prospects even further. Consequently, the trade surplus was thought unlikely to widen sufficiently to cover rising interest payments on nonresident yen deposits and on tourism outflows, which were significantly boosting Japan's traditional services deficit.

In these circumstances, large interest differentials adverse to yen-denominated assets began to show through. Japanese resident institutions and individuals—already in the process of adjusting to newly liberalized foreign exchange controls—stepped up their export of capital as interest differentials favoring the dollar widened from about 7 percentage points in March to more than 11 percentage points in May and early June. In particular, life insurance companies, pension funds, and bank trusts took advantage of access to overseas investments by establishing a presence in the U.S. capital markets at yields more attractive than those available in Japan. As a result, the yen declined along with other major foreign currencies against the dollar, dropping 7¾ percent from mid-March levels to ¥ 224 by early June.

These developments put pressure on Japan's capital markets, complicating the authorities' efforts to bolster domestic growth and to finance the large government deficit at current yields. The authorities were concerned that raising the national bond coupon, a key indicator of overall long-term interest rates in Japan, would lead to higher lending rates throughout the economy. Reluctant therefore to increase new issue rates as rates in the secondary market rose, the government had difficulty arranging the June issue of 10-year bonds and had to withdraw the July issue altogether. In the exchange market, concern developed that these strains in the capital market would spill over into the currency markets, as foreign investors decelerated their purchases of Japanese assets or even began selling off some of their holdings. Moreover, the growing perception that the authorities would find it difficult to support the yen by raising Japanese interest rates contributed to a further decline in the yen to ¥ 228 by the end of June.

These pressures against the yen intensified considerably during July, as the long-awaited decline in U.S. interest rates failed to materialize. With little prospect that large interest differentials adverse to the yen would narrow and that the currency would soon rebound against the dollar, a broad range of participants accelerated their sales of yen in an effort to limit losses. At the same time, foreign corporations stepped up short-term yen borrowings to meet financial needs in other currencies, while commercial leads and lags also shifted against the yen. As the flow of funds gathered force, the decline of the yen began to outpace the fall of the European currencies against the rapidly strengthening dollar.

To cushion the yen's decline, the Bank of Japan intervened in Tokyo, substantially on occasion, and in New York through the Federal Reserve Bank of New York as agent. However, Governor Mayekawa, of the Bank of Japan, explained that, while intervening to smooth erratic rate movements, the Bank of Japan did not consider it necessary to adopt exceptional measures to stop the yen's slide. The authorities asserted in numerous public statements that the yen had depreciated by more than was justified in terms of economic fundamentals and was therefore likely to move back up over time. Consumer price inflation was abating rapidly and, given the moderate outcome of the wage round negotiated in the spring, could be expected to remain the lowest among the major industrial countries. Meanwhile, exports were proving stronger than earlier anticipated, despite negotiated export restrictions, and were contributing to a modest surplus on the current account. The authorities also noted that short-term bank flows were still positive, even while Japan's long-term capital account had moved into deficit. This result largely reflected the fact that the covered cost of borrowing dollars was often less than local yen financing, creating incentives for both Japanese banks and nonbanks to borrow abroad.

But in the exchange market, the yen continued dropping sharply to close at ¥240.35 on July 31, down 16¾ percent against the dollar over the six-month period under review but unchanged against the German mark on balance. Exchange market intervention by the authorities contributed to a decline of $278 million in Japan's foreign exchange reserves during July. Nonetheless, at the end of July Japan's reserves stood at $23.9 billion, up $1.2 billion on balance, mostly reflecting interest receipts on Japan's reserve holdings.

STERLING

By early 1981, the British economy had shown substantial improvements in both price and current-account performance. Inflation had fallen back for several months to single-digit rates from the level of 20 percent or more a year earlier. The current account moved into a surplus of $6.6 billion for 1980, making the year-on-year improvement of $10 billion the largest of any industrial country and in sharp contrast to the general experience. These considerable achievements reflected a continued expansion of North Sea oil exports and an improvement in the non-oil terms of trade. They also reflected a sharp slashing of inventories, which was but one feature of the severe recession that had gripped the economy for more than a year. Indeed, with corporate profits squeezed by persistently high interest rates, wages, energy prices, and a strong pound, British companies had also been forced to reduce fixed investment and to lay off workers in order to restore their liquid-asset positions. Even so, the growth of sterling M-3 remained well above its target range, reflecting the continuing demand for bank credit, the unexpectedly large public-sector borrowing, and the ending of the supplementary special deposit scheme in June 1980. The Bank of England, therefore, kept monetary policy restrictive, and British interest rates had been slow to decline.

Britain's improving external position and relatively high interest rates had combined to push sterling up to a six-year high against the dollar and to rise even further against the continental currencies. By the end of January, however, the pound eased back to trade around $2.3630 against the dollar and was at 104.4, according to a new trade-weighted index adopted by the Bank of England on February 2. Meanwhile, the British authorities had taken advantage of the strength of sterling to repay before maturity a number of international loans taken up in the mid-1970s. As a result, British foreign exchange reserves were down from their 1980 highs but still stood at $18.7 billion.

By early February, the pace of capital outflows had accelerated, as U.S. interest rates had become unexpectedly firm, and the dollar was generally strong in the exchanges. Although nonresidents continued to add to their sterling balances, there was increasing evidence that British residents were taking advantage of the elimination of exchange controls to diversify their investment portfolios into other currencies. Moreover, the protracted recession in the United Kingdom was weighing more heavily on market psychology. The persistent strength of sterling had generated bitter complaints from British industrialists over narrowing profit margins and declining product market shares. The rate of unemployment was rising more quickly and headed toward 10 percent. Also, a government decision to modify its plans for closing uneconomic coal mines, following an outburst of strikes by the nation's coal miners, was interpreted in the press as indicating the government's willingness to ease stringent policies aimed at making the economy work more efficiently. As a result, expectations developed in the market that the U.K. authorities might take advantage of the improvements both in inflation and in the current account to soften the restrictive policy stance and to provide some stimulus to the domestic economy.

Therefore, as the market awaited the March 10 budget, talk circulated that the authorities would cut the minimum lending rate by perhaps as much as 3 to 4 percentage points and allow a downward adjustment in the exchange rate as a means of stimulating economic activity. In this environment, the pound eased back against the dollar in line with other European currencies. But after mid-February, when interest rates in a number of other European currencies were sharply increased, commercial leads and lags moved heavily against sterling and some OPEC members shifted funds out of the pound. As a result, by early March the pound broke stride with the currencies of the Continent and fell against the dollar some 8 percent to as low as $2.1750.

For their part the authorities remained concerned about the possibility of a resurgence in monetary growth and inflation and about the persistence of a large public-sector borrowing requirement. In his March 10 budget speech, Chancellor Howe reiterated the government's determination to maintain a restrictive policy stance until inflation came under control and called for increases in indirect taxes to reduce the projected public-sector borrowing requirement by £ 3 billion to £ 10½ billion. This tightening of fiscal policy was coupled with a 2 percentage point reduction of the central bank's minimum lending rate to 12 percent per annum as well as with the lowering of the target for sterling M3 growth to a 6 to 10 percent annual range. The lowering of the minimum lending rate had already been discounted in the money and exchange markets. After the uncertainties about the budget had been cleared away, sterling moved up along with other European currencies as U.S. interest rates eased back from earlier highs. Thus, the pound recovered to $2.2960 around mid-March on a reflow of capital and a reversal of previously adverse commercial leads and lags. Against the dollar, sterling was a net 3 percent lower from the levels at the end of January. Against other European currencies, it was also lower by about 7 percent, so that in effective terms the pound was trading about 100.2, a decline of 4 percent.

By April, British interest rates had settled around levels similar to those in Germany. Anecdotal information suggested that the economy was leveling off. But actual economic and financial trends were unusually difficult to monitor. A civil servants' strike had the effect of both delaying tax payments to the Exchequer and impeding the collection of key trade and financial statistics. The Bank of England was proceeding with its plans to change operating techniques for monetary control so as to increase the role of market forces in determining short-term interest rates. And, as each step of the process was announced, the markets were somewhat unsure of the near-term implications. The pound eased along with other currencies against the dollar throughout the spring. By late May, it was about 10 percent lower at around $2.07. In effective terms, it was trading at 98.8.

During June the focus of market attention shifted to sterling. For some time, the energy situation had shielded the pound from a number of adverse factors. These included Britain's loss of competitiveness arising from earlier high rates of inflation and a strong exchange rate, a seriously deteriorating economy, and a weakening of political support for the government's continuing restrictive policies. Thus, when an increasing oversupply of oil internationally prompted a significant cut in the price of North Sea crude, an important element of favorable market psychology was shattered and the vulnerability of sterling began to show through.

The pound, therefore, came under heavy selling pressure during June and July, dropping through the psychologically important level of

$2.00. Market participants were doubtful that the government would support the rate through a large increase in interest rates in view of the continuing recession. Talk circulated in the markets that exchange controls might be reimposed, prompting even further selling of sterling.

Thereafter, sterling stabilized, as British interest rates rose after the Bank of England began providing funds to the money market above rather than at the minimum lending rate. Also, following the resolution of the civil servants' strike, a pickup in tax collections was expected to tighten liquidity even more. The abatement of civil disturbances gave an additional lift, while Prime Minister Thatcher's proposal of a modest spending program to encourage private-sector hiring of young people was not viewed as a significant departure from past restrictive policies and thus tended to reassure the exchange markets. As a result, sterling traded around $1.84 on July 31, for an overall decline of 22¼ percent against the dollar for the six-month period. In effective terms, the pound declined 11¼ percent to 92.5 at the end of July.

Meanwhile, over the six-month period the Bank of England maintained its policy of intervening lightly on both sides of the market to smooth out sharp fluctuations in the rate. Accordingly, during the period under review, the U.K. external reserves were affected mainly by the repayment and prepayment of loans. Britain's foreign exchange reserves declined $5.1 billion over the six-month period to $13.6 billion on July 31.

French Franc

By the beginning of the period under review, the French economy had moved into a recession that was to prove deeper and more protracted than many of the slowdowns then taking place elsewhere on the Continent. Industrial production was down 10 percent from the level of the previous year, and unemployment had risen in line with the growth of the labor force to 7.3 percent. At the same time, the sharp increase in oil prices of recent years and lagging productivity growth had contributed to a weakening of France's external position and a worrisome deterioration in its price performance. France's current account had swung back into a deficit of $7 billion, and inflation had accelerated above the two-digit level once more to a rate of 13 percent.

Faced with these setbacks to the five-year program of economic stabilization, the French authorities remained committed to the priorities of curbing inflation and maintaining the strength of the French franc. Whatever stimulus that had been provided to the economy in 1980 and again in late February 1981 was modest in size and was intended to contribute eventually to export competitiveness. Monetary policy remained restrictive. The Bank of France had reduced its growth target for M2 for 1981 to 10 percent, and the already tight limits on banks' credit growth were lowered 1 percentage point on average. Interest rates in France remained high relative to interest rates in most other countries on the Continent. In addition, the government continued to encourage large enterprises in France to take advantage of capital markets abroad to finance on a long-term basis large investment projects at home.

In the exchange markets, the current-account deficit continued to be more than offset by capital inflows, reflecting the attraction of interest-sensitive funds from abroad and efforts of domestic residents to meet local financing needs in foreign currencies. In addition, the market's attitude toward the French franc was generally more positive than for other European currencies. France's current-account deficit, though a source of concern, was considerably smaller than the one for Germany, its principal trading partner. The government's fiscal deficit, though greater than the preceding year, was only 1½ percent of overall gross national product, so that financing the deficit was not as much of a burden as in many other countries. France's traditionally good relations with Middle Eastern countries were generally thought in the market to make it easier for France to attract funds from investors seeking an alternative to the dollar. These long-standing ties were also thought to help protect the nation from short-run disruptions in oil supplies, while France's commitment to the development of nuclear energy was seen as providing a more secure energy source in the longer run. Moreover, with the approach of presidential elections later in the spring, market participants believed that the government would take extraordinary steps if necessary to bolster the franc should it come under selling pressure. Meanwhile, France's foreign exchange reserves had swelled to an impressive \$26.5 billion by January 31.

In this positive psychological climate, the franc had traded at or near the top of the EMS for almost two years, even as it declined against the generally rising dollar to FF 4.90 by the end of January. Early in February, the franc continued to decline more slowly against the dollar than did the other EMS currencies, falling some 4½ percent to FF 5.1150 by midmonth. Within the EMS, it remained at its upper intervention limit and the French, German, and Belgian central banks intervened to keep the franc within its 2¼-percent band. In late February, however, the French franc fell below the German mark in the EMS, following action by the German Federal Bank to raise interest rates in Germany. With French interest rates increasing not as rapidly as elsewhere, funds shifted out of francs and commercial leads and lags swung from francs to marks. Thus, by early March the franc had settled about ¼ percent below the mark in the EMS. Against the dollar, it fluctuated in line with other European currencies, recovering by the end of March to early-February levels. Nevertheless, France's foreign exchange reserves continued to strengthen, rising \$1.3 billion over the February to March period, to \$27.8 billion, reflecting in part intervention within the EMS.

Within France, the performance of the economy was becoming a matter of increasing public debate. Output had stabilized, but there was little evidence of an upturn. Unemployment was rising even more rapidly than before. Inflation remained high. And the current-account deficit showed no sign of narrowing. In the exchange markets the franc continued to be bolstered by relatively high nominal interest rates through mid-April. Thereafter, as the electoral contest went through the first round of a two-stage voting procedure and forecasters indicated that the outcome would be close, some international investors began moving funds out of the franc. But, with the Bank of France now intervening to keep the franc from slipping within the EMS, the rate continued to hold steady against the mark. In this manner, the franc declined 8¼ percent against the dollar to FF 5.3950 by May 8, just prior to the second round of voting.

Mitterrand's election came as a surprise to the exchange markets. With the Paris stock market plummeting, massive amounts of funds began to be moved out of the franc. These flows largely took the form of commercial leads and lags but also represented withdrawals of deposits and liquidations of investments. These selling pressures quickly pushed the franc from the middle to the floor of the joint float and to FF 5.5875 against the dollar late in May.

The authorities responded quickly to contain these selling pressures. The Bank of France intervened heavily to keep the franc within its 2¼-percent band against the mark. Effective May 14, the central bank raised reserve requirements on sight deposits and eliminated the special reserve requirement on nonresident deposits that had been imposed to curtail capital inflows late in 1980. Also, it raised the discount rate on seven-day Treasury bills by 4½ percentage points to 18 percent, while day-to-day rates in the money market jumped from 13½ to 16 percent. At the same time, leading economic advisers to the new president reaffirmed France's commitment to the EMS arrangements.

Once in office the new government took further action to stabilize the franc by tightening exchange controls. With respect to trade financing, it reduced the scope for leading and lagging commercial payments and receipts to one calendar month (retroactive to May 1). Regarding portfolio investment in foreign currencies, residents were required as of May 22 to purchase the exchange from other residents, thereby establishing a separate market for these transactions and removing them as a source of pressure on the exchange rate. For its part, the Bank of France hiked its discount rate on seven-day Treasury bills another 4½ percentage points to 22 percent and day-to-day interest rates moved up as high as 20 percent.

In response to these stringent moves, the franc came into demand as exporters scrambled to convert foreign currency receipts ahead of the month-end. By the end of May, therefore, the franc was off its lows against both the mark and the dollar. Thereafter, the new exchange control measures were expected to generate a continuing reversal of leads and lags well into the summer. Also, the tightening of credit conditions and the sharp rise in Euro-French franc interest rates to around 25 percent helped discourage nonresident outflows. Thus, the franc soon settled in around the middle of the EMS, a position it was generally to maintain through the end of July.

As a result, the franc traded comfortably within the EMS during the June 21 parliamentary elections that provided a sufficient majority to the new government to implement its economic program. By July, the authorities were proceeding with a program to reduce unemployment by expanding the economy and increasing its productive potential, while also carrying through a long-standing plan to nationalize key sectors of the economy. In particular, they announced plans to increase social-benefit expenditures, to raise the minimum wage, and to establish new programs for education, housing, and industrial retraining.

Even with tax increases to generate more revenue, the fiscal deficit was expected to double for 1981. The government also moved forward with plans to nationalize 11 industrial groups. Commercial bank lending ceilings were raised and minimum reserve requirements lowered to allow greater expansion of bank lending.

With the exchange markets now more settled, the Bank of France was also able to permit short-term interest rates to decline gradually, so that by the end of July the central bank's discount rate on seven-day Treasury bills was down to 18½ percent and day-to-day rates had eased to 17¾ percent. Even so, the market remained pessimistic over the outlook for the franc because France had adopted strongly stimulative policies while other countries were still emphasizing restraint. With the dollar rising across the board, the franc eased by the end of the month to FF 5.8775, down 20 percent on balance for the six-month period. Even within the EMS the market found reason to contrast the recent reflationary measures of the French government with the budget-cutting efforts taking place in Germany, especially after the Ottawa summit meetings. Even so, the franc held its own around the middle of the joint band to close the period trading at FF 2.3728 against the German mark, down 3¼ percent on balance over the six-month period. Meanwhile, France's foreign exchange reserves, which had dropped $4.5 billion during May and June, declined only another $558 million to $22.6 billion, to register a net decline of $3.8 billion from February to July.

Italian Lira

The Italian lira was under considerable downward pressure coming into the period as the market responded to a swing in Italy's current account back into heavy deficit, the persistence of relatively high inflation at home, and the lack of progress in containing government expenditures and curbing the public-sector deficit. The $15 billion deterioration in Italy's current account over 1980 to a $10-billion deficit had reflected in part an adverse turn in Italy's terms of trade resulting from the sharp increase in dollar prices for energy and other imported products. It reflected as well the weakening demand in Italy's principal export markets. In addition, the rapid pace of inflation, at 20 percent by late 1980, had brought into question the competitiveness of Italy's export sector, especially in those countries participating in the fixed exchange rate arrangement of the EMS. Moreover, the large and growing public-sector deficit, which amounted to 11 percent of gross domestic product, further clouded the prospect for reducing inflationary pressures in the near term. That deficit reflected a number of deep-seated problems including the high level of wage settlements, the pervasiveness of a wage indexation system, and the lagging productivity growth and weakening capital structure of Italy's large government-enterprise sector.

These problems had come into focus early in 1981 in the absence of progress in improving price or trade performance at a time when industrial output had rebounded from earlier depressed levels. The government had proposed a medium-term program intended to cut current spending, to stimulate investment, and to finance increased investment spending abroad. But the pace of public spending had quickened and monetary growth had accelerated. In this environment, the lira had fallen against the dollar to a record low in New York trading of LIT 1,004.50 by the end of January. Within the EMS, the lira had required steady intervention support by the Bank of Italy to hold its position. Even so, Italy's foreign currency reserves stood at a relatively high $20.5 billion.

Meanwhile, the task of controlling inflation and supporting the lira in the exchanges had fallen on the Bank of Italy, which acted on January 31 to tighten control over expansion of money and credit. Ceilings on bank lending were extended to include loans under LIT 130 million and foreign currency loans, both previously excluded from limitation. The new ceilings were made effective March 31, at which time loans coming under the new controls were to be reduced to the levels at the end of December and then subject to a new and lower set of growth limits for the remainder of the year. Credit extensions above the limits were made subject to a deposit requirement of 50 percent in noninterest-bearing accounts at the central bank. As before, foreign currency loans to exporters were excluded. These actions improved exchange market sentiment toward the lira early in February. Though the lira eased against the dollar, which was strengthening at the time, it kept generally in line with other currencies in the EMS.

During February, however, the most recent information suggested a further widening of the trade and current-account deficits and intensification of domestic inflationary pressures. As a result, the lira failed to recover late in the month by as much as the currencies of other continental countries, which were being bid up in response to sharp increases in short-term interest rates in their domestic markets. By mid-March the lira had slipped nearly 4 percent against the German mark and was thus requiring intervention support to hold its position within the EMS. As the March 31 deadline approached for cutting back on foreign currency loans under the new credit ceilings, importers and other residents came into the market as buyers of foreign currency. These transactions added to the pressure against the lira, which fell through Italy's divergence threshold within the EMS even as the Bank of Italy stepped up its intervention support. These operations contributed to a decline of $4 billion in Italy's foreign currency reserves during February and March.

In response to these exchange market pressures, a series of actions were taken to support the lira over the weekend of March 21–22. They included a 6 percent downward adjustment of the lira's central rate within the EMS, which was reflected in the market by a 2½-percent depreciation against the dollar. Also, to absorb liquidity the Bank of Italy hiked reserve requirements from 15¾ percent to 20 percent above the levels at the end of February on both resident and nonresident lira-denominated bank deposits. It also raised the discount rate by 2½ percentage points to 19 percent, the first change in this rate since September 29, 1980. In addition, the government announced its intention to propose measures to Parliament to offset the potential effect on the government deficit of several budgetary amendments passed by Parliament in preceding weeks. The proposals focused on cuts in current spending in line with those announced during the winter, which, when approved by Parliament, would be sufficient to bring the projected deficit for the government in 1981 back to the LIT 37.5 trillion level originally envisaged.

After these measures and as a result of its new EMS parity, the lira moved from the bottom to near the top among the EMS currencies. Also, the expansion of money and credit began to slow in response to the tightening of monetary policy. Skepticism remained, however, over the fiscal situation. As a result, the lira soon began to ease toward the middle of the EMS and the Bank of Italy intervened on occasion to limit any slippage.

During April and May, as U.S. interest rates had again turned higher, short-term funds were drawn increasingly from Italy. Thus, the lira became more vulnerable to downward pressure. Moreover, at home Italy's inflation problem had again become a major focus of public debate. Exchange market participants took note that the Parliament had not yet acted on either the short-term austerity measures proposed by the government in March or the three-year program under discussion for months. In addition, a major political controversy diverted attention away from economic matters. When it reached a crisis in late May that brought down the Forlani government, any chance of near-term action on policy initiatives evaporated. Moreover, by the end of May, Italy's foreign exchange reserves had dropped a further \$2 billion to \$14.5 billion.

To address the immediate pressures in the exchange and financial markets, the Forlani government—acting in a caretaker capacity—imposed an austerity program by decree that included increases in certain public charges and cuts of 5 to 10 percent in some categories of government spending. These actions were intended to reduce the government deficit by about 7½ percent in 1981 if approved by Parliament within 60 days. The government simultaneously imposed an import deposit scheme, also by decree, which required that all purchasers of foreign exchange place with the Bank of Italy a 90-day noninterest-bearing deposit equal to 30 percent of the exchange transaction. These deposits had the effect of increasing the cost of payments in foreign currency as well as cutting into credit available for domestic purposes.

After these actions, the lira traded more comfortably within the EMS, enabling the Bank of Italy progressively to scale back its intervention support of the currency. Against the dollar, the lira continued to decline but, in contrast to preceding months, no more rapidly than other continental currencies. During July the formation of a new government under the Republican Giovanni Spadolini and the onset of seasonal inflows from tourism gave additional support to the lira. The Bank of Italy then became a sizable net buyer of dollars for the first time during the period under review. By the end of July, the lira was trading at LIT 1,227.50, down on balance 22¼ percent against the dollar and down 5 percent against the German mark. Meanwhile, Italy's foreign currency reserves rose \$2.0 billion after the end of May to \$16.5 billion at the end of July for a \$4.0 billion decline over the six-month period under review.

Other Currencies within the European Monetary System

In early 1981, the countries whose currencies are members of the EMS joint floating arrangement faced similar problems. Most were dependent on capital inflows to finance current-account deficits. Fiscal deficits had grown and were exerting increasing strains on domestic capital markets, and inflationary pressures appeared to be accelerating even as the domestic economies were weakening. Although monetary policies were generally restrictive, slowdowns in the domestic economies and rising unemployment were seen in the market as constraining the authorities from increasing interest rates further to maintain the currencies' attractiveness to international investors and portfolio managers. Some countries had been able to attract substantial amounts of private funds, and others looked to government-arranged loans from abroad as a means of achieving external balance and stabilizing their currencies within the joint float. But, in either case, the EMS currencies were vulnerable to capital outflows attracted by relatively high interest rates in other countries and to an increasingly bullish sentiment toward the dollar. As a result, these currencies were continuing to decline as the six-month period under review opened.

Within the EMS there were also considerable strains and the 2¼-percent band for all but the Italian lira was fully stretched. Requiring persistent support at the bottom of the band was the Belgian franc, along with the German mark. The Belgian franc was weighed down by concern over a domestic economy that was undergoing difficult structural adjustment, experiencing rising unemployment, and suffering from a fiscal deficit that had mounted to more than 10 percent of gross national product. The current-account deficit also was large, and both deficits were being financed to a large extent through government-arranged loans denominated mostly in dollars and other Eurocurrencies. Close behind the French franc at the top of the band was the Dutch guilder. It was helped by the relatively favorable current-account position of the Netherlands and interest rates that were high enough to continue to attract nonresident investment in long-term bonds denominated in guilders. The Danish krone and Irish pound fluctuated around the middle of the band, and the Danish and Irish authorities relied heavily on conversions of foreign borrowings to keep their currencies trading comfortably within the joint float.

This configuration of currencies changed abruptly in mid-February, when the German authorities reacted to intensifying selling pressure against their currency by tightening monetary policy. German interest rates rose considerably, especially rates on call money, and the mark snapped up within the EMS, rising from the bottom to the top of the joint float. As the mark advanced within the EMS, the French franc and Dutch guilder came under modest selling pressure against the mark. But these pressures were soon contained and the currencies stayed in the upper half of the European Community (EC) band after the Bank of France and the Netherlands Bank, following quickly on the measures of the German Federal Bank, raised their own interest rates by 1 to 1½ percentage points. The Danish krone and the Irish pound eased into the lower half of the joint float but were kept from falling further by modest intervention.

This changing configuration of currencies within the EMS left the Belgian franc all the more exposed at the bottom of the joint float. Belgium's fiscal and current-account deficits continued to deteriorate. The authorities were reluctant to raise domestic interest rates because the economy was still weak and labor unrest was already festering in some of the most depressed industries. The coalition government was having difficulty agreeing on a program of expenditure cuts and other measures to reduce the fiscal deficit. And the prolonged negotiations on economic policy were casting doubt in the exchange markets about the government's ability to deal with the country's economic problems.

Against this background, the Belgian franc remained pinned to its lower intervention point as the EMS group of currencies gained against the dollar late in February. In March, following a downward adjustment of the Italian lira, which put it in the upper half of its new band, the franc was exposed to even greater selling pressure. Heavy support had to be provided for the Belgian franc mainly by sales of German marks and French francs. The Belgian National Bank increased its official lending rates in stages over the month. By March 26, its discount rate was up 1 percentage point to 13 percent and its Lombard rate was up 3 percentage points to 15 percent. Also during the month, the government announced parts of its program to cut the fiscal deficit by BF 30 billion. However, the pressures against the Belgian franc remained intense as continuing shifts in commercial leads and lags aggravated the exchange market impact of the large current-account deficit. On March 30, the government resigned, and immediately thereafter the National Bank hiked its discount and Lombard rates another 3 percentage points. It also imposed measures to ensure that financial institutions would not restore their liquidity by unloading government debt and would not add to outflows of capital by extending credits to the private sector. To restore confidence in the franc, a one-month freeze on wholesale and retail prices was imposed effective April 2. These new initiatives helped ease the immediate pressures against the Belgian franc.

During April and early May, trading became more comfortable within the EMS, which nevertheless declined progressively against a generally strengthening dollar. The mark remained at the top of the band, providing the German Federal Bank an opportunity to improve its position within the FECOM by acquiring small amounts of other EMS currencies in the market and by having its currency used in intervention to support other EMS currencies. The Belgian franc gradually came into better balance, moving off the floor of the EMS in a favorable reaction to the tightening of monetary policy. The Dutch guilder, by contrast, declined into the middle of the band as the market reacted to the failure of Dutch interest rates to keep pace with those abroad and to uncertainties ahead of parliamentary elections. The Danish krone also eased slightly within the joint float, while the Irish pound stayed near the bottom of the band. Intervention by the central banks of Belgium, the Netherlands, Denmark, and Ireland was modest and conducted mostly in dollars to stabilize the position of their currencies in the EMS. As the French presidential elections moved through the first round of balloting, by contrast, official purchases of francs against both marks and dollars became heavy as the Bank of France acted to steady the franc in the middle of the joint float.

Later in May, the announcement of Mitterrand's victory in the French presidential elections brought the French franc under immediate pressure in the EMS and generated skepticism in the market over the commitment of a new French government to the EMS institutions. The French authorities soon acted to support their currency by tightening exchange controls and by raising interest rates sufficiently to trigger some reversal of leads and lags. In addition, to reassure the markets, both President Mitterrand and Chancellor Schmidt publicly reaffirmed their intention to cooperate in upholding the EMS arrangements. Meanwhile, the Dutch guilder, aided by fairly moderate but persistent intervention by the Netherlands Bank, managed to maintain its position in the upper half of the joint float. Also, the Danish krone and the Irish pound remained stable within the EMS.

During June and July, the Belgian franc came under renewed selling pressure as the market reacted to a progressive lowering of domestic interest rates and to the new government's lack of progress in reducing the fiscal deficit. The central banks met this pressure with forceful intervention, however, and by late July the currency had stabilized within its EMS band. Nevertheless, the market remained concerned about the prospects for EMS countries, individually and collectively. With sentiment toward the dollar becoming increasingly bullish during the summer, the EMS currencies as a group weakened further. By the end of July, the EMS currencies had declined against the dollar by 16¼ percent to 22¼ percent on balance over the six-month period.

CANADIAN DOLLAR

The Canadian government sought to harness Canada's rich natural resources to generate higher economic growth and to curb the deeply entrenched inflationary pressures. Its plans for achieving these objectives were embodied in proposals submitted late in the year to Parliament for the 1981 budget and for a national energy program. According to the budget, the federal deficit would be substantially reduced over several years with cuts, among other things, in transfers to the provinces in the context of the next federal–provincial review of financial arrangements in 1982. The largest contribution to cuts in the fiscal deficit, however, came from changes in taxation and subsidies proposed in the energy program. According to the proposed energy program, the federal government would unilaterally establish a single price for crude oil at levels, though higher than before, still well below international levels. Unification of domestic and imported crude oil prices would be achieved through new levies and a gradual elimination of the direct government subsidy on imported oil. Incentives for exploration and development would be provided in amounts varying largely with the degree of Canadian ownership and control of the enterprises concerned. A federal tax on oil and gas revenues, together with the increased levies, would considerably increase federal revenues.

In the exchanges, market participants questioned whether adequate incentives would remain to maintain the momentum of exploration and development and to continue to attract the sizable inflow of investment from abroad that had buoyed the currency over previous years. In addition, the pricing and revenue provisions, together with other elements of the budget, raised complex issues about the relationship between the federal and provincial governments. Late in the year, the Canadian dollar had come under selling pressure in the exchange markets, dropping to its lowest levels since the 1930s. The Bank of Canada had responded forcefully to these selling pressures by intervening heavily to cushion the Canadian dollar's decline and by raising short-term interest rates. As a result, the market had come into better balance and the spot rate had recovered somewhat. It was still trading, however, not far above its recent lows at Can.$1.1948 by the end of January. Meanwhile, Canada's foreign currency reserves stood at $1.4 billion, and the government's outstanding borrowings under its $3.0 billion credit line with foreign banks amounted to $300 million. Its $2.5 billion credit line with Canadian-chartered banks remained fully available. (The latter credit line was increased to $3.5 billion in June 1981.)

By February a more positive attitude developed for the Canadian dollar. Canada's trade position had benefited from earlier shifts in the terms of trade and an improved competitive position. The trade surplus had climbed to an annual rate of $10 billion in the last quarter of 1980, swinging the current account into an uncharacteristic surplus at a time when most industrialized countries were in deep current-account deficit. Also, the Canadian economy was particularly buoyant late in 1980, led by expanding exports. This pickup in activity contrasted with the developing slowdown in much of Europe and Japan.

The unexpected pickup in economic activity and ensuing resurgence in M1 provided the basis for the monetary authorities to put upward pressure on short-term interest rates. In addition, the persistently high level of interest rates in the United States and the potential for interest-sensitive outflows to put renewed selling pressure on the Canadian dollar, and thereby to exacerbate the inflationary situation, suggested the desirability of allowing Canadian interest rates to move gradually higher. Thus, Canadian interest rates continued to increase in early March, even as U.S. interest rates subsequently edged lower, so that the usual pattern of interest rate differentials favorable to Canada was reestablished. Also, on February 13, the Bank of Canada, in announcing its monetary growth targets for the new year, cut the 1981 range for M1 expansion 1 percentage point to a range of 4 to 8 percent.

In response to these various factors, the Canadian dollar strengthened in the exchanges by about 1½ percent to around Can.$1.1783 by mid-March. The Bank of Canada, continuing to intervene to moderate short-run fluctuations in the currency, was a net purchaser of dollars in the exchanges, as is reflected in the $378 million increase in foreign exchange reserves during February and March.

During the second quarter, however, the outlook for the Canadian dollar became more guarded. Negotiations to resolve disagreements over pricing of oil and gas were dragging on without clear results. Pending resolution of these issues, the principal energy-producing province of Alberta had started to cut back oil production and these cutbacks were leading to a previously unexpected increase in Canada's oil-import bill as well as clouding prospects for the anticipated increase in federal government revenues. Also, in the context of a federal government proposal to repatriate the Canadian constitution, a number of issues relating to the relationship between the federal and provincial governments were being reviewed by the courts. Meanwhile, a first-quarter slackening of export demand, particularly to the United States, had cut into Canada's trade surplus, and the current account appeared to be returning to deficit. Moreover, domestic inflation had accelerated, spurred partly by increases in energy prices, and the consumer price index was now rising to an annual rate in excess of 12 percent. Also, wage settlements had failed to moderate, a number of industries were being hit by labor strikes, and difficult wage negotiations were approaching. Partly for domestic reasons and partly in response to a renewed rise in U.S. interest rates, the Bank of Canada allowed Canadian rates to move up further. Initially, however, Canadian interest rates did not keep pace with those in the United States so that by mid-April the previously favorable interest differentials had eroded. Thus, the Canadian dollar eased against the rapidly rising U.S. dollar through the spring. But it continued to move higher against the other currencies, which were weakening more rapidly against the U.S. currency.

Nevertheless, Canada headed back toward its traditional pattern of current-account deficit financed by capital inflows. Canadian entities had significantly stepped up their borrowing activities in the United States. With the Canadian dollar still close to its historic lows against the U.S. dollar and the monetary authorities having demonstrated determination to defend the rate, many borrowers took advantage of the relatively firm U.S. currency to borrow abroad and convert the proceeds to finance domestic needs. At the same time, however, Canadian residents sought to make direct and portfolio investments abroad, both in the energy sector to take advantage of more rapid price increases than permitted at home and in other natural resource industries. Canadian investors were also purchasing foreign-owned assets in Canada. In this connection, a few foreign-owned companies in Canada became targets of unsolicited takeover bids, and widely publicized fights for control drew attention to the impact of the new pricing and tax provisions favoring Canadian ownership in the energy sector. As market participants considered the implications for capital flows and debt-servicing requirements of shifting ownership of the natural resource industries to Canadian ownership, the Canadian dollar became increasingly vulnerable in the exchanges.

Indeed, in July the Canadian dollar came under extreme downward pressure in a selling wave that was precipitated by a few large commercial orders. Once the decline began, market participants focused their attention on other factors that were also adverse for the Canadian dollar. With the U.S. dollar rising sharply against other currencies at the same time, the Canadian dollar fell further. To steady the market, the Bank of Canada bought Canadian dollars heavily in the market. It financed its intervention in part by drawing $700 million under its $3.0 billion facility with foreign banks, leaving its $3.5 billion standby facility with the Canadian chartered banks fully in place. Also, to support the exchange rate, the Bank of Canada moved to push interest rates sharply higher, and by the close of the period the rate on three-month Treasury bills had climbed to slightly over 20 percent, the highest in years. On July 29, the Ministry of Finance announced that it had obtained agreement from the major Canadian banks to curb loans to finance takeovers of foreign companies. This action helped bring the Canadian dollar market into better balance after the period under review. But in the interim the Canadian dollar dropped lower to Can.$1.2344, registering a decline of 3¼ percent for the six months between the end of January and the end of July. Also, at the end of July, Canadian reserves stood at $748 million, down $600 million on balance. □

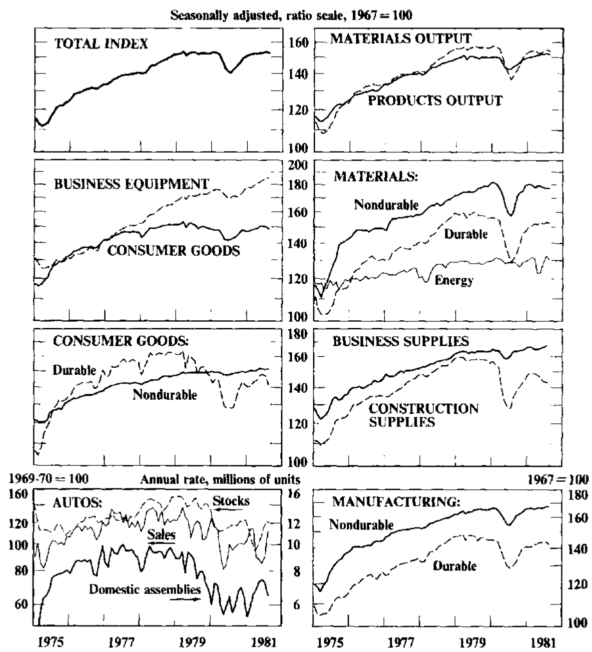
Industrial Production

Released for publication September 16

Industrial production declined an estimated 0.4 percent in August, after a rise of 0.3 percent in July. Most of the decline was due to a reduction in the output of autos, trucks, and parts. Decreases also occurred in the output of home goods, construction supplies, and materials. In contrast, production of equipment continued to advance. At 152.8 percent of the 1967 average, the index for August was 7.5 percent higher than that of a year earlier.

In market groupings, production of consumer goods declined 1.0 percent in August, reflecting a large reduction in the output of consumer durable goods. Autos were assembled at an annual rate of 6.5 million units—more than 10 percent below the rate in July; production of small trucks for consumer use was reduced even more sharply. In addition, the output of home goods declined 1.8 percent, mainly because of a sharp cutback in production of appliances. Output of equipment—both business and defense—advanced further in August. Increases in commercial equipment and in building and mining equipment more than offset a decrease in the output of transit equipment.

Output of materials declined ½ percent, reflecting a reduction in output of metals such as steel and of parts for consumer durable goods. A



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

Major market groupings

Grouping	1967 = 100		Percentage change from preceding month					Percentage change, Aug. 1980 to Aug. 1981
	1981		1981					
	July[p]	Aug.[e]	Apr.	May	June	July	Aug.	
Total industrial production	**153.4**	**152.8**	**−.1**	**.5**	**.1**	**.3**	**−.4**	**7.5**
Products, total	152.4	151.9	.4	.7	−.1	.1	−.3	5.1
Final products	151.6	151.1	.6	.9	.1	.1	−.3	5.4
Consumer goods	150.0	148.5	.4	1.2	−.2	−.3	−1.0	3.9
Durable	146.8	141.4	.5	2.1	.5	−.8	−3.7	10.2
Nondurable	151.2	151.4	.4	.9	−.5	−.1	.1	1.8
Business equipment	184.5	185.4	.9	.6	.8	.5	.5	8.4
Defense and space	102.4	102.9	.8	.5	−.3	.7	.5	5.3
Intermediate products	155.3	155.1	−.5	−.1	−.7	.2	−.1	4.2
Construction supplies	143.2	142.9	−.7	−.9	−2.0	−.3	−.2	6.6
Materials	155.0	154.3	−1.0	.3	.4	.6	−.5	11.2

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

Major industry groupings

Grouping	1967 = 100		Percentage change from preceding month					Percentage change, Aug. 1980 to Aug. 1981
	1981		1981					
	July[p]	Aug.[e]	Apr.	May	June	July	Aug.	
Manufacturing	153.0	152.5	.3	.5	−.2	.3	−.3	8.0
Durable	143.5	142.4	.3	.7	−.3	.3	−.8	9.6
Nondurable	166.9	167.0	.4	.3	−.2	.5	.1	6.0
Mining	145.6	145.2	−5.6	.1	4.1	3.3	−.3	12.0
Utilities	171.3	170.3	−.1	1.8	1.1	−.7	−.6	−1.3

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

large decline occurred in energy materials due to a decrease in the output of coal, after its sharp poststrike rebound, and to some reduction in the generation and use of electricity.

In industry groupings, output of manufacturing industries was reduced 0.3 percent, with a decline of 0.8 percent in durable goods manufacturing and a slight increase in nondurable goods. Declines also occurred in the output of mining industries and utilities.

★ ★ ★

The industrial production index has been revised from January 1980 to date in order to include more recently available data and new seasonal factors. A complete listing of the individual components, their sources, weights, and SIC codes is available from the Business Conditions Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

The revised monthly data for the total index (seasonally adjusted, 1967=100) follow:

Month	Revised	Old	Difference
1980			
January	153.0	152.7	.3
February	152.8	152.6	.2
March	152.1	152.1	.0
April	148.2	148.3	−.1
May	143.8	144.0	−.2
June	141.4	141.5	−.1
July	140.3	140.4	−.1
August	142.2	141.8	.4
September	144.4	144.1	.3
October	146.6	146.9	−.3
November	149.2	149.4	−.2
December	150.4	151.0	−.6
1981			
January	151.4	151.7	−.3
February	151.8	151.5	.3
March	152.1	152.2	−.1
April	151.9	152.2	−.3
May	152.7	153.0	−.3
June	152.9	152.9	.0
July	153.4	153.4	.0

Announcements

New Discount Rate

The Federal Reserve Board on August 20, 1981, established a new borrowing rate for extended credit to banks and thrift institutions that are under sustained liquidity pressures.

The new discount rate will be the basic rate of 14 percent for the first 60 days of borrowing, 15 percent for the next 90 days, and 16 percent thereafter. The basic discount rate of 14 percent and the 4 percent surcharge that applies to large, frequent borrowers of short-term adjustment credit were not affected by this action.

The Board acted at this time in view of several applications received in recent weeks for borrowing under the extended credit program. This program was established and described in the revision of Regulation A governing extensions of credit by the Federal Reserve Banks following the passage of the Monetary Control Act of 1980.

The program is available to commercial banks and thrift institutions alike, including member institutions of the Federal Home Loan Bank System. In this latter connection, in an exchange of letters between Chairman Pratt of the Federal Home Loan Bank Board and Chairman Volcker of the Federal Reserve Board, Chairman Pratt indicated that "it is now desirable and prudent for the Federal Home Loan Bank System to encourage the Federal Reserve to supplement its own efforts in funding members' liquidity needs."

In his response, Chairman Volcker said: "we greatly appreciate your cooperation, and that of your staff, in developing practical approaches to our provision of extended credit to members of the Federal Home Loan Bank System."

The Federal Reserve's extended credit program is designed to help commercial banks, savings and loan associations, savings banks, and credit unions adjust to sustained liquidity pressures. The Federal Reserve noted that deposit growth in the thrift industry has continued over this year and the industry in general has sustained a high level of liquidity despite pressure on the earnings of individual institutions.

In taking the action, the Board acted on requests from the boards of directors of the Federal Reserve Banks of New York, Philadelphia, and Dallas. The discount rate is the interest rate that is charged for borrowings from the District Federal Reserve Banks. The Board also adjusted the rate for "extended credit for special circumstances" to conform with the rate structure for "other extended credit."

Subsequently, the Board approved similar requests from the Reserve Banks of Richmond, Atlanta, Minneapolis, and San Francisco, effective August 21; of Cleveland and St. Louis, effective August 25; of Chicago and Kansas City, effective August 27; and of Boston, effective September 3.

Administrative Guidance for Implementing Regulation A

Following is the text of a letter sent September 2 from Chairman Volcker to Chairman St Germain of the House Committee on Banking, Finance and Urban Affairs regarding use by the thrift industry of the discount window:

Your letter of September 1 asks about the present status of thrift industry use of the discount window. As you know, consistent with the Monetary Control Act of 1980, the Federal Reserve System extends credit at the discount window on the same terms and conditions to banks and other depository institutions offering transactions accounts or nonpersonal time deposits. Credit is available for traditional short-term adjustment purposes and, as circumstances warrant, to meet longer-term needs in the interest of assuring the sound functioning of depository institutions at time of strains on liquidity. These programs were set forth in the revision of the Federal Reserve Board's Regulation A, published in September 1980.

As I previously noted, almost 500 thrifts as a matter of contingency planning had filed, or were in the process of filing, the general agreement needed before credit can be provided under any Federal Reserve lending program. This number has now grown to about a thousand. Such agreements are a normal part of the System's relationship with eligible depository institutions, whether or not they actually borrow, and virtually all member banks have long had them in place.

In the light of several requests for extended credit by thrifts, the Federal Reserve recently announced discount rates applicable to extended credit for depository institutions facing sustained liquidity pressures. Applications for such credit thus far have been fairly limited, but a more sizable number of thrifts have indicated they plan to apply. Many have specifically asked about the conditions under which they would be eligible to borrow under the extended credit program.

In all its lending programs, the Federal Reserve acts essentially as lender of "last resort"—that is, borrowing institutions are expected to borrow from the Federal Reserve for liquidity purposes only when other sources of funds are not reasonably available. This long-established principle grows, among other considerations, out of need to reconcile Federal Reserve lending policies with the basic requirement that the growth of Federal Reserve credit—of which Federal Reserve loans are one component—be restrained to amounts appropriate to meet objectives with respect to monetary and credit expansion.

Accordingly, to be eligible for discount window credit at the Federal Reserve, a depository institution must show that it has made reasonable efforts, under prevailing market circumstances, to maintain fund flows from usual sources, including special industry lenders. Institutions that, despite such efforts, are experiencing sustained liquidity pressures may obtain advances under the extended credit program. The discount rate applicable to such credit at present is 14 percent for the first 60 days, 15 percent for the next 90 days, and 16 percent thereafter. Advances may be outstanding for up to 9 to 12 months, and if necessary, credit may be extended beyond that period. However, as borrowing is more extended, more rigorous or definite measures to assure ultimate repayment of the loan would be required. The credit will be fully collateralized, with collateral valued at 90 percent of its estimated market price.

The amount of funds available to an individual institution will, of course, depend on an assessment of its need, in consultation with the institution's primary supervisor or special industry lender, as appropriate. If an institution is a member of the Federal Home Loan Bank System, it is expected that its local Home Loan Bank will maintain its outstanding credit to the institution and will ordinarily also provide a portion of the new borrowing need. Other borrowing institutions are expected, as may be reasonable under existing market circumstances, to show evidence of a continuing effort to maintain inflows from deposits and other market sources, and as appropriate to draw on existing bank lines. Moreover, while obtaining extended credit at the discount window, borrowers are expected to draw upon internal liquidity (including federal funds sold) to the extent such liquidity is in excess of their minimum operating needs.

Borrowing under the extended credit program may also involve a number of other asset adjustments by the borrower. Sales of longer-term assets (such as government and government-related securities, corporate bonds, or mortgages) will be encouraged when they can be accomplished without unreasonable loss. Outstanding loan commitments may be accommodated, and some minimal new lending might be needed for an institution to remain viable in serving its immediate community and existing depositors or to meet requirements associated with issuance of "all-savers" certificates. Maintaining a presence in the market in "mortgage banking"—that is, originating and promptly placing loans with other investors—would also be consistent with the program. However, borrowing institutions would not be expected to undertake loan expansion programs beyond this framework.

When the sustained liquidity pressures that caused the institutions to borrow from the Federal Reserve abate, the institution is expected promptly to begin reducing its indebtedness to the Federal Reserve. To insure full understanding and effective administration of the program, each borrower is expected to work out a written plan with the Federal Reserve Bank that details how it expects to strengthen its financial position and encourage a reflow of funds from other sources. The Federal Reserve will, in the process, consult closely with the borrower's applicable supervisory agency.

The administrative guidance provided Federal Reserve Banks as a framework for appraising individual applications under the extended credit program is as follows. It should be understood, of course, that discretion and judgment must necessarily be exercised by the lending officers familiar with the circumstances of the particular borrower.

Administrative Guidance

Eligibility. To be eligible for extended Federal Reserve credit, an institution will have to show that it is experiencing sustained liquidity pressures despite reasonable efforts, under prevailing market circumstances, to maintain fund flows from usual sources, including special industry lenders.

Operating plan. To insure effective administration of the program, each borrower as a condition of the loan is expected to work out a written plan with the Federal Reserve Bank, spelling out a specific method for strengthening its financial position and for encouraging a reflow of funds from private sources within a reasonable period of time. In developing this plan, the Federal Reserve will consult closely with, and expect concurrence from, the borrower's applicable supervisory agencies. Among other things, the plan will include a financial forecast that identifies the institution's expected operating plans, its projected funding needs, the economic assumptions on which these projections are based, and the specific steps the institution intends to take to improve its liquidity position and repay its borrowing. If the urgency of a borrower's need for funds provides insufficient time for working out the full details of the borrowing plan, Federal Reserve credit will at the outset be advanced on a day-to-day basis until the plan for extended borrowing can be completed.

Loan amount. Limits on loan amounts should not be set arbitrarily, given the need for flexibility in accommodating the specific needs of individual institutions. However, in cases when borrowings from the Federal Reserve are relatively heavy, monitoring of loan performance, in concert with the borrower's primary supervisor and insurer, will have to be especially rigorous.

Loan duration. In general, advances under the extended credit program could be expected to be renewed from time to time, but it is anticipated that these advances ordinarily would not be renewed beyond nine to twelve months. However, if a borrower's need justifiably continues beyond a year, the credit may be extended. As a matter of principle, the more protracted the borrowing, the firmer the measures the borrower will be required to take to insure ultimate repayment of the loan. Loan contracts will be drafted in the form of demand obligations, with repayments consistent with these policy guidelines.

Use of other sources of funds. Institutions borrowing under this program will be expected to evidence a continuing effort to maintain deposit inflows. Further, to the extent that borrowing needs result from erosion in other than consumer deposits, borrowers will be expected to evidence a continuing effort to refund discount window credit in these nonconsumer deposit markets where reasonable terms can be obtained. These other markets include, but are not limited to, commercial bank backup lines, repurchase agreements, mortgage warehousing, and large-denomination certificates of deposit.

Reliance on internal liquidity. While using the discount window for this purpose, borrowers will be expected to trim their holdings of cash equivalents (including federal funds sold) to the minimum levels consistent with their operating needs. Also, to the extent practicable, they will be expected to apply temporary excess cash balances to the reduction of discount window loans.

Sales of assets. To minimize drawings of other extended credit, borrowers will be encouraged to cover as much of their funding needs as feasible through the sale of assets (such as government and federal agency securities, GNMA pass-through certificates, corporate securities, and mortgages) when such sales can be accomplished without experiencing unreasonable market losses.

Limits on investment growth. Users of the window under this program will generally be expected to eschew any increase in security investments while borrowing. In addition, cash reflow from maturing obligations should be used, to the extent feasible, to reduce reliance on the discount window.

Limits on expansion of loan portfolio. While obtaining discount window credit under this program, institutions will be permitted to accommodate outstanding loan commitments. While some minimal new lending might be needed for the institution to remain viable in serving the immediate community and existing depositors or to meet requirements associated with issuance of "all-savers" certificates, the institution will not be permitted to engage in an expansion program. Renewed forward commitments may be permitted in the context of a prearranged plan when operating improvements indicate clearly that an institution can repay its debt to the Federal Reserve in the relatively near term.

Collateral procedures. Loan collateral should be held either under a third-party custody arrangement or, if some Reserve Banks believe this to be necessary, at the Reserve Bank itself. Collateral should be valued at 90 percent of its estimated market price and revalued frequently, perhaps monthly.

REGULATION J: AMENDMENT

The Federal Reserve Board amended its Regulation J (Collection of Checks and Other Items and Transfer of Funds), effective August 13, 1981, to conform the regulation to legislation making Federal Reserve check collection services available to all depository institutions.

The revision of the regulation deals with expansion of access to Federal Reserve check collection services in accordance with the Monetary Control Act of 1980. Expanded access to these services became available to all depository institutions when the Federal Reserve began pricing its services on August 1, 1981.

SYSTEM MEMBERSHIP: ADMISSION OF STATE BANK

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

Virginia

Hayes .... First Settlers Bank

Record of Policy Actions of the Federal Open Market Committee

Meeting Held on July 6–7, 1981

1. Domestic Policy Directive

The information reviewed at this meeting suggested that real gross national product changed little in the second quarter, following expansion in the first quarter at an annual rate of 8.6 percent. Average prices, as measured by the fixed-weight price index for gross domestic business product, rose less rapidly than in the first quarter.

The dollar value of retail sales was virtually unchanged in May after having declined appreciably in April. Unit sales of new automobiles remained weak in June; sales in the second quarter as a whole were about one-fifth below the first-quarter rate.

The index of industrial production rose 0.3 percent in May, following an increase of only 0.1 percent in April. A further increase in automobile assemblies in May, to an annual rate nearly 2 million units above the recent pace of sales of domestic models, accounted for more than half of the increase in the total index. Production of business equipment and space and defense products continued to expand, while output of construction supplies fell.

Nonfarm payroll employment, adjusted for changes in the number of workers on strike, continued to advance in April and May but declined appreciably in June; employment fell substantially further in construction and state and local government in June, and it also declined in retail trade. In manufacturing, employment was about unchanged, while the average factory workweek edged down to 40.1 hours. The unemployment rate was 7.3 percent, lower than in May but unchanged from earlier months of the year.

The Department of Commerce survey of business spending plans taken in May suggested that current-dollar expenditures for plant and equipment would rise about 8½ percent in 1981, compared with 10¼ percent reported in the February survey and an actual expansion of about 9¼ percent in 1980. The latest survey results implied little growth in nominal expenditures over the remainder of the year, given the relatively large increase in outlays in the first quarter.

Private housing starts fell 14 percent in May to an annual rate of 1.15 million units, 25 percent below the average pace in the fourth quarter of 1980. Combined sales of new and existing homes in May continued at about the reduced rate of recent months.

Producer prices of finished goods increased 0.6 percent in June, about the same as the April–May average. Over the second quarter producer prices rose at an annual rate of about 7 percent, considerably below the average rate of 12 percent in the first quarter. Prices of consumer foods continued to change little on balance during the quarter; and energy prices, which had surged in the first quarter following decontrol of oil prices, rose at an annual rate of only 5¼ percent. Price increases for other finished goods on the average were somewhat higher in the second quarter than in the first. The rise in the consumer price index slowed in

April to an annual rate of 5 percent; but it accelerated in May to a rate of 8 percent, reflecting primarily a sharp rise in the homeownership component of the index. Over the two-month period, food prices declined slightly on balance, and the rate of increase in prices of energy items slowed substantially. Over the first six months of 1981, the rise in the index of average hourly earnings of private nonfarm production workers was slightly less rapid than it was during 1980.

In foreign exchange markets the trade-weighted value of the dollar against major foreign currencies continued to rise through May and early June and then leveled off. On the average in June, the value of the dollar was about 25 percent above its year-earlier level. The U.S. trade deficit in the April–May period was somewhat above the average in the first quarter. The value of exports was down marginally, but the value of imports was considerably higher.

At its meeting on May 18, the Committee had decided that open market operations in the period until this meeting should be directed toward behavior of reserve aggregates associated with growth of M-1B from April to June at an annual rate of 3 percent or lower, after allowance for the impact of flows into NOW accounts, and growth in M-2 at an annual rate of about 6 percent. A shortfall in growth of M-1B from the two-month rate of 3 percent would be acceptable, in light of the rapid growth in April and the objective adopted by the Committee at its meeting on March 31 for growth from March to June at an annual rate of 5½ percent or somewhat less. If it appeared to the Manager for Domestic Operations that pursuit of the monetary objectives and related reserve paths during the period before the next meeting was likely to be associated with a federal funds rate persistently outside a range of 16 to 22 percent, the Chairman might call for Committee consultation.

During the intermeeting period, incoming data indicated a progressive weakening of M-1B. In accordance with the Committee's decision on May 18, reserves provided through open market operations were constrained to accommodate the weakness up to a point, but subsequently they were more ample. Reserves borrowed from the discount window remained around $2¼ billion through most of June and then declined to around $1¾ billion toward the end of the intermeeting period. Federal funds generally traded in a range of 18½ to 19½ percent throughout the intermeeting period. However, most other short-term market interest rates declined ¾ to 1¾ percentage points, on balance.

M-1B, adjusted for the estimated effects of shifts into NOW accounts, declined at annual rates of about 5 percent and 10½ percent in May and June respectively, following expansion at an annual rate of close to 17 percent in April. From the fourth quarter of 1980 to the second quarter of 1981, shift-adjusted M-1B grew at an annual rate of about 2¼ percent, below the lower end of the Committee's range for growth in that aggregate for the year ending in the fourth quarter of 1981. Growth in M-2 slowed to an annual rate of about 4¾ percent on average in May and June, reflecting not only the contraction in M-1B, but also a moderation in growth of money market mutual funds. The recent slowing brought M-2 to a level in the second quarter that was only slightly above the upper end of the growth path consistent with its range for the year from the fourth quarter of 1980 to the fourth quarter of 1981.

Total credit outstanding at U.S. commercial banks expanded at an annual rate of 11¾ percent in May, but the rate slowed to about 5 percent in June. Heavy acquisitions of U.S. government securities characterized both months. Growth in total loans accelerated in May and then slowed in June, but business loans picked up in May from the sluggish pace of earlier months and accelerated further in June. Net issues of commercial paper by nonfinancial corporations grew at exceptionally rapid rates in May and June, following a decline in April.

Yields on most long-term securities trended downward through much of the intermeeting period but moved up in the final days to levels little changed from those at the time of the May meeting. Over the interval, the prime rate charged by commercial banks on short-term business loans moved in a range of 19½ to 20½ percent; at the end of the period the rate was 20 percent at most banks. In home mortgage markets, average rates on new commitments for fixed-rate loans at savings and loan associations remained close to the level of 16¾ percent prevailing since mid-May.

The staff projections presented at this meeting suggested that growth in real GNP would probably be sluggish over the second half of 1981 and into the first half of 1982. That development might well be accompanied by an upward drift in the unemployment rate but also by some progress in reducing inflation. The rise in the fixed-weight price index for gross domestic business product was projected to change little during the rest of this year from the reduced pace of the second quarter and to decline somewhat further in the first half of next year.

A substantial number of members believed that growth in real GNP would prove to be stronger than projected by the staff, although in some cases anticipated strength was concentrated in 1982. Other members thought that economic activity was likely to be weaker than projected by the staff; they anticipated a decline in real GNP over the balance of 1981 followed by relatively sluggish recovery in 1982. While expecting the rate of inflation to remain high by historical standards, nearly all members anticipated some improvement. A number questioned whether progress thus far represented more than a temporary respite; and they felt that significant and sustained progress in reducing the underlying rate of inflation would take time and might not be consistent with an early and strong rebound in economic activity. Others were more optimistic, suggesting that significant improvement in the behavior of prices would help to set the stage for sizable growth in 1982.

A number of members commented that realization of forecasts of sustained growth in real GNP over the next year or more, even at a slow pace, depended upon declines in interest rates. In their opinion, an extended period with interest rates at or near the high levels currently prevailing would more likely induce both a decline in economic activity and a spreading of financial strains. A few members described monetary policy, and its objective of restrained growth in monetary aggregates, as a "governor" on the economy that retarded expansion in economic activity as long as inflation and inflationary expectations remained high but tended to prevent any contraction in activity from cumulating. In this framework, a pickup in demands for goods and services while inflation remained high would lead to rising interest rates and increasing restraint on expenditures, and any easing in demands for goods and services would tend to lower interest rates and lessen restraint on expenditures. It was also suggested that long-term interest rates might be on the verge of easing, in response to the improvement in the outlook for prices that appeared to be developing, which would permit stronger expansion in economic activity next year than generally projected. On the other hand, some skepticism was expressed about the chances of emerging from the current environment of rapid inflation and high interest rates gradually, and without considerable stress in the financial structure and risks for economic activity during the transition to lower rates of inflation.

At its meeting on February 2–3, 1981, the Committee had adopted the following ranges for growth of the monetary aggregates over the period from the fourth quarter of 1980 to the fourth quarter of 1981: M-1A and M-1B, 3 to 5½ percent and 3½ to 6 percent respectively, after adjustment for the estimated effects of flows into NOW accounts; M-2, 6 to 9 percent; and M-3, 6½ to 9½ percent. The associated range for growth of commercial bank credit was 6 to 9 percent. In establishing the ranges then, the Committee had agreed that monetary growth should slow in 1981 in line with the continuing objective of contributing to a reduction in the rate of inflation and providing the basis for restoration of economic stability and sustainable growth in output of goods and services.

At this meeting, in accordance with the Full Employment and Balanced Growth Act of 1978 (the Humphrey-Hawkins Act), the Committee reviewed its ranges for growth of the monetary and credit aggregates for the period from the fourth quarter of 1980 to the fourth quarter of 1981 and gave preliminary consideration to objectives for monetary growth that might be appropriate for 1982.[1] In doing so, the members recognized the likelihood of continued divergence in the growth of the different aggregates, partly reflecting institutional change, and the considerable uncertainty about how such institutional change might affect monetary growth in the future. As noted earlier, expansion of shift-adjusted M-1B from the fourth quarter of 1980 to the second quarter of 1981 was relatively low in relation to the path implied by the Committee's range for the year. However, growth of M-2 and M-3 so far in 1981 has been at or above the Committee's ranges.

The shortfall in growth of shift-adjusted M-1B in the first half of the year followed relatively rapid growth in the latter part of 1980; and it was accompanied by an unusually rapid rise in the income velocity of money, as nominal GNP expanded strongly. In partial explanation, extraordinarily high interest rates in combination with the introduction of NOW accounts on a nationwide basis apparently provided a greater stimulus to intensive management of cash balances than that normally associated with an increase in interest rates. In the period ahead, M-1B might behave somewhat differently from earlier measures of transaction balances, because of the sizable volume of deposits earning interest and because of the greater weight of household balances in the total. The behavior of M-2 was likely to be affected to some extent by two recent decisions of the Depository Institutions Deregulation Committee (DIDC), effective August 1: one removed rate caps on the 2½-year small saver certificate, enabling the rate to fluctuate with the yield on 2½-year Treasury securities at all levels; and the other eliminated ceilings altogether on small time deposits with initial maturities of four years or more. The rapid growth of money market funds appeared to influence the growth of both M-1 and M-2, in opposite directions, but the magnitude of the effects was difficult to judge.

In the Committee's discussion of the longer-run ranges, the members were in agreement on the need to maintain a policy of restraint. However, continuation of the increase in velocity of M-1B at the rate of the first half seemed unlikely, and thus the public's demand for narrowly defined money would probably pick up in the second half. Moreover, a significantly more rapid increase in narrowly defined money would be

1. The Board's midyear report under the act was transmitted to the Congress on July 20, 1981.

necessary to reach the Committee's objective for the year. At the same time, it was observed that the present situation provided a critical opportunity to sustain the signs of progress in reducing the rate of inflation, an opportunity that could be lost if monetary growth in the months ahead became too rapid. Even if rapid monetary expansion should lower interest rates, which was debatable, such effects would likely be temporary, and latent demands for goods and services would be released at the potential cost of a still more difficult period of high interest rates and financial strains later. The point was made that lasting declines in nominal interest rates and a solid base for sustained growth would depend on convincing progress in reducing inflation.

In light of all the circumstances, the Committee agreed to retain the previously established ranges for the monetary aggregates for 1981. In the course of the discussion, some sentiment was expressed for a reduction of ½ percentage point in the range for M-1B, which would indicate that the System did not intend to seek very rapid monetary growth in the second half of the year. However, a small adjustment of that sort, though partly justified by institutional change, was considered on balance potentially more confusing than useful. Instead, in light of its desire to maintain moderate growth in money over the balance of the year, the Committee wished to affirm that growth in M-1B near the lower end of its range would be acceptable and desirable. At the same time, the Committee recognized that growth in the broader monetary aggregates might be high in their ranges.

The Committee reaffirmed the ranges for growth in the aggregates for the period from the fourth quarter of 1980 to the fourth quarter of 1981 that it had adopted at its meeting in early February 1981. These ranges, abstracting from the impact of NOW accounts on a nationwide basis, were 3 to 5½ percent for M-1A, 3½ to 6 percent for M-1B, 6 to 9 percent for M-2, and 6½ to 9½ percent for M-3. The associated range for bank credit was 6 to 9 percent. The Committee recognized that a shortfall in M-1B growth in the first half of the year partly reflected a shift in public preferences toward other highly liquid assets and that growth in the broader aggregates had been running somewhat above the upper end of the ranges. In light of its desire to maintain moderate growth in money over the balance of the year, the Committee expected that growth in M-1B for the year would be near the lower end of its range. At the same time, growth in the broader monetary aggregates might be high in their ranges.

Votes for this action: Messrs. Volcker, Solomon, Boehne, Boykin, Corrigan, Gramley, Keehn, Partee, Rice, Schultz, Mrs. Teeters, and Mr. Wallich. Votes against this action: None.

With respect to 1982, the Committee favored some reduction in the objectives for monetary growth in keeping with the long-standing goal of moving gradually toward rates of monetary expansion consistent with general price stability. Looking toward completion of the major shift into NOW accounts, the Committee decided to establish a range for a single M-1 aggregate having the same coverage as the present M-1B. Moreover, on the assumption that shifts into NOW accounts from nontransaction balances would no longer be significant, calculation of rates of growth for M-1 after adjustment for such shifts would not be necessary. The Committee also decided to widen the range for the narrow monetary aggregate to 3 percentage points, from 2½ points, reflecting the greater uncertainty at this time in judging the relationship of this aggregate to economic and financial developments resulting from the recent change in its composition; because of the possibility of some residual shifting into NOW accounts, the upper end of the range was reduced by less than the lower end.

Thus, the Committee tentatively agreed that for the period from the fourth quarter of 1981 to the fourth quarter of 1982 growth of M-1, M-2, and M-3 within ranges of 2½ to 5½ percent, 6 to 9 percent, and 6½ to 9½ percent would be appropriate. The upper and lower ends of the range for M-1 were reduced ½ percentage point and 1 percentage point respectively from the 1981 range for M-1B. The ranges for the broader aggregates were unchanged from those for 1981. However, given the expectation that growth of these aggregates in 1981 would be around the upper end of the ranges and looking toward results in 1982 more toward the middle of the ranges, the new ranges were fully consistent with year-to-year reductions in growth.

The Committee tentatively agreed that for the period from the fourth quarter of 1981 to the fourth quarter of 1982 growth of M-1, M-2, and M-3 within ranges of 2½ to 5½ percent, 6 to 9 percent, and 6½ to 9½ percent would be appropriate.

Votes for this action: Messrs. Volcker, Solomon, Boehne, Boykin, Corrigan, Gramley, Keehn, Partee, Rice, Schultz, and Wallich. Vote against this action: Mrs. Teeters.

Mrs. Teeters dissented from this action because she believed that, in light of all the uncertainties in the economic situation, it was premature to adopt objectives calling for reduced monetary growth in 1982. She preferred to specify the same ranges for 1982 as for 1981, pending the Committee's reconsideration of monetary objectives for 1982 at its meeting next February.

In the Committee's discussion of policy for the short run, the members in general agreed that operations in the period before the next meeting should be directed toward growth of monetary aggregates over the third quarter at rates that would promote achievement of the monetary objectives for the year as a whole. Thus, they wished to foster growth of M-1B over the third quarter at a rate high enough to permit growth of this monetary aggregate toward the lower end of its range for the year. At the same time, however, they wished to avoid generating an excessively rapid rebound in growth of M-1B, both because the pace would need to be sharply reduced later and because such a rebound might tend to raise growth of M-2 above the upper end of its range for the year. With respect to the intermeeting range for the federal funds rate that provided a mechanism for initiating further consultation of the Committee, proposals typically were from 15 or 16 percent to 21 or 22 percent.

Specifically, the members agreed to seek behavior of reserve aggregates associated with growth of M-1B from June to September at an annual rate of 7 percent, after allowance for flows into NOW accounts, provided that growth of M-2 remained around the upper end of its range for the year or tended to move down within the range. Given the declines in May and June, growth of M-1B at the rate specified for the period from June to September would result in growth at an annual rate of about 2 percent from the average in the second quarter to the average in the third quarter. The members recognized that shifts into NOW accounts would continue to distort measured growth in M-1B to an unpredictable extent and that operational paths would have to be developed in the light of evaluation of those distortions. The Chairman might call for Committee consultation if it appeared to the Manager for Domestic Operations that pursuit of the monetary objectives and related reserve paths during the period before the next meeting was likely to be associated with a federal funds rate persistently outside a range of 15 to 21 percent.

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

The information reviewed at this meeting suggests that real GNP changed little in the second quarter, following the substantial expansion in the first quarter; prices on the average rose less rapidly than in the first quarter. The dollar value of total retail sales was virtually unchanged in May after having declined appreciably in April, and sales of new cars remained weak in June. Industrial production rose slightly on the average in April and May, while nonfarm payroll employment continued to advance, after adjustment for strikes. In June strike-adjusted nonfarm employment declined appreciably; the unemployment rate was 7.3 percent, somewhat lower than in May but unchanged from earlier months of 1981. In May housing starts declined sharply. Over the first six months of 1981, the rise in the index of average hourly earnings was slightly less rapid than during 1980.

The weighted average value of the dollar against major foreign currencies continued to rise through May and early June and then leveled off. In April–May the U.S. foreign trade deficit was somewhat above the first-quarter rate.

M-1B, adjusted for the estimated effects of shifts into NOW accounts, declined substantially in May and June following the sharp expansion in April, and growth in M-2 slowed. The level of adjusted M-1B in the second quarter on the average was below the lower end of the Committee's range for growth over the year from the fourth quarter of 1980 to the fourth quarter of 1981; the level of M-2 in the second quarter was slightly above the upper end of its range for the year. Since mid-May, on balance, short-term market interest rates have declined somewhat while long-term yields generally have changed little.

The Federal Open Market Committee seeks to foster monetary and financial conditions that will help to reduce inflation, promote sustained economic growth, and contribute to a sustainable pattern of international transactions. At its meeting in early February, the Committee agreed that these objectives would be furthered by growth of M-1A, M-1B, M-2, and M-3 from the fourth quarter of 1980 to the fourth quarter of 1981 within ranges of 3 to 5½ percent, 3½ to 6 percent, 6 to 9 percent, and 6½ to 9½ percent respectively, abstracting from the impact of introduction of NOW accounts on a nationwide basis. The Committee recognized that the shortfall in M-1B growth in the first half of the year partly reflected a shift in public preferences toward other highly liquid assets and that growth in the broader aggregates has been running somewhat above the upper ends of the ranges. The Committee reaffirmed its ranges for 1981, but in light of its desire to maintain moderate growth in money over the balance of the year, the Committee expected that growth in M-1B for the year would be near the lower end of its range. At the same time, growth in the broader aggregates may be high in their ranges. The associated range for bank credit was 6 to 9 percent. The Committee also tentatively agreed that for the period from the fourth quarter of 1981 to the fourth quarter of 1982 growth of M-1, M-2, and M-3 within ranges of 2½ to 5½ percent, 6 to 9 percent, and 6½ to 9½ percent would be appropriate. These ranges will be reconsidered as warranted to take account of developing experience with public preferences for NOW and similar accounts as well as changing economic and financial conditions.

In the short run the Committee seeks behavior of reserve aggregates consistent with growth of M-1B from June to September at an annual rate of 7 percent after allowance for the impact of flows into NOW accounts (resulting in growth at an annual rate of about 2 percent from the average in the second quarter to the average in the third quarter), provided that growth of M-2 remains around the upper limit of, or moves within, its range for the year. It is recognized that shifts into NOW accounts will continue to distort measured growth in M-1B to an unpredictable extent, and operational reserve paths will be developed in the light of evaluation of those distortions. The Chairman may call for Committee consultation if it appears to the Manager for Domestic Operations that pursuit of the monetary objectives and related reserve paths during the period before the next meeting is likely to be associated with a federal funds rate persistently outside a range of 15 to 21 percent.

Votes for this action: Messrs. Volcker, Solomon, Boehne, Boykin, Corrigan, Gramley, Keehn, Rice, Schultz, Mrs. Teeters, and Mr. Wallich. Vote against this action: Mr. Partee.

Mr. Partee dissented from this action because, in light of the indications of weakening in economic activity, he preferred to give more emphasis to reducing the risk of a cumulative shortfall in growth of M-1B. Accordingly, he favored specification of a somewhat higher objective for growth of M-1B over the period from June to September, and without the additional weight assigned to the potential for more rapid growth of M-2. In his view, the short-run behavior of M-2 was subject to great uncertainty because of both the volatile influence of money market mutual funds and the recent DIDC actions authorizing certain deposit instruments to be offered at competitive interest rates beginning August 1.

2. Authorization for Domestic Open Market Operations

On August 6, 1981, the Committee voted to increase from $3 billion to $4½ billion the limit on changes between Committee meetings in System Account holdings of U.S. government and federal agency securities specified in paragraph 1(a) of the authorization for domestic open market operations, effective immediately, for the period ending with the close of business on August 18, 1981.

Votes for this action: Messrs. Volcker, Solomon, Boykin, Corrigan, Gramley, Keehn, Rice, Schultz, Mrs. Teeters, Messrs. Winn, and Black. Votes against this action: None. Absent: Messrs. Boehne and Partee. (Mr. Black voted as alternate for Mr. Boehne.)

This action was taken on the recommendation of the Manager for Domestic Operations. The Manager had advised that since the July meeting, substantial net purchases of securities had been undertaken to counter the effects on member bank reserves of the transfer of funds associated with settlement of Iranian accounts and also the effects of levels of float that were lower than normal. The leeway for further purchases had been reduced to about $200 million, and additional purchases in excess of that amount might be required over the rest of the intermeeting interval.

* * * * *

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

Legal Developments

REVISION OF REGULATION C

Part 203—Home Mortgage Disclosure

The Board of Governors of the Federal Reserve System is adopting in final form a revised version of Regulation C. Regulation C implements the Home Mortgage Disclosure Act and requires depository institutions with offices in standard metropolitan statistical areas (SMSAs) to disclose data about their home mortgage and home improvement loans each year. Institutions with less than $10 million in assets are exempt from coverage.

Effective August 4, 1981, (except that a lobby notice requirement becomes effective on September 30, 1981), pursuant to the authority granted in (12 U.S.C. 2084(a)), the Board hereby revises Regulation C (12 CFR Part 203) to read as follows:

Part 203—Home Mortgage Disclosure

Section 203.1	Authority, purpose, and scope.
Section 203.2	Definitions.
Section 203.3	Exemptions.
Section 203.4	Compilation of loan data.
Section 203.5	Disclosure and reporting requirements.
Section 203.6	Administrative enforcement and sanctions for violations.
Appendix A	Federal enforcement agencies.
Appendix B	State exemptions.
Appendix C	[Reserved for disclosure form and instructions.]

Section 203.1—Authority, purpose and scope.

(a) *Authority.* This regulation is issued by the Board of Governors of the Federal Reserve System pursuant to the Home Mortgage Disclosure Act of 1975, as amended (Title 12, §§ 2801 through 2811 of the United States Code).

(b) *Purpose.* The purpose of this regulation is to provide the public with loan data to determine whether depository institutions are serving the housing needs of the communities and neighborhoods in which they are located. The purpose is also to assist public officials in distributing public sector investments so as to attract private investment to neighborhoods where it is needed. This regulation is not intended to encourage unsound lending practices or the allocation of credit.

(c) *Scope.* This regulation applies to depository institutions that make federally related mortgage loans. It requires a covered depository institution to disclose loan data at certain of its offices and to report the data to its supervisory agency.

(d) *Central data repositories.* The act requires that the loan data be made available at central data repositories located within each standard metropolitan statistical area. It also requires the Federal Financial Institutions Examination Council to aggregate mortgage loan data for all institutions in each standard metropolitan statistical area, showing lending patterns by location, age of housing stock, income level, and racial characteristics. A listing of central data repositories can be obtained from the Department of Housing and Urban Development, Washington, D.C. 20410, or from any of the agencies listed in Appendix A.

Section 203.2—Definitions.

For the purposes of this regulation, the following definitions apply:

(a) *Act* means the Home Mortgage Disclosure Act of 1975 (Title III of Public Law 94-200), as amended in 1980 (Title III of Public Law 96-399), codified in Title 12, §§ 2801 through 2811 of the United States Code.

(b) *Branch office* means an office approved as a branch of the depository institution by its federal or state supervisory agency, but excludes freestanding automated teller machines and other electronic terminals.

(c) *Depository institution* means a commercial bank, savings bank, savings and loan association, building and loan association, homestead association (including a cooperative bank), or credit union, that makes federally related mortgage loans.[1] A majority-owned non-depository subsidiary is deemed to be part of its parent depository institution for the purposes of this regulation. A majority-owned depository subsidiary may, at the parent depository institution's option, be treated as part of its parent or as a distinct entity.

(d) *Federal Housing Authority (FHA), Farmers Home Adminstration (FmHA), or Veterans Administration (VA) loans* means mortgage loans insured under Title II of the National Housing Act or under Title V of the Housing Act of 1949 or guaranteed under Chapter 37 of Title 38 of the United States Code.

(e) *Home improvement loan* means any loan, including a refinancing, (i) whose proceeds, as stated by the borrower to the lender at the time of the loan application, are to be used for repairing, rehabilitating, or remodeling a residential dwelling located in a state; and (ii) that is recorded on the depository institution's books as a home improvement loan.[2]

(f) *Home purchase loan* means any loan, including a refinancing, secured by and made for the purpose of purchasing residential real property located in a state (including single-family homes, dwellings for from 2 to 4 families, other multi-family dwellings, and individual units of condominiums or cooperatives).[3] The term does not include temporary financing (such as a bridge loan or a construction loan) or the purchase of an interest in a pool of mortgage loans (such as mortgage participation certificates issued or guaranteed by the Federal Home Loan Mortgage Corporation, the Government National Mortgage Association, or the Farmers Home Administration).

(g) *State* means any state of the United States of America, the District of Columbia, and the Commonwealth of Puerto Rico.

Section 203.3—Exemptions.

(a) *Asset size and location.* A depository institution is exempt from all requirements of this regulation

(1) If its total assets on December 31 are $10,000,000 or less; or

(2) If it has neither a home office nor a branch office in a standard metropolitan statistical area (SMSA) as defined by the U.S. Department of Commerce.

(b) *State law.* A state-chartered depository institution is exempt from the requirements of this regulation if it is subject to state laws that contain, as determined by the Board in accordance with Appendix B, (1) requirements substantially similar to those imposed by this regulation, and (2) adequate provisions for enforcement. For purposes of data aggregation, however, an institution exempted under this paragraph shall submit the data required by the disclosure laws of its state to its state supervisory agency.

(c) *Change of status.*

(1) An institution that becomes subject to the requirements of this regulation shall compile loan data beginning with the calendar year following the year in which it becomes subject, except that:

(2) An institution that is exempt under § 203.3(b) and that subsequently loses its exemption shall compile loan data in compliance with this regulation beginning with the calendar year following the year for which it last reported loan data under the state disclosure law.

Section 203.4—Compilation of loan data.

(a) *Data to be included.* A depository institution shall compile data on the number and total dollar amount[4] of home purchase and home improvement loans that it originates and purchases, for each calendar year beginning with calendar year 1981.

1. "Federally related mortgage loan" means any loan (other than temporary financing such as a construction loan) that

(i) Is secured by a first lien on residential real property (including individual units of condominiums and cooperatives) that is designed principally for the occupancy of from 1-to-4 families and is located in a state; and

(ii)

(a) Is made in whole or in part by a depository institution the deposits or accounts of which are insured by an agency of the federal government, or by a depository institution that is regulated by an agency of the federal government; or

(b) Is made in whole or in part, or is insured, guaranteed, supplemented, or assisted in any way, by the Secretary of Housing and Urban Development or any other officer or agency of the federal government or under or in connection with a housing or urban development program administered by any such officer or agency; or

(c) Is intended to be sold by the depository institution that originates the loan to the Federal National Mortgage Association, the Government National Mortgage Association, or the Federal Home Loan Mortgage Corporation, or to a financial institution from which it is to be purchased by the Federal Home Loan Mortgage Corporation.

2. See footnote 3.

3. An institution may categorize a first-lien loan made for home improvement purposes as a home purchase loan if that is the manner in which it normally records first-lien loans.

4. "Total dollar amount" means (i) original principal amount of loans originated by the depository institution (to the extent of its ownership interest, when the loan is made jointly or cooperatively) and (ii) the unpaid balance of loans purchased by the depository institution (to the extent of its ownership interest in such purchased loans). For home improvement loans, whether originated or purchased, the amount to be reported may include unpaid finance charges.

(b) *Format.* The loan data shall be compiled separately for originations and purchases, using the form set forth in Appendix C, and shall be itemized as follows:

(1) *Geographic itemization.* The loan data shall be itemized by standard metropolitan statistical area (SMSA). Within each SMSA, the data shall be further itemized by the census track in which the property to be purchased or improved is located, except that

(i) If the property is located in a county with a population[5] of 30,000 or less or in an area that has not been assigned census tracts, itemization by county shall be used instead of itemization by census tract.

(ii) If the property is located outside any SMSA, or is located in an SMSA in which the institution has neither a home nor a branch office, no itemization (by SMSA, county, or census tract) is required and the data for all such loans shall instead be listed as an aggregate sum.

(2) *Type-of-loan itemization.* The loan data within each geographic category described in paragraph (b)(1) of this section shall be further itemized as follows:

(i) FHA, FmHA, and VA loans on 1-to-4 family dwellings;

(ii) Other home purchase (conventional) loans on 1-to-4 family dwellings;

(iii) Home improvement loans on 1-to-4 family dwellings;

(iv) Total home purchase and home improvement loans on dwellings for more than 4 families; and

(v) Total home purchase and home improvement loans on 1-to-4 family dwellings (from categories (i), (ii), and (iii) above) made to any borrower who did *not,* at the time of the loan application, intend to use the property as a principal dwelling.[6] This addendum item is not required for loans on property in the outside-SMSAs category described in paragraph (b)(1)(ii) of this section.

(c) *Excluded data.* A depository institution shall not disclose loan data for

(1) Loans originated and purchased by the depository institution acting as trustee or in some other fiduciary capacity;

(2) Loans on unimproved land; or

(3) Refinancings that the depository institution originates, if there is no increase in the principal that is outstanding on the existing loan at the time of the refinancing and if the institution and the borrower are the same parties on the existing loan and the refinancing.

(d) *SMSAs and census tracts.* For purposes of geographic itemization

(1) A depository institution shall use the SMSA boundaries defined by the U.S. Department of Commerce, Washington, D.C. 20233, as of the first day of the calendar year for which the data are compiled.

(2) A depository institution shall use the census tract numbers and boundaries on the census tract maps in the "1980 Census of Population and Housing, CENSUS TRACTS, PHC80-2" series prepared by the Bureau of the Census.[7] If a census tract number is duplicated within an SMSA, then the census tract shall also be identified by county, city, or town name.

Section 203.5—Disclosure and reporting requirements.

(a) *Time requirements for disclosure statements.* A depository institution shall make its loan data disclosure statements available to the public by March 31 following the calendar year for which the data were compiled, and shall continue to make them available for five years from that date.

(b) *Offices at which disclosure statements are to be made available.*

(1) A depository institution shall make a complete disclosure statement available at its home office.

(2) A depository institution shall also make a disclosure statement available in at least one branch office in each SMSA where it has offices, other than the SMSA in which the home office is located. The statement at a branch office may omit, at the option of the institution, all data other than the data relating to property located in the SMSA where that branch is located.

(3) Upon request, a depository institution shall promptly provide information regarding the office(s) of the institution where its disclosure statements are available.

5. The population is to be determined by reference to the "1980 Census of Population, NUMBER OF INHABITANTS, PC80-1-A" series prepared by the Bureau of the Census, U.S. Department of Commerce, Washington, D.C. 20233. Until this publication becomes available, county population shall be determined using the "1980 Census of Population and Housing, FINAL POPULATION AND HOUSING UNIT COUNTS (Advanced Reports), PHC80-V" series, also prepared by the Bureau of the Census.

6. A depository institution may assume, unless its records contain information to the contrary, that a loan that it purchases does not fall within this category.

7. An institution may use either 1970 or 1980 census tract boundaries in geocoding loans in an SMSA until the 1980 census tract outline maps for that SMSA become available from the Bureau of the Census.

(c) *Manner of making disclosure statements available.* A depository institution shall makes its loan data disclosure statements available to anyone requesting them for inspection or copying during the hours the office is normally open to the public for business. A depository institution that provides photocopying facilities may impose a reasonable charge for this service.

(d) *Notice of availability.* A depository institution shall provide notice of the availability of its mortgage loan data by posting a notice in the lobbies of its home and branch offices that are located in SMSAs.

(e) *Reporting requirements.* For purposes of data aggregation, a depository institution shall send two copies of its complete disclosure statement to the regional office of its enforcement agency by March 31 following the calendar year for which the data were compiled.

Section 203.6—Administrative enforcement and sanctions for violations.

(a) *Administrative enforcement.* As set forth more fully in §§ 305(b) and 306(b) of the act, compliance with the act and this regulation is enforced by the Comptroller of the Currency, the Federal Reserve System, the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board, and the National Credit Union Administration.

(b) *Sanctions for violations.*

(1) A violation of the act or this regulation is subject to administrative sanctions as provided in § 305(c) of the act.

(2) An error in compiling or disclosing required data is not considered a violation of the act or this regulation if the error was unintentional and resulted from a *bona fide* mistake despite the maintenance of procedures reasonably adapted to avoid such an error.

Appendix A

Federal Enforcement Agencies

The following list indicates which federal agency enforces Regulation C for particular classes of institutions. Any questions concerning compliance by a particular institution should be directed to the appropriate enforcing agency.

National Banks

Comptroller of the Currency
Office of Customer and Community Programs
Washington, D.C. 20219

State Member Banks

Federal Reserve Bank serving the district in which the state member bank is located.

Nonmember Insured Banks and Mutual Savings Banks

Federal Deposit Insurance Corporation Regional Director for the region in which the bank is located.

Savings Institutions Insured by the FSLIC and Members of the FHLB System (except for Savings Banks insured by FDIC)

The Federal Home Loan Bank Board Supervisory Agent in the district in which the institution is located.

Credit Unions

Office of Consumer Affairs
National Credit Union Administration
1776 G Street, N.W.
Washington, D.C. 20456

Other Depository Institutions

Federal Deposit Insurance Corporation Regional Director for the region in which the institution is located.

Appendix B

State Exemptions

(a) *Application.* Any state,[1] state-chartered depository institution, or association of such depository institutions may apply to the Board pursuant to this appendix and the Board's Rules of Procedure (12 CFR 262) for an exemption under § 203.3(b). Such an exemption requires a determination that a state-chartered depository institution is subject to state law requirements[2] substantially similar to those imposed by this regula-

1. "State" includes any subdivision of a state.
2. "State law" includes any regulations which implement the law, any official interpretations of the law, and regulations of a state agency or department that has jurisdiction over a class(es) of depository institutions.

tion, and that there is adequate provision for enforcement of those requirements.

(b) *Supporting documents.* The application, which may be made by letter, shall include

(1) A copy of the full text of the relevant state law, including provisions for enforcement;

(2) A statement of reasons why the state requirements are substantially similar to those imposed by the act and this regulation, including an explanation why any differences are not significant; and

(3) An undertaking to inform the Board within 30 days of the occurence of any change in the relevant state law.

(c) *Public notice of filing.* The Board will publish in the *Federal Register* notice of the filing of an application that complies with the above requirements. A copy of the application will be made available for examination during business hours at the Board and at the Federal Reserve Bank of each Federal Reserve District in which the applicant is situated. The Board will provide a period of time for interested persons to submit written comments. For multiple applications concerning the same state law, the Board may (1) consolidate the notice of receipt of all such applications in one *Federal Register* notice, and (2) dispense with publication of notice of applications subsquently received.

(d) *Grant of exemption.* If the Board determines that some or all state-chartered depository institutions are subject to requirements substantially similar to those imposed by this regulation, and that there is adequate provision for enforcement, the Board will exempt such institution(s) from the requirements of this regulation (except as specified in § 203.3(b)) by publishing notice of the exemption in the *Federal Register.* The Board also will furnish a copy of the notice to the applicant, to each state authority responsible for administrative enforcement of the state law, to the regulatory authorities specified in § 305(b) of the act, and to each participant in the proceeding.

(e) *Subsequent amendments; revocation of exemption.*

(1) The Board will inform the appropriate state official of any subsequent amendments to this regulation (including published interpretations of the Board) that might require amendment of the state law. The Board may require reapplication for an exemption.

(2) The Board reserves the right to revoke an exemption if at any time it determines that state law does not in fact impose requirements substantially similar to those imposed by this regulation, or that there is not in fact adequate provision for enforcement.

(3) The Board will publish notice of its intent to revoke an exemption in the *Federal Register* and will send the notice to the appropriate state official. The Board will allow time after publication for interested persons to submit written comments.

(4) If an exemption is revoked, the Board will publish notice of the revocation in the *Federal Register* and will send a copy of the notice to the appropriate state official and to the regulatory authorities specified in § 305(b) of the act.

(5) The Board may dispense with the procedures set forth in this section in any case in which it finds such procedures unnecessary.

AMENDMENTS TO REGULATION J

Part 210—Collection of Checks and Other Items and Transfer of Funds

Redefinition of the Terms "Sender" and "Bank"

The Board of Governors of the Federal Reserve System has amended Subpart A of Regulation J, governing the collection of checks and other items by Reserve Banks, to implement the Monetary Control Act of 1980. This amendment redefines the terms "sender" and "bank" so that each term includes "depository institutions" as defined in section 19(b) of the Federal Reserve Act, as amended by the Monetary Control Act.

Effective August 12, 1981, pursuant to its authority under section 13 of the Federal Reserve Act, as amended, 12 U.S.C. § 342; section 16 of the Federal Reserve Act, 12 U.S.C. §§ 248(o), 360; and section 11(i) of the Federal Reserve Act, 12 U.S.C. § 248(i), the Board hereby amends Regulation J (12 C.F.R. Part 210) as follows:

In section 210.2, new paragraph (b) is added, and existing paragraphs (b) through (k) are redesignated paragraphs (c) through (l) and revised to read as follows:

Section 210.2—Definitions

As used in this subpart, unless the context otherwise requires:

* * * * *

(b) "Bank" includes a depository institution as defined in section 19 of the Federal Reserve Act (12 U.S.C. § 461(b)).

(c) "Bank draft" means a check drawn by one bank on another bank.

(d) "Banking day" means a day during which a bank is open to the public for carrying on substantially all its banking functions.

(e) "Cash item" means:
(1) a check other than one classified as a noncash item under this section; or
(2) any other item payable on demand and collectible at par that the Reserve Bank of the District in which the item is payable is willing to accept as a cash item.

(f) "Check" means a draft, as defined in the Uniform Commercial Code, that is drawn on a bank and payable on demand.

(g) "Item" means an instrument for the payment of money, whether negotiable or not, that is:
(1) payable in a Federal Reserve District[1] ("District");
(2) sent by a sender to a Reserve Bank for handling under this subpart; and
(3) collectible in funds acceptable to the Reserve Bank of the District in which the instrument is payable.
Unless otherwise indicated, "item" includes both cash and noncash items. "Item" does not include a check that cannot be collected at par,[2] or an "item" as defined in section 210.26 that is handled under subpart B.

(h) "Nonbank payor" means a payor of an item, other than a bank.

(i) "Noncash item" means an item that a receiving Reserve Bank classifies in its operating circulars as requiring special handling. The term also means an item normally received as a cash item if a Reserve Bank decides that special conditions require that it handle the item as a noncash item.

(j) "Paying bank" means:
(1) the bank by which an item is payable, unless the item is payable or collectible through another bank and is sent to the other bank for payment or collection; or
(2) the bank through which an item is payable or collectible and to which it is sent for payment or collection.

1. For purposes of this subpart, the Virgin Islands and Puerto Rico are deemed to be in the Second District, and Guam and American Samoa in the Twelfth District.

2. The Board publishes a "Memorandum on Exchange Charges," listing the banks that would impose exchange charges on cash items and other checks forwarded by Reserve Banks and therefore would not pay at par.

(k) "Sender" means any of the following that sends an item to a Reserve Bank: a depository institution, a clearing institution, another Reserve Bank, an international organization, a foreign correspondent, or a branch or agency of a foreign bank maintaining reserves under section 7 of the International Banking Act of 1978 (12 U.S.C. §§ 347d, 3105).
(1) "Depository institution" means a depository institution as defined in section 19(b) of the Federal Reserve Act. (12 U.S.C. § 461(b))
(2) "Clearing institution" means:
(i) an institution that is not a depository institution, but maintains with a Reserve Bank the balance referred to in the first paragraph of section 13 of the Federal Reserve Act (12 U.S.C. § 342); or
(ii) a corporation that maintains an account with a Reserve Bank in conformity with section 211.4 of this chapter (Regulation K).
(3) "International Organization" means an international organization for which a Reserve Bank is empowered to act as depository or fiscal agent and maintains an account.
(4) "Foreign correspondent" means any of the following for which a Reserve Bank maintains an account: a foreign bank or banker, a foreign state as defined in section 25(b) of the Federal Reserve Act (12 U.S.C. § 632), or a foreign correspondent or agency referred to in section 14(e) of that Act (12 U.S.C. § 358).
(l) "State" means a State of the United States, the District of Columbia, Puerto Rico, or a territory, possession, or dependency of the United States.

AMENDMENT TO REGULATION K

Part 211—International Banking Operations

Amendment of Rule Regarding Capital Requirements of Edge Corporations

The Board of Govenors of the Federal Reserve System has amended section 211.6(d) of Regulation K (12 C.F.R. § 211.6(d) to include certain subordinated notes and debentures within the definition of "capital and surplus" solely for the purpose of determining capital adequacy of Edge Corporations.

Effective July 29, 1981, pursuant to the Board's authority under section 25(a) of the Federal Reserve

Act (12 U.S.C. §§ 611–631), Regulation K is amended by revising section 211.6(d) to read as set forth below:

Section 211.6—Leading Limits and Capital Requirements

* * * * *

(d) *Capitalization.* An Edge Corporation shall at all times be capitalized in an amount that is adequate in relation to the scope and character of its activities. In the case of an Edge Corporation engaged in banking, its capital and surplus shall be not less than 7 per cent of risk assets. For this purpose, subordinated capital notes or debentures, in an amount not to exceed 50 per cent of non-debt capital, may be included for determining capital adequacy in the same manner as for a member bank; risk assets shall be deemed to be all assets on a consolidated basis other than cash, amounts due from banking institutions in the United States, United States Government securities, and Federal funds sold.

* * * * *

AMENDMENTS TO RULES REGARDING DELEGATION OF AUTHORITY

Part 265—Rules Regarding Delegation of Authority

Expansion of Federal Reserve Banks Delegated Authority

The Board of Governors of the Federal Reserve System has extended delegated authority to the Board's Director of Banking Supervision and Regulation to refer violations of the Employee Retirement Income Security Act by State member banks to the Department of Labor. In addition, the Board has expanded the delegated authority of the Federal Reserve Banks to enter into written agreements to correct violations of law, rule, or regulation.

Effective August 10, 1981, Part 265 is amended by adding new section 265.2(c)(30), and by amending section 265.2(f)(28) to read as set forth below:

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

(c) ***

* * * * *

(30) To provide to the Department of Labor written notification of possible significant violations of the Employee Retirement Income Security Act ("ERISA") by State member banks, in accordance with section 3004(b) of ERISA and the Interagency Agreement adopted to implement the provision thereof.

(f) ***

* * * * *

(28) With the prior approval of both the Director of the Board's Division of Banking Supervision and Regulation and the General Counsel of the Board: (a) to enter into a written agreement with a bank holding company or any non–banking subsidiary thereof, with a State member bank, or with any other person or entity subject to the Board's supervisory jurisdiction under 12 U.S.C. § 1818(b) concerning the prevention or correction of an unsafe or unsound practice in conducting the business of such bank holding company, non-banking subsidiary or State member bank or other entity, or concerning the correction or prevention of any violation of law, rule or regulation, or any condition imposed in writing by the Board in connection with the granting of any application or other request by the bank or company or any other appropriate matter; and (b) to stay, modify, terminate or suspend an agreement entered into pursuant to subdivision (a) of this paragraph. Any agreement authorized under this paragraph may, by its terms, be enforceable to the same extent and in the same manner as an effective and outstanding cease-and-desist order that has become final pursuant to 12 U.S.C. §§ 1818(b) and (k).

* * * * *

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

Orders Issued Under Section 3 of Bank Holding Company Act

Arlington Bancorp, Inc.,
Arlington Heights, Illinois

Cary-Grove Bancorp, Inc.,
Cary, Illinois

Elk Grove Bancorp, Inc.,
Elk Grove Village, Illinois

Hoffman Bancorp, Inc.,
Hoffman Estates, Illinois

Meadows Bancorp, Inc.,
Rolling Meadows, Illinois

Subpal Bancorp, Inc.,
Palatine, Illinois

Suburban Bancorp, Inc.,
Palatine, Illinois

Woodfield Bancorp, Inc.,
Schaumburg, Illinois

Order Approving Formation of a Bank Holding Company and Acquisition of Shares of a Bank Holding Company

Arlington Bancorp, Inc., Arlington Heights, Illinois ("Arlington"), has applied for the Board's approval, pursuant to section 3(a)(1) of the Bank Holding Company Act of 1956 (12 U.S.C. § 1842(a)(1)), to become a bank holding company by acquiring 80 percent or more of the voting shares of Suburban National Bank of Arlington Heights, Arlington Heights, Illinois ("Bank"), a de novo bank. In connection with this application, Cary-Grove Bancorp, Inc., Cary, Illinois ("Cary-Grove"); Elk Grove Bancorp, Inc., Elk Grove Village, Illinois ("Elk Grove"); Hoffman Bancorp, Inc., Hoffman Estates, Illinois ("Hoffman"); Meadows Bancorp, Inc., Rolling Meadows, Illinois ("Meadows"); Subpal Bancorp, Inc., Palatine, Illinois ("Subpal"); Suburban Bancorp, Inc., Palatine, Illinois ("Suburban"); and Woodfield Bancorp, Inc., Schaumburg, Illinois ("Woodfield"), all of which are one-bank holding companies within the meaning of the act, have each applied for the Board's approval, under section 3(a)(3) of the act (12 U.S.C. § 1842(a)(3)), to acquire up to 14.9 percent of the voting shares of Arlington.

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

Arlington, a nonoperating corporation, was organized for the purpose of becoming a bank holding company by acquiring bank, a de novo bank. Cary-Grove, Elk Grove, Hoffman, Meadows, Subpal, Suburban, and Woodfield are one-bank holding companies by virtue of their ownership, respectively, of Suburban Bank of Cary-Grove, Cary, Illinois ("Cary-Grove Bank") (deposits of $24.4 million); Suburban Bank of Elk Grove Village, Elk Grove Village, Illinois ("Elk Grove Bank") (deposits of $15.4 million); Suburban Bank of Hoffman-Schaumburg, Hoffman Estates, Illinois ("Hoffman Bank") (deposits of $24.8 million); Suburban Bank of Rolling Meadows, Rolling Meadows, Illinois ("Meadows Bank") (deposits of $26.4 million); Suburban National Bank of Palatine ("Subpal Bank") (deposits of $11.5 million); Palatine National Bank, Palatine, Illinois ("Suburban Bank") (deposits of $38 million); and Suburban National Bank of Woodfield, Schaumburg, Illinois ("Woodfield Bank") (deposits of $11.3 million.[1] Mr. Gerald F. Fitzgerald and certain members of his immediate family control each of these seven bank holding companies (collectively referred to as the "Suburban Bank Group"). Certain members of the Fitzgerald family are also principals of Arlington and Bank. After consummation of this proposal, these seven bank holding companies would control 80 percent or more of Arlington.[2]

Bank is to be located in the Chicago banking market.[3] The subsidiary banks of six of the seven bank holding companies in the Suburban Bank Group are also located in the Chicago market, controlling, in the aggregate, 0.2 percent of total market deposits.[4] Bank would be a de novo bank organized by the principals of Suburban Bank Group. The Board finds that, based upon the facts of record, consummation of the applications would not result in any adverse competitive effects in any relevant area. Thus, competitive considerations are consistent with approval of the applications.

1. All banking data are as of December 31, 1980.

2. The Board notes that, in an instance very similar to this proposal, it found a group of bank holding companies acting together to acquire the shares of a bank holding company to be a "company" and a "bank holding company" within the meaning of section 2 of the act. (Board letter of November 17, 1978, to Mr. William Beaman, Clerk, United States District Court for the District of Wyoming). The Board believes that the record in connection with this proposal could support a finding that the seven bank holding companies known as the Suburban Bank Group are together a "company" that would become a "bank holding company" upon consummation of the transaction. However, the Board finds no regulatory purpose would be served at this time by requiring the Suburban Bank Group itself to apply for the Board's prior approval to become a bank holding company and to register with the Board as such in light of the Suburban Bank Group's intention to reorganize as a multibank holding company after January 1, 1982, the effective date of the recently enacted amendment to the Illinois Bank Holding Company Act removing the current prohibition against multibank holding companies in the state. In addition, in accordance with the opinion of the Illinois Commissioner of Banks and Trust Companies, the Applicants have committed not to consummate the acquisition of Arlington until after January 1, 1982, in order to avoid any possible violation of the current Illinois prohibition against multibank holding companies. If the same or substantially the same seven bank holding companies again act as a group to acquire control of another company (before their reorganization into a multibank holding company is complete), such companies may be considered a "company". Accordingly, Applicants should not make any future joint acquisitions prior to consultation with the Board's staff.

3. The Chicago banking market is approximated by Cook, DuPage, and Lake Counties, Illinois.

4. The subsidiary bank of Cary-Grove is located in a separate banking market.

Where principals of an applicant are engaged in operating a chain of banking organizations, the Board, in addition to analyzing the one-bank holding company proposal before it, also analyzes the proposal in the context of multibank holding company standards to assess the financial and managerial resources and future prospects of the institutions comprising the chain. Based upon such an analysis in this case, the financial and managerial resources and future prospects of the Suburban Bank Group, its subsidiary banks, and Arlington, are regarded as generally satisfactory. Bank, as a proposed de novo bank, has no financial or operating history, however, its prospects as a subsidiary of Arlington appear favorable. Accordingly, considerations relating to banking factors are consistent with approval of this application.

Within Bank's proposed primary service area, Bank will be the only full service bank offering lending services to the public, and will serve as an additional source of banking services within the Chicago banking market. Accordingly, considerations relating to the convenience and needs of the community lend weight toward approval of the applications. It is the Board's judgment that consummation of the proposed transaction would be in the public interest and the applications should be approved.

On the basis of the record, the applications are approved for the reasons summarized above. The transactions shall not be made before January 1, 1982, or later than three months after January 1, 1982, and Suburban National Bank of Arlington Heights, Arlington Heights, Illinois, shall be opened for business not later than six months after the effective date of this Order,[5] unless such period is extended for good cause by the Board, or by the Federal Reserve Bank of Chicago, pursuant to delegated authority.

By order of the Board of Governors, effective August 19, 1981.

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

(Signed) WILLIAM W. WILES,
Secretary of the Board.

[SEAL]

5. In order to comply with the Illinois Bank Holding Company Act, which until January 1, 1982, prohibits multibank holding companies in Illinois (16 1/2 Ill. Rev. State. § 71 et seq.), the Applicants have committed, in accordance with the advice of the Illinois Commissioner of Banks and Trust Companies, that Bank will be chartered before January 1, 1982, and the proposal will not be consummated before January 1, 1982, the effective date of the new legislation permitting multibank holding companies in Illinois. The new Illinois law would generally prohibit the acquisition of a de novo bank chartered after January 1, 1982.

Commercial Security Bancorporation, Ogden, Utah

Order Denying Acquisition of Bank

Commercial Security Bancorporation, Ogden, Utah, a bank holding company within the meaning of the Bank Holding Company Act, as amended, has applied for the Board's approval under section 3(a)(3) of the act (12 U.S.C § 1842(a)(3)) to acquire 100 percent of the voting shares of Box Elder County Bank, Brigham City, Utah ("Bank").

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

Applicant, the fourth largest banking organization in Utah, controls two banking subsidiaries with aggregate deposits of $433 million, representing approximately 8.0 percent of total deposits in commercial banks in the state.[1] Bank, with deposits of $40.5 million is the 14th largest banking organization in Utah, representing approximately 0.7 percent of statewide commercial bank deposits. Consummation of the proposed acquisition would not alter Applicant's ranking in the state, although Applicant's share of statewide commercial bank deposits would increase to 8.7 percent. The Board concludes that consummation would not result in a significant increase in concentration of banking resources in Utah.

Bank is located in Brigham City, the county seat of Box Elder County, Utah. Applicant's closest subsidiary bank, Bear River State Bank ("Bear River Bank") is located in Tremonton, the second largest city in Box Elder County. Applicant asserts that Brigham City and Tremonton are in separate banking markets and that consummation of the transaction would not have any significant adverse effects.

The Supreme Court has articulated a number of factors to be considered in determining a geographic banking market. See *United States* v. *Philadelphia National Bank*, 374 U. S. 321 (1963); *United States* v. *Phillipsburg National Bank & Trust Co.*, 399 U. S. 350 (1970). See also *Mid-Nebraska Bancshares* v. *Board of Governors*, 627 F.2d 266 (D.C. Cir. 1980). These cases indicate that the competitive effects of a proposed acquisition should be judged in a localized market in which banks offer their services and to

1. Except as otherwise indicated, all banking data are as of December 11, 1980 and do not reflect Applicant's acquisition on April 4, 1981, of Bear River State Bank, Tremonton, Utah.

which local customers can practically turn for alternatives. The Supreme Court has stated in this regard that, "the proper question is not where the parties to the merger do business or even where they compete, but where, within the area of competitive overlap, the effect of the merger on competition will be direct and immediate." (*United States* v. *Philadelphia National Bank,* supra, at 357.) In determining what this area is, the Supreme Court sought "to delineate the areas in which bank customers that are neither very large nor very small find it practical to do their banking business. . . . *United States* v. *Philadelphia National Bank,* supra at 359.

Based on a review of all the facts of record, the Board believes that the relevant banking market is approximated by Box Elder County. Approximately 80 percent of the County's population lives in Brigham City and the Tremonton areas. The two communities are 19 miles apart and are connected by a superhighway. There are no intervening natural barriers. A newspaper and a radio station located in Brigham City serve both communities. The record indicates that there is a significant amount of commuting to points between and through the two communities. Moreover, the primary service areas of both Bank and Bear River Bank are confined to Box Elder County. Accordingly, the Board finds that Bank and Bear River Bank are institutions "to which local customers can practically turn for alternatives" and that the smaller banking markets proposed by Applicant are too narrow to approximate accurately the area where the competitive effects of the acquisition will be direct and immediate.

Bank, with $40.5 million in deposits, is the second largest of four banking organizations in the Box Elder County banking market, and controls 29.2 percent of the market's commercial bank deposits. Applicant's subsidiary, Bear River Bank (deposits of $14.9 million) is the third largest banking organization in that market with 11.9 percent of the market's commercial bank deposits. Acquisition of Bank would increase Applicant's share of market deposits to 41.1 percent and Applicant would become the second largest banking organization in the relevant banking market. The Board notes that consummation of the proposal also would increase the concentration of banking resources in the already concentrated Box Elder County banking market. The Board further notes that the increase in Applicant's market share as a result of the proposal would substantially exceed the Department of Justice Merger Guidelines. Based on all the facts of record, the Board concludes that the effects of the proposal on competition would be substantially adverse.

The financial and managerial resources and future prospects of Applicant, its banking subsidiaries and Bank are regarded as satisfactory. Accordingly, banking factors are consistent with, but lend no weight toward approval of the application. While Applicant proposes to assist Bank in offering additional services, there is no indication that the needs of Bank's customers are not currently being met or that the benefits expected from the proposal cannot reasonably be expected through other means.[2] Accordingly, the Board finds that considerations relating to the convenience and needs of the community to be served do not outweigh the substantially adverse competitive effects that would result from Applicant's acquisition of Bank.

On the basis of the foregoing and other considerations reflected in the record, it is the Board's judgment that consummation of the proposed transaction would not be in the public interest, and the application is hereby denied.

By order of the Board of Governors, effective August 4, 1981.

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

(Signed) WILLIAM W. WILES,
[SEAL] *Secretary of the Board.*

Midland Bank Limited, London, England

Order Approving Formation of Bank Holding Company, Acquisition of Nonbank and Edge Act Subsidiaries and Retention of Nonbank Companies; Order Denying Retention of Travel Agency Activities of Thomas Cook, Inc.

Midland Bank Limited ("Midland"), London, England, has applied under section 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1)) for approval of the formation of a bank holding company by acquiring 51 percent of the voting shares of Crocker National Corporation ("Crocker"), San Francisco, California.

Midland has also applied to do business under section 25(a) of the Federal Reserve Act (the "Edge Act") (12 U.S.C. §§ 611–631) by acquiring indirectly the shares of three Edge Corporation subsidiaries owned by Crocker National Bank: Crocker Bank International (Chicago), Chicago, Illinois; Crocker Bank International (New York), New York, New

2. See *United States* v. *Third National Bank,* 390 U.S. 171, 190 (1968).

York; and Crocker International Investment Corporation, San Francisco, California. The factors that are considered in acting on these applications include those set forth in section 211.4(a) of the Board's Regulation K (12 C.F.R. § 211.4(a)).

Midland has also applied, pursuant to section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. § 1843(c)(8)) and section 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)), for permission to acquire indirectly voting shares of the following subsidiaries of Crocker: (1) Bishop Building Co., Inc., Honolulu, Hawaii, which owns and operates the Bishop Trust Building in Honolulu and leases it to subsidiaries of Crocker and other tenants; (2) Bishop Trust Company, Ltd., Honolulu, Hawaii, which conducts a full-service trust business and provides limited data processing services to other Crocker subsidiaries; (3) Hawaii Finance Company, Ltd., Honolulu, Hawaii, which operates as an industrial loan company making secured and unsecured loans to individuals; (4) Miles Crossing Ltd., Honolulu, Hawaii, which owns real estate mortgages and other real estate receivables; (5) CNC Insurance Agency Inc., San Francisco, California, which engages in the activity of acting as agent for credit life, credit accident, and health insurance directly related to extensions of credit by Crocker's subsidiaries; (6) Crocker Investment Management Corp., San Francisco, California, which engages in the activity of providing portfolio investment advice and general economic and financial information and advice; (7) Crocker Mortgage Investment Company Inc., Los Angeles, California, which engages in the activities of originating, purchasing, and servicing loans secured by real estate and servicing loans and other extensions of credit; (8) Western Bradford Trust Company, San Francisco, California, a trust company which furnishes services to security holders, brokers, dealers and issuers, provides data processing services to Crocker and its subsidiaries, and provides computer software services to Crocker and its subsidiaries; and (9) Crocker Holdings Inc., Germantown, Tennessee, which holds real estate related assets of Crocker that are in the process of liquidation.

In addition, Midland has applied, pursuant to section 4(c)(8) of the Bank Holding Company Act and section 225.4(b)(2) of the Board's Regulation Y, for permission to retain the following indirect subsidiaries: (1) Samuel Montagu (Metals), Inc., New York, New York, which engages in the activity of dealing in precious metals by buying and selling gold and silver on the spot and futures markets for its own account, and deals with other precious metals dealers; (2) Thomas Cook, Inc., New York, New York, a company that engages in the issuance and sale of travelers checks; (3) London American Finance Corporation, New York, New York, a commercial finance company specializing in overseas trade financing of products manufactured in the United States; (4) LAFCO (Western Hemisphere), Ltd., New York, New York, which markets the services of certain financing affiliates in the western hemisphere, and extends credit to Latin American importers of United States products; and (5) Export Credit Corporation, a commercial finance company specializing in overseas trade financing of products manufactured in the United States.

The activities applied for have either been specified by the Board in section 225.4(a) of Regulation Y as permissible for bank holding companies, subject to Board approval of individual proposals in accordance with the procedures of section 225.4(b), or have been authorized by Order under section 4(c)(8) in particular cases.

Midland has also applied, pursuant to section 4(c)(9) of the Bank Holding Company Act (12 U.S.C. § 1843(c)(9)) and section 211.23(f)(5) of the Board's Regulation K (12 C.F.R. § 211.23(f)(5)), to retain Midland's interest in The Thomas Cook Group Ltd. ("TCG"), Peterborough, England. TCG provides retail and wholesale travel arrangements, and issues and sells travelers checks on a worldwide basis through its subsidiaries.[1]

Notice of receipt of these applications has been given in accordance with sections 3 and 4 of the Bank Holding Company Act (46 *Federal Register* 18,066 (1981)), and the time for filing views and comments has expired. The Board has considered the applications and all comments received in light of the factors set forth in section 3(c) of the Bank Holding Company Act (12 U.S.C. § 1842(c)), the considerations specified in sections 4(c)(8) and (9) of the Bank Holding Company Act, and the purposes of the Edge Act.

Midland is the third largest of the major London clearing banks and the lead bank of the 15th largest banking organization in the world, with total deposits of approximately $55.1 billion.[2] Midland's business consists of the provision of a wide range of banking, financial, and related services through its various subsidiaries and affiliated companies. Domestic banking is conducted through a network of more than 3,000 branches by Midland itself in England and Wales, and by subsidiaries in Scotland, Northern Ireland, and the Republic of Ireland. In addition to commercial banking and trust services, Midland engages in merchant banking, equity financing, mortgage banking, consumer financing, equipment leasing, factoring, providing travel services, and issuing and selling travelers

1. As noted above, Midland applied pursuant to section 4(c)(8) to retain TCG's U.S. travelers check business.

2. Banking data for Midland are as of December 31, 1980.

checks on a worldwide basis. Approximately 60 percent of Midland's profits derive from domestic banking; 25 percent from its international activities; and 15 percent from related services.

Crocker does not engage directly in any activity except holding shares of its subsidiaries. Its banking subsidiary, Crocker National Bank ("Bank"), San Francisco, California, holds domestic deposits of approximately $11.4 billion, is the fourth largest banking organization in California, with 385 branches, and the 12th largest banking organization in the United States.[3] Upon consummation of this proposal, Midland would be the 10th largest banking organization in the world.

Midland does not operate any banking offices in the United States.[4] Accordingly, the Board finds that approval of the proposal would have no significant effect on the concentration of banking resources or existing competition in any relevant area. Furthermore, while Midland has demonstrated that it is a likely entrant into the United States banking market, and has the financial reosurces to establish de novo offices in Bank's major market areas, most of the metropolitan California markets in which Bank competes are competitive markets; therefore, the elimination of probable future competition would not be significant. Accordingly, the Board finds consummation of the proposal would have no significant effect on probable future competition.

The financial and managerial resources and future prospects of Midland appear generally satisfactory. Under the proposed transaction, Crocker would receive capital injections totalling $495 million. In the first stage of the proposal, Midland would acquire 51 percent of Crocker for $595 million, of which $270 million would be added to Crocker's capital funds through the purchase of newly issued shares. In the second stage of the proposal, Midland, at its option or upon call by Crocker, would purchase, over four years, new common shares from Crocker for a total of $225 million. The additional purchase would increase Midland's ownership of Crocker from 51 percent to 57 percent.

The Board regards the additional capital being provided to Crocker as a result of the transaction as a positive factor in that it provides the opportunity to achieve a permanent enhancement of Crocker's capital position. Moreover, the Board expects that both Midland and Crocker will be mindful of this opportunity in the employment of the new capital funds.

The Board notes that Crocker's capital ratios are comparable to the ratios of other large U.S. banks at the present time. The Board, however, is aware that the capital ratios of the largest U.S. banks have generally declined over the past few years while, at the same time, the risks to which they are exposed have increased. The Board believes, therefore, that banks in this position should avail themselves of every opportunity to strengthen their capital positions. The injection of capital by Midland provides such an opportunity consistent with a reasonable rate of growth in Crocker's assets. In exercising its responsibility under the Bank Holding Company Act, the Board will monitor closely the capital position of large banking organizations in connection with their future expansion plans.

In light of all the facts of record, the Board concludes that banking factors and considerations relating to the convenience and needs of the communities to be served are consistent with approval of the applications. The Board's judgment is that, with respect to the application filed under section 3 of the Bank Holding Company Act, consummation of the proposal would be in the public interest and should be approved.

In reaching these conclusions, the Board has given due consideration to the public comments received on these applications, and the views expressed on the proposal at the public meeting ordered by the Board, and held in San Francisco, California, on June 22, 1981. The Board had ordered this meeting because of the importance of Crocker in the communities in which it operates and because of the interest of the public in the proposal. The objections expressed in the written submissions and at the public meeting were based primarily upon issues related to the foreign acquisition of U.S. banks in general and Community Reinvestment Act considerations. The Board has determined that these objections do not warrant denial of the application. The Board notes that there is no statutory authority in the Bank Holding Company Act for taking into account the nationality of the acquiring company, and that the Community Reinvestment Act does not apply to a transaction where the acquiring banking organization has no banking presence in the United States. At the June 22 meeting the Board also considered the written submissions and oral presentations in regard to their bearing on the convenience and needs factors that the Board must consider under the Bank Holding Company Act, and found that these factors are positive and consistent with approval as discussed above. Accordingly, the Board has deter-

3. Banking data for Crocker and market data are as of December 31, 1980.

4. Midland does have, as discussed below, a 20.125 percent interest in European American Bancorp, New York, New York, which has a wholly-owned subsidiary bank, European American Bank and Trust Company, New York, New York. In addition, Thomas Cook Travellers Cheques, Ltd. is licensed as a banking agency under New York State Banking Law.

mined that the public comments on the applications do not raise issues that would warrant denial, or conditional approval of this application.

As discussed above, Midland currently has a 20.125 percent ownership interest in European-American Bancorp ("EAB"), New York, New York, a bank holding company with respect to European-American Bank and Trust Company ("EABTC"), New York, New York. At the time the Board approved EAB's application to become a bank holding company in 1977 (63 FEDERAL RESERVE BULLETIN 595), the Board concluded that neither Midland nor any of the other five foreign banks having interests in EAB should be considered bank holding companies, individually or collectively.[5]

Section 3(d) of the Bank Holding Company Act (12 U.S.C. § 1842(d)) generally prohibits the Board from approving an application that would permit a bank holding company to acquire more than 5 percent of the voting shares of a bank located outside of the bank holding company's principal state of banking operations, unless such acquisition is specifically authorized by state law. Although Midland is not currently a bank holding company, Midland's acquisition of Crocker while maintaining its present interest in EAB would be inconsistent with the legislative direction contained in section 3(d).

Therefore, in order to prevent any evasion of the provisions and purposes of section 3(d), the Board has determined that Midland should be required to divest its interest in EAB. In light of the unique structure of EAB as a consortium organization, and taking into consideration EABTC's acquisition in 1974 of the assets of Franklin National Bank, the Board believes that it would be appropriate to allow Midland a longer period of time than is usual in order to complete the divestiture. The additional time will provide EAB and its owners flexibility to assure that the capital strength of the institution will be adequately maintained. Therefore, the Board has determined that Midland should reduce its interest in EAB to five percent or less of EAB's shares within three years of consummation of the transaction, provided that such period may be extended for good cause by the Board or by the Federal Reserve Bank of San Francisco under delegated authority.

With respect to the applications to acquire Crocker's nonbank subsidiaries, it was previously determined that the balance of public interest factors prescribed by section 4(c)(8) of the Bank Holding Company Act favored approval of the acquisition of these companies when they were acquired originally by Crocker. Nothing in the record suggests that Midland's acquisition of Crocker would alter that balance. Furthermore, the Board has determined that retention by Midland or Samuel Montagu (Metals), Inc., Thomas Cook, Inc. (issuance and sale of travelers checks), London American Finance Corporation, LAFCO (Western Hemisphere), Ltd., and Export Credit Corporation would produce benefits to the public and would be in the public interest. There is no evidence in the record that consummation of the proposal would, with respect to these section 4(c)(8) applications, result in undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices, or other adverse effects on the public interest. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the Bank Holding Company Act favors approval of the applications filed under that section, and that those applications should be approved.[6]

Similarly, with respect to Crocker's three Edge corporations, the public interest in the uninterrupted continuation of their service to customers favors approval of their retention after Crocker is acquired by Midland. The financial and managerial resources of Midland, an organization broadly represented in foreign markets, are regarded as consistent with approval of the acquisition of these three corporations by Midland. Their acquisition by Midland would enable these Edge corporations to continue the international services Crocker's Edge Corporations are able to provide to their customers, consistent with the purposes of the Edge Act to afford at all times a means of financing international trade, to stimulate competition for international banking and financing services, and to facilitate and stimulate United States exports. Accordingly, the Board finds that the applications filed under the Edge Act for the retention of Crocker Bank International (Chicago), Crocker Bank International (New York), and Crocker International Investment Corporation should be approved.

Midland has also applied, pursuant to section 4(c)(9) of the Bank Holding Company Act and section 211.23 of the Board's Regulation K, to retain its wholly-owned subsidiary, Thomas Cook Group Ltd. ("TCG"), a worldwide travel agency whose U.S. subsidiary is Thomas Cook, Inc. ("TCI"). Midland, through its indirect subsidiary, TCI, engages in provid-

5. The other shareholders of EAB are Societe Generale de Banque, S.A., Brussels, Belgium (20.125%); Deutsche Bank A.G., Frankfurt, Germany (20.125%); Amsterdam-Rotterdam Bank, N.V., Amsterdam, The Netherlands (17.0%); Societe Generale, Paris, France (20.125%); and Creditanstalt Bankverein, Vienna, Austria (2.5%).

6. In light of the Board's action requiring Midland's divestiture of EAB, the applications filed under section 4(c)(8) to retain EAB's nonbank subsidiaries are rendered moot.

ing travel services in the United States as part of the worldwide travel services provided by its parent company, TCG. Section 211.23(f)(5)(iii)(B) of the Board's Regulation K specifically states that a foreign banking organization may engage in the activity of arrangement of passenger transportation (Standard Industrial Code 4722) in the United States only with the approval of the Board pursuant to section 4(c)(9) of the Bank Holding Company Act.

TCG, a British company controlled by Midland since 1972 and wholly-owned by Midland since 1977, provides retail and wholesale travel arrangements, and sells travelers checks on a worldwide basis through its subsidiaries. TCG currently engages in the wholesale and retail travel business through the Travel Division of its wholly-owned U.S. subsidiary, TCI, a New York Corporation. TCI serves customers in both the business and pleasure travel segments (70 percent of revenues and 30 percent of revenues, respectively) through a nationwide retail network of 66 travel outlets in 53 cities in the United States. Several of the outlets in New York engage in both wholesale travel business (packaging of tours) and retail travel business. All other U.S. outlets engage only in retail business.

In support of its application to retain TCI, Midland has made a number of commitments and presented evidence to demonstrate that an exemption under section 4(c)(9) would not be at variance with the purposes of the Bank Holding Company Act and would be in the public interest. In the past, Midland and TCI have not sought public recognition of their connection and there is little public identification in the U.S. of one with the other. Midland has committed to preserve the complete separation of its banking operations in the United States, whether conducted through Crocker or otherwise, from the travel business conducted in the United States by TCI. Midland also contends that retention of TCI would be in the public interest because of the fragmentation of the U.S. travel agency industry and because TCI brings foreign revenues to the United States by virtue of its relationship with TCG.

Section 4(c)(9) of the Bank Holding Company Act provides that the nonbanking prohibitions of section 4 shall not apply to the investments or activities of a foreign company that conducts the greater part of its business outside the U.S. if the Board by regulation or order determines that, under the circumstances and subject to the conditions set forth in the regulation or order, the exemption would not be substantially at variance with the purposes of the Bank Holding Company Act and would be in the public interest. In determining whether to grant an exemption under section 4(c)(9), the Board has generally considered among other things whether such exemption would give the foreign institution a competitive advantage over domestic banking organizations.[7]

With respect to this application, the Board notes that not only are the travel agency activities of TCI impermissible for domestic banking organizations but TCI, in addition to providing travel services to its customers, provides nationwide outlets for the sale of Thomas Cook travelers checks and for the conducting of foreign currency transactions. Thus, Midland would be able, through TCI, to combine under common ownership and operation permissible section 4(c)(8) activities with the impermissible activity of operating a travel agency. No U.S. banking organization is able to market section 4(c)(8) services throughout the United States in the same manner.[8] Midland's commitments regarding the separation of its U.S. travel and banking business do not reduce the competitive advantage Midland would gain over domestic organizations in the conduct of its permissible nonbanking activities. Thus, based on all the facts of record, the Board concludes that Midland's retention of the travel services of TCI would be substantially at variance with the purposes of the Bank Holding Company Act and that the application to retain TCI under section 4(c)(9) should be and is denied. Accordingly, under section 4(a)(2) of the Bank Holding Company Act, Midland must divest the travel agency operations of TCI within two years of acquiring Crocker, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of San Francisco, pursuant to delegated authority.[9]

Midland has also indicated that it intends to retain certain indirect investments in the United States through foreign nonbanking companies on the basis of

7. See *The Royal Trust Company*, 60 FEDERAL RESERVE BULLETIN 58 (1974); *Lloyds Bank Limited*, 60 FEDERAL RESERVE BULLETIN 139 (1974); *The Bank of Tokyo, Ltd.*, 61 FEDERAL RESERVE BULLETIN 449 (1975); and *Israel Discount Bank Limited*, 66 FEDERAL RESERVE BULLETIN 910 (1980).

8. By order dated January 26, 1976, the Board found that the operation of a travel agency is not closely related to banking and therefore determined not to add the operation of a travel agency to the list of permissible activities in Regulation Y (62 FEDERAL RESERVE BULLETIN 148 (1976)).

9. As noted above, a subsidiary of Midland is licensed by the New York State Banking Department to maintain an agency in New York City and has operated the agency since prior to July 26, 1978. Although Midland has not asserted grandfather rights under the International Banking Act of 1978 to retain TCI, the Board has examined the question of Midland's grandfathered status. In light of previous Board determinations that an otherwise grandfathered foreign bank loses that status upon the acquisition of a U.S. subsidiary bank, the Board has determined that Midland may not retain the travel agency operation of TCI pursuant to 12 U.S.C. § 3106(c). *National Westminster Bank Limited*, 65 FEDERAL RESERVE BULLETIN 357 (1979); *Algemene Bank Nederland, N.V.*, 65 FEDERAL RESERVE BULLETIN 658 (1979).

section 2(h) of the Bank Holding Company Act (12 U.S.C. § 1841(h)). In each instance, Midland has provided information on the size and amount of assets and revenues of the foreign company abroad and of its U.S. operations, and information on whether the activity of the U.S. operations is in the same general line of business as that of the foreign nonbanking company. From the information provided, it appears that retention of these investments is permissible under section 2(h).

Based on the foregoing and other considerations reflected in the record, the Board has determined that the applications under sections 3(a)(1) and 4(c)(8) of the Bank Holding Company Act and under the Edge Act should be and hereby approved subject to the following conditions:

(1) that Midland reduce its interest in EAB to five percent or less of EAB's shares within three years of consummation of the transaction; and

(2) that Midland divest the travel agency operations of TCI or reduce its interest in TCI to five percent or less of TCI's shares within 2 years of consummation of the transaction.

The periods referred to above may be extended for good cause by the Board or by the Federal Reserve Bank of San Francisco under delegated authority. The acquisition of Crocker shall not be made before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order unless such period is extended for good cause by the Board or by the Federal Reserve Bank of San Francisco, pursuant to delegated authority. The determination as to Midland's acquisition of Crocker's nonbank subsidiaries and retention of its own nonbank subsidiaries under section 4(c)(8) of the act is subject to the conditions set forth in section 225.4(c) of Regulation Y, and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the act and the Board's Orders and regulations issued thereunder, or to prevent evasion thereof.

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

Voting for these actions: Chairman Volcker and Governors Schultz, Wallich, Partee, and Gramley. Absent and not voting: Governors Teeters and Rice. Not voting on the insurance activities: Governors Schultz and Wallich.

(Signed) WILLIAM W. WILES,
Secretary of the Board.

[SEAL]

New England Merchants Company, Inc., Boston, Massachusetts

T.N.B. Financial Corp., Springfield, Massachusetts

Order Approving Merger of Bank Holding Companies

New England Merchants Company, Inc., Boston, Massachusetts, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under section 3(a)(5) of the act (12 U.S.C. § 1842(a)(5)) to merge with T.N.B. Financial Corp., Springfield, Massachusetts ("T.N.B."), under the name and charter of New England Merchants Company, Inc. ("Applicant").

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

Applicant, the fourth largest banking organization in Massachusetts, controls five banks with aggregate deposits of $2.0 billion, representing 9.2 percent of total deposits in commercial banks in the state.[1] T.N.B., the eighth largest banking organization in the state, controls six banks with total deposits of approximately $588.7 million, representing 2.8 percent of total statewide commercial bank deposits. Upon consummation, the resulting banking organization would rank as the third largest in the state, controlling 12.0 percent of total deposits in commercial banks in the state. Although the proposed merger would increase the share of total deposits held by the five largest banking organizations in Massachusetts, in light of all the facts of record,[2] it appears that consummation of the proposal would have only slightly adverse effects on the concentration of banking resources in the state.

Applicant's subsidiary banks do not compete in the five banking markets in which T.N.B. operates and the shortest distance between offices of Applicant and T.N.B. is 64 miles. Thus, consummation of the transaction would not have any effect on existing competition in any relevant area. T.N.B.'s subsidiary banks compete in the Springfield, Amherst-Northampton, Greenfield, North Adams-Williamstown and Athol

1. All banking data are as of December 31, 1980.

2. Although the Board is of the opinion that thrift institutions do not compete actively with commercial banks over a sufficient range of services to consider them full competitors of commercial banks, the Board, in light of the relative size and nature of the operations of thrift institutions in Massachusetts, regards their presence as a mitigating factor to reduce the effects on concentration in the state.

banking markets. The proposed merger would have no significant adverse effect on probable future competition in these markets because, in general, the markets are not attractive to de novo entry. Moreover, Applicant's banks are restricted by law from branching into these areas, and the alternatives available to Applicant for entering these markets are limited. Thus, consummation of the transaction would not result in any adverse effects on probable future competition in these markets.

Applicant's subsidiary banks operate in the Boston, Fall River, Cape Cod, and New Bedford banking markets. Although T.N.B. appears to have the resources to expand into these markets absent the proposed affiliation, there are several factors that mitigate any adverse effects on probable future competition that may result from the proposed merger. The New Bedford and Fall River markets are not considered attractive to de novo entry at this time, and T.N.B.'s subsidiary banks are prohibited by state law from branching into any of the markets in which Applicant's banks operate. Although the Boston banking market may be considered attractive to de novo entry, it is not a highly concentrated market[3] and loss of T.N.B. as a future entrant would not have any serious adverse effects on competition. Moreover, in light of T.N.B.'s history of expansion, which has been limited to the western and central portions of the state, the Board is unable to conclude that T.N.B. is a likely entrant into any of the four markets in which Applicant competes. These markets are all located in the eastern part of Massachusetts and are a considerable distance from T.N.B. headquarters in Springfield. Moreover, there are substantial numbers of thrift institutions in each of these markets that compete to some extent with commercial banks, thus further mitigating any adverse competitive effects associated with the proposal. Therefore, the Board finds that consummation of the proposal would have only slightly adverse effects on probable future competition.

The financial and managerial resources of Applicant, T.N.B., and their subsidiaries are considered generally satisfactory and their future prospects favorable. Thus, considerations relating to banking factors are consistent with approval. Following consummation of the proposed transaction, Applicant will assist T.N.B. in offering simple interest loans and a one-percent interest rate reduction on such loans when payments are made by automatic transfer from the customer's checking account. Affiliation with Applicant will enable T.N.B. to service larger borrowers through overline participation with Applicant's subsidiaries, and will allow T.N.B. to participate more actively in the secondary mortgage market which would enable its banks to become more reliable sources of mortgage funds. Accordingly, the Board concludes that considerations relating to the convenience and needs of the communities to be served lend weight toward approval. Based upon the foregoing and other considerations reflected in the record, the Board's judgment is that the proposed merger is in the public interest and that the application should be approved.

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

By order of the Board of Governors, effective August 20, 1981.

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

(Signed) BARBARA R. LOWREY,
[SEAL] *Assistant Secretary of the Board.*

3. The Boston banking market is approximated by the Boston RMA and includes the major metropolitan areas (SMSAs) of Boston, Brockton, Lowell, and Lawrence-Haverhill. There are 159 cities and towns in this market which extends over the entire east coast of Massachusetts except Cape Cod, and the market also includes 13 towns in southern New Hampshire.

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

Canadian Commercial Bank, Edmonton, Alberta, Canada

CCB Bancorp, Inc. Los Angeles, California

Order Approving Formation of Bank Holding Companies and Engaging in Mortgage Banking Activities

Canadian Commercial Bank, Edmonton, Alberta, Canada ("CCB"), a foreign bank subject to certain provisions of the Bank Holding Company Act,[1] and its subsidiary, CCB Bancorp, Inc., Los Angeles, Califor-

1. CCB, a foreign bank operating an agency in Los Angeles, California, is subject to certain provisions of the act pursuant to section 8(a) of the International Banking Act of 1978 (12 U.S.C. § 3106(a) (1978)).

nia ("CCB Bancorp"), have applied for the Board's approval, pursuant to section 3(a)(1) of the act (12 U.S.C. § 1842(a)(1)) to become bank holding companies by acquiring, indirectly and directly, 40.12 percent of the voting shares of Westlands Bank, Santa Ana, California ("Bank").[2]

CCB has also applied under Section 4(c)(8) of the act (12 U.S.C. § 1843(c)(8)) and section 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)) for permission to engage de novo through its subsidiary, CCB Realty, Inc., Los Angeles, California ("CCB Realty"), in mortgage banking activities. Such activities have been determined by the Board to be closely related to banking (12 C.F.R. § 225.4(a)(1)).

Notice of the applications, affording opportunity for interested persons to submit comments and views, has been given in accordance with sections 3 and 4 of the act (46 *Federal Register* 32,504 (1981)). The time for filing views and comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in section 3(c) of the act (12 U.S.C. § 1842(c)) and the considerations specified in section 4(c)(8) of the act.

CCB is a Canadian bank with total assets and deposits (as of October 31, 1980) of approximately $768.4 million and of $649.8 million, respectively. CCB Bancorp is a nonoperating California corporation with no subsidiaries, organized for the purpose of becoming a bank holding company by acquiring Bank. Upon acquisition of Bank (deposits of $188.0 million), CCB Bancorp and, indirectly CCB, would control the 39th largest commercial banking organization headquartered in California and would hold approximately 0.1 percent of the total deposits in commercial banks in the state.[3] Bank is the 33rd largest of 104 commercial banking organizations located in the Los Angeles banking market and holds approximately 0.2 percent of the total deposits in commercial banking organizations in the market.[4] CCB Currently engages in business in the United States solely through an agency ("Agency") located in Los Angeles, California, which had loans totalling approximately $140.0 million outstanding as of December 31, 1980. Although Agency has no authority to accept deposits, it does compete directly for loans with Bank's Santa Ana branch and Laguna Niguel loan production office, both located in the Los Angeles banking market. However, following consummation of the proposal, Bank's market share and rank would be unchanged and numerous banking alternatives would remain within the market. It appears from these and other facts of record that consummation of the proposal would not result in any adverse effects upon existing or potential competition or increase the concentration of banking resources in any relevant area. Accordingly, the Board concludes that competitive considerations are consistent with approval of the applications.

The financial and managerial resources and future prospects of CCB, CCB Bancorp, and Bank appear generally satisfactory, particularly in light of the $5.0 million in new capital that would be injected into Bank following consummation of this proposal. Accordingly, banking factors lend weight toward approval of the applications of CCB and CCB Bancorp to become bank holding companies. Upon consummation of the proposal, CCB intends to assist Bank in providing new and improved services to its customers. In this regard, the Board notes that CCB has particular expertise in the areas of commercial, industrial, and real estate lending, data processing services and mortgage banking, that will enable it to lend support to Bank's operations. Moreover, the increased flexibility and resources made available by CCB to Bank will assist Bank in continuing to meet the convenience and needs of its community. Thus, considerations relating to the convenience and needs of the community to be served lend weight toward approval of the applications to acquire Bank. Accordingly it is the Board's judgment that the acquisition of Bank by CCB and CCB Bancorp would be in the public interest and the applications should be approved.

CCB has also applied for permission to engage de novo through its subsidiary, CCB Realty, in the mortgage banking activities of making, acquiring and servicing loans and other extensions of credit secured by real estate mortgages and deeds of trust. These activities will include the origination, processing, servicing, and acquiring of mortgage loans or other extensions of credit secured by mortgages on residential single- and multi-family real estate, and commercial and industrial properties. In addition, CCB Realty's activities will include the purchase, sale or placement of mortgage loans, and the management and sale of property acquired through foreclosure. CCB Realty's activities will be conducted from an office in Los Angeles, California, serving the United States. It does not appear from the facts of record that commencement of mortgage banking activities by CCB through CCB

2. CCB also intends to acquire a two-year stock purchase warrant entitling it to purchase 625,309 shares of Bank; a four-year stock purchase warrant entitling it to purchase 500,000 shares of Bank; and a stock purchase option right if, under certain conditions, there should be an issuance of Bank stock, options, warrants or convertible securities during the third or fourth years following CCB's initial acquisition of Bank's shares. CCB proposes to transfer its warrant and option rights to CCB Bancorp. Under section 3 of the act, Board approval would be required prior to any purchase of Bank's shares through the exercise of rights or warrants (12 C.F.R. § 225.103).

3. All banking data are as of December 31, 1980.

4. The Los Angeles banking market is approximated by the Los Angeles RMA, which consists of parts of Los Angeles, Orange, San Bernadino, Riverside, and Ventura Counties.

Realty would result in any adverse competitive effects in any market, while approval of the application would provide an alternative source of real estate credit in the United States. Accordingly, it is concluded that CCB's proposal to engage de novo through its subsidiary CCB Realty in mortgage banking activities can reasonably be expected to produce benefits to the public that outweigh any adverse effects that may be associated with the proposal. Furthermore, there is no evidence in the record indicating that these activities would result in any undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices, or other adverse effects upon the public interest.

Based upon the foregoing and other considerations reflected in the record, it has been determined, in accordance with the provisions of section 4(c)(8) of the act, that the application to engage de novo in mortgage banking activities throughout the United States can reasonably be expected to produce favorable public benefits and should be approved.

Accordingly, the applications are approved for the reasons summarized above. The acquisition of shares of Bank shall not be made before the thirtieth calendar day following the effective date of this Order. The acquisition of Bank and the commencement of mortgage banking activities 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 San Francisco, pursuant to delegated authority. The approval of CCB's mortgage banking activities is subject to the conditions set forth in section 225.4(c) of Regulation Y, and to the Board's authority to require reports by, and make examinations of holding companies and their subsidiaries, and to require such modification or termination of the activities of a bank holding company or its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

By order of the Board of Governors, effective August 17, 1981.

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

(Signed) WILLIAM W. WILES,
Secretary of the Board.

[SEAL]

Credit and Commerce American Holdings, N.V., Willemstad, Netherlands Antilles

Credit and Commerce American Investment, B.V., Amsterdam, The Netherlands

FGB Holding Corporation, Washington, D.C.

Order Approving Formation of Bank Holding Companies

Credit and Commerce American Holdings, N.V. ("CCAH"), Willemstad, Netherlands Antilles; Credit and Commerce American Investment, B.V. ("CCAI"), Amsterdam, The Netherlands; and FGB Holding Corporation ("FGB"), Washington, D.C., have applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1)) to become bank holding companies through the acquisition of FGB of up to 100 percent of the voting shares of Financial General Bankshares, Inc. ("FG"), Washington, D.C. FG is a grandfathered multi-state bank holding company with subsidiary banks in Maryland, New York, Tennessee, Virginia, and the District of Columbia.[1]

Applicants have also applied under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)) for permission to indirectly acquire, as an incident to their acquisition of FG, shares of National Mortgage Corporation, and Money Exchange Services, Inc., both of Washington, D.C. These companies are existing nonbanking subsidiaries of FG. National Mortgage Corporation, is a small, presently inactive, mortgage banking company, and Money Exchange Service Corporation provides electronic data processing services for certain affiliated banks. Such activities have been determined by the Board to be closely related to banking (12 C.F.R. § 225.4(a)(1) and (8)).

Notice of the applications, affording opportunity for interested persons to submit comments and views, has

1. FG's subsidiary banks are First American Bank, N.A., District of Columbia; Eastern Shore National Bank, Pocomoke City, Maryland; First American Bank of Maryland, Silver Spring, Maryland; Community State Bank, Albany, New York; Bank of Commerce, New York City, New York; Valley Fidelity Bank and Trust Company, Knoxville, Tennessee; and the following Virginia banks: First American Bank of Virginia, McLean; The Valley National Bank, Harrisonburg; The Peoples National Bank of Leesburg, Leesburg; The First National Bank of Lexington, Lexington; The Round Hill National Bank, Round Hill; and Shenandoah Valley National Bank, Winchester.

been given in accordance with sections 3 and 4 of the act (45 *Federal Register* 85,521 (1980)), and the time for filing views and comments has expired. The Board has considered the applications and all comments received, including those of the Commissioner of Financial Institutions for the State of Virginia and several shareholders of FG,[2] in light of the factors set forth in section 3(c) of the act (12 U.S.C. § 1842(c)) and the considerations set forth in section 4 of the act.

CCAH and CCAI first applied to acquire FG in November 1978. The applications grew out of Securities and Exchange Commission ("SEC") allegations that certain individuals, some of whom are principals of CCAH and CCAI, had violated section 13(d) of the Securities and Exchange Act of 1934 by acquiring, as a group, more than 5 percent of the equity securities of FG without making appropriate filings with the SEC. Without admitting or denying these allegations, the defendants entered into a consent agreement with the SEC; according to the terms of that agreement, certain of the defendants represented that they intended to make a tender offer for any and all shares of FG at the previously highest offered price, subject to obtaining appropriate regulatory approvals. CCAH and CCAI were created as the vehicles for making the tender offer.

When these applications were first filed in 1978, the Commissioner of Financial Institutions of the State of Virginia, the Commissioner of Banking of the State of Tennessee, and the Bank Commissioner of the State of Maryland, as well as the management of FG, objected to the applications. In addition, the Attorney General for the State of Maryland issued an opinion interpreting a section of Maryland state law to preclude unfriendly affiliations. Because the Maryland state bank affiliate of FG was objecting to the proposal, the Attorney General found that the proposed acquisition of FG would violate Maryland law. The Board decided to address this legal issue before acting on the merits of the applications, and by Order dated February 15, 1979 (65 FEDERAL RESERVE BULLETIN 254 (1979)), determined that it was precluded by law from approving the applications.[3]

In July 1980, CCAH and CCAI and their principals, and FG entered into a definitive agreement for the sale of FG's voting shares to CCAH and CCAI. This agreement concluded the struggle over control of FG between FG's management and CCAH and CCAI and their principals, and led to the filing of the subject applications.

Applicants are non-operating corporations organized for the purpose of becoming bank holding companies by acquiring FG. CCAH, a corporation organized under the laws of the Netherlands Antilles, owns all of the outstanding shares of CCAI, which is organized under the laws of The Netherlands. CCAI, in turn, owns all of the outstanding shares of FGB, a corporation chartered under the laws of the state of Virginia. Upon acquisition of FG (total deposits of $2.1 billion), Applicants would control 10.2 percent of total deposits in commercial banks in the District of Columbia, 4.7 percent of such deposits in Virginia, 2.2 percent in Maryland, and negligible percentages of such deposits in New York and Tennessee.[4] Inasmuch as Applicants and their principals control no other banks and engage in no nonbanking business in the United States, consummation of the transaction would have no adverse effects on either existing or potential competition in any relevant market, and would not increase the concentration of resources in any relevant area. Therefore, competitive considerations are consistent with approval of the applications.

The financial and managerial resources of Applicants, FG, and its subsidiary banks are considered generally satisfactory and the future prospects of each appear favorable. The proposed transaction would provide FG with $12 million in new capital. Moreover, the Board expects Applicants to serve as a continuing source of strength to FG and its subsidiary banks, and Applicants recognize their responsibility to do so. Although Applicants will incur $50 million in debt in connection with this proposal, Applicants have made certain commitments that ensure that they will be able to service the debt without adversely affecting the financial position of FG or its subsidiary banks. Also, as part of the proposal, Applicants have stated they will not be paying any dividends to their principals in the near future. In the Board's judgment, banking factors are consistent with approval.

Convenience and needs considerations relating to this proposal are favorable. The additional capital to be injected into FG's subsidiary banks is expected to

2. The Board has determined that the shareholder protests do not raise issues that would warrant denial of the applications.

3. In that Order the Board also determined that section 3(d) of the act (12 U.S.C. § 1842(d)), which generally prohibits the Board from approving an application by a bank holding company to acquire voting shares of banks in more than one state, was not applicable to the proposed transaction. While the Board determined that section 3(d) applies to the formation of a multi-state bank holding company as well as the expansion of an existing multi-state bank holding company, the Board held that the Congressional intent of prohibiting the formation and limiting the expansion of such holding companies would be preserved even if the Board approved those applications. The Board reached this determination because the acquisition of FG by these two shell corporations would increase neither the number of multi-state bank holding companies nor the number of out-of-home state banks owned or controlled by FG (65 FEDERAL RESERVE BULLETIN at 255–56).

4. Banking data are as of March 31, 1980.

strengthen the organization and allow it to provide new services to the public. Applicants plan to increase the competitive posture of FG by expanding the branch networks of its subsidiary banks, by increasing commercial lending and services, and by establishing an international department at the New York City subsidiary bank. The Board finds that considerations relating to the convenience and needs of the communities to be served lend some weight toward approval of these applications. The Board's judgment is that, with respect to the applications filed under section 3 of the act, consummation of the proposal would be in the public interest and these applications should be approved.

In reaching these conclusions, the Board considered the public comments received on these applications, and has given particular attention to the submissions made by the Commissioner of Financial Institutions for the State of Virginia (the "Commissioner"). The Commissioner made a timely recommendation of denial of these applications, which would ordinarily require the Board, in accordance with section 3(b) of the act (12 U.S.C. § 1842(b)), to order a formal hearing on the applications. However, the Commissioner subsequently concurred in a decision by the Virginia State Corporation Commission to withdraw the request for a formal hearing.

The Board determined it would be useful for Board and Reserve Bank staff to conduct an informal meeting, on the record, to be attended by representatives of CCAH and CCAI. The bank supervisors for the states of Maryland, New York, Tennessee and Virginia, and the Comptroller of the Currency were invited to participate. Only the Commissioner decided to participate in this proceeding held at the Board on April 23, 1981, while all the other invited parties, except for the Banking Department of the State of Tennessee, sent representatives as observers.

The Commissioner was given an opportunity to submit written questions to the Applicants, to make an oral presentation at the meeting, and to submit a closing statement in response to issues and questions raised by representatives of CCAH and CCAI at the meeting. The Board has examined carefully all of these comments, and Applicants' responses thereto, and determined that while the Commissioner has raised issues regarding foreign acquisitions of U.S. banks, and supervisory and regulatory issues related to such acquisitions, these matters were addressed responsively by Applicants, and, in certain instances, have previously been addressed by the Board itself.[5] Accordingly, the Board finds that the objections of the Commissioner do not warrant denial of these applications.

With respect to the applications to acquire FG's nonbank subsidiaries, the Board has determined that the balance of public interest factors prescribed by section 4(c)(8) of the act favor approval of FG's retention of National Mortgage Corporation (65 FEDERAL RESERVE BULLETIN 72 (1979)). Nothing in the record suggests that Applicants' acquisition of FG would alter that balance. Money Exchange Services, Inc., provides data processing services to FG's subsidiary banks. It does not appear that the acquisition of this company would have any adverse effect on competition in any relevant area. There is no evidence in the record that consummation of the proposal would, with respect to these applications, result in undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices or other adverse effects on the public interest. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the act favors approval of the applications filed under that section, and that these applications should be approved.

On the basis of the record, the applications are approved for the reasons summarized above. The acquisition of FG shall not be made before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Richmond, pursuant to delegated authority. The determination as to Applicant's acquisition of FG's nonbank subsidiaries under section 4(c)(8) of the act is subject to the conditions set forth in section 225.4(c) of Regulation Y, and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

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

Voting for these actions: Chairman Volcker and Governors Schultz, Wallich, Partee, and Gramley. Absent and not voting: Governors Teeters and Rice.

(Signed) WILLIAM W. WILES,
[SEAL] *Secretary of the Board.*

5. In its February 23, 1979 "Statement of Policy on Supervision and Regulation of Foreign Bank Holding Companies," the Board endorsed the principle of national treatment, or nondiscrimination, as a basis for the rules governing the entry and subsequent operations of foreign banks in this country. The Board noted that the International Banking Act of 1978 generally incorporates that principle in its provisions.

Orders Issued Under Section 4 of Bank Holding Company Act

Citicorp, New York, New York

Order Approving Retail Check Authorization and Check Guarantee Activities

Citicorp, New York, New York, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval, under section 4(c)(8) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)), to engage de novo, through an existing nonbank subsidiary, Citicorp Financial, Inc. ("CFI"), Towson, Maryland, in the activity of retail check authorization. Under the proposal, CFI, for a fee, would authorize merchants by telephone or on-line computer terminal, to accept checks written by Choice cardholders.[1] In addition, CFI would guarantee payment of all accepted checks by purchasing from merchants all dishonored checks that it had validly authorized. CFI would charge the cardholder's account for the amount of any dishonored checks.

The activity of engaging in retail check authorization and check guarantee as proposed by Applicant has not been added to the Board's list of permissible activities for bank holding companies found in Regulation Y. (12 C.F.R. § 255.4(a)). However, in connection with an earlier application, the Board determined by order that the activity of retail check authorization and check guarantee is closely related to banking. (*Barnett Banks of Florida, Inc.*, 65 FEDERAL RESERVE BULLETIN 263 (1979)). As noted in this earlier decision, banks have in fact engaged in the proposed activity. Furthermore, various aspects of the proposed activity are operationally similar to normal bank functions and services, such as check processing, credit data file maintenance, data processing, and overdraft protection, that are currently engaged in or provided by banks. Accordingly, the Board has determined that retail check authorization and check guarantee activities as Applicant proposes are closely related to banking.[2]

Notice of the application, affording interested persons an opportunity to submit comments and views on public interest factors, has been duly published (46 *Federal Register* 28745 (1981)). The time for filing comments and views has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the act.

Applicant is a bank holding company by virtue of its control of Citibank, N.A., New York, New York (total deposits of $72.5 billion), and Citibank (New York state), N.A., Buffalo, New York (total deposits of $2.1 billion), and together they constitute the largest banking organization in New York state.[3] Applicant's subsidiary banks in the aggregate control 13 percent of the total deposits of commercial banks in the state. Applicant also engages in various other permissible nonbanking activities.

In order to approve this application, the Board is required to determine that the performance of the proposed activities by CFI, "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 interest, or unsound banking practices." (12 U.S.C. § 1843(c)(8)).

Applicant's proposed retail check authorization and check guarantee service would benefit merchants by providing a convenient means for decreasing bad-check losses. The convenience of individual consumers would be enhanced by the proposed activity since their personal checks would be more readily accepted for the purchase of goods and services from merchants. The de novo entry of Applicant into the check authorization business would increase the level of competition among check authorization systems already in operation. Accordingly, the Board has concluded that the performance of the proposed activities by Applicant is likely to produce significant benefits to the public.

With respect to possible adverse effects, nothing in the record indicates that Applicant's proposal would result in any undue concentration of resources. The Board recognizes the potential in the proposal for unfair competition or conflicts of interest with respect to the authorization of checks not drawn on subsidiary banks of Applicant. However, the Board relies on Applicant's commitment that CFI in performing these activities will not discriminate against checks drawn on banks that are not subsidiaries of Applicant. In addition, neither of Applicant's two principal banking subsidiaries operate banking offices in the area in which CFI's check guarantee program would operate. Also, the risk to Applicant associated with this proposal appears to be no more than the usual banking risk because CFI will maintain a credit relationship with the consumers whose checks are guaranteed. Further, Applicant is fully aware of section 106 of the 1970 Amendments to the Act and section 225.4(c) of the

1. The Choice Card is CFI's proprietary credit card.
2. See *National Courier Association* v. *Board of Governors of the Federal Reserve System*, 516 F.2d 1229 (D.C. Cir. 1975).

3. All banking data are as of December 31, 1980.

Board's Regulation Y, which prohibit a bank holding company and its subsidiaries from engaging in impermissible tie-in arrangements in connection with extensions of credit, sales of property, or the furnishing of services.

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

The transaction shall not be made 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.

By order of the Board of Governors, effective August 3, 1981.

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

(Signed) WILLIAM W. WILES,
[SEAL] *Secretary of the Board.*

Western Kentucky Bancshares, Inc., Livermore, Kentucky

Order Vacating in Part and Affirming in Part Reserve Bank Order Approving de novo Insurance Activities

Western Kentucky Bancshares, Inc. ("Applicant"), Livermore, Kentucky, notified the Federal Reserve Bank of St. Louis ("Reserve Bank") of its proposal, under section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. § 1843(c)(8)) and section 225.4(b) (1) of the Board's Regulation Y, to engage de novo, through its subsidiary, Big Rivers Insurance Agency, Inc. ("Agency"), Livermore, Kentucky, in certain insurance agency activities. These activities include acting as insurance agent or broker with respect to the sale of accident and health, and property and casualty insurance, which is directly related to extensions of credit by Applicant's subsidiary bank, Farmers & Merchants Bank, Livermore, Kentucky. On April 20, 1981, based upon all the facts of record as of that date, the Reserve Bank determined that the public interest factors required to be considered under section 4(c)(8) of the act outweighed possible adverse effects and, accordingly, the Reserve Bank approved the subject proposal pursuant to delegated authority.

On May 4, 1981, the Independent Insurance Agents of Kentucky, Inc. ("IIAK"), which had objected to the proposal during its pendency at the Reserve Bank, filed a timely petition for review of the Reserve Bank's approval of that proposal.[1] The petition questioned the legality of certain of Applicant's proposed insurance activities under state law, and in addition it questioned the correctness of the opinion of the Commissioner of the Kentucky Department of Banking and Securities ("State Commissioner") that the proposed activities were permissible under state law.

The legality of the proposed activities under state law was questioned by IIAK in connection with Applicant's original notification of its proposed insurance activities. IIAK contended that Agency would be prohibited under section 287.030(3) of Kentucky Revised Statutes from engaging in certain of the proposed insurance activities. The pertinent portions of that section provided as follows:

"no person who hereafter owns or acquires more than one-half (½) of the capital stock of one (1) bank or combined bank and trust company shall: (a) own or acquire directly or indirectly any capital stock in any other bank or combined bank and trust company domiciled in Kentucky, or (b) act as insurance agent or broker with respect to any insurance except credit life insurance, credit health insurance, insurance of the interest of a real property mortgagee in mortgaged property, other than title insurance . . ."

The State Commissioner was consulted regarding his interpretation of the above-quoted language and the effect of that provision upon the subject proposal. In his response of March 26, 1981, the State Commissioner concluded that the above statutory language does not prohibit the acquisition of an independent insurance agency by a bank holding company, notwithstanding the fact that such agency is engaged in insurance activities that the bank holding company itself would be prohibited from engaging indirectly under KRS § 287.030(3), provided that the subsidiary operates as an independent entity. The State Commissioner observed that the phrase "directly or indirectly" appears in part (a) of the statute, but not in part

1. Under § 265.3 of the Board's Rules Regarding Delegation of Authority, IIAK's deadline for requesting such review would have expired on April 27, 1981. However, by letter dated April 24, 1981, IIAK requested that the time during which it could seek review of the Reserve Bank's approval of the subject application be extended from April 27 until May 4, 1981. The Secretary of the Board granted this request.

(b), and relying on the literal words of the statute, he concluded that the prohibition contained in part (b), regarding insurance activities, did not apply to indirect activities. The State Commissioner concluded, therefore, that KRS § 287.030(3) would not prohibit Applicant from engaging indirectly, through Agency, in the proposed insurance activities including acting as agent or broker with respect to the sale of property and casualty insurance, an activity that Applicant would be prohibited from engaging in. Although the Reserve Bank might not have interpreted the above provision in the same manner as the State Commissioner, and so informed the protestants to the subject application, the State Commissioner's interpretation was found to be reasonable. Therefore, in accordance with the State Commissioner's interpretation, the Reserve Bank concluded that KRS § 287.030(3) does not prohibit Applicant's proposed insurance activities through agency.

Following the Reserve Bank's approval of the subject proposal, IIAK requested that the Kentucky Attorney General issue an interpretation of the relevant provision of KRS § 287.030(3). On May 8, 1981, the Attorney General issued his opinion that a Kentucky bank holding company would be prohibited under the above-cited section of law from acquiring a company that would perform insurance activities that the bank holding company itself would be prohibited from engaging in under state law. The Attorney General opined that it was the clear intent of the state legislature to limit the involvement of Kentucky bank holding companies in insurance activities and any construction authorizing such a holding company to engage in more extensive insurance activities indirectly through a subsidiary would render the limitation a nullity. Thus, because Applicant would be prohibited, under state law, from engaging in the proposed property and casualty insurance activities, Applicant could not, in the Attorney General's view, engage in such activities indirectly through Agency.

Under Kentucky law, the Attorney General is the chief law officer of the state and all its departments and commissions, and is authorized to furnish written opinions touching the official duties of any state or local officials. Although opinions of the Attorney General are advisory in nature and not legally binding on officials or other parties, there is a tendency for state officials to follow such opinions. Accordingly, the State Commissioner does not appear to be legally bound to follow the Attorney General's opinion, and has indicated that he will not follow the Attorney General's opinion in this case.

Under section 4(c)(8) of the act, the Board is preliminarily required, in accordance with Supreme Court decisions, to make determinations or assumptions with respect to the legality of an Applicant's proposal, and to determine whether an Applicant's proposed activities would produce public benefits that outweigh possible adverse effects.[2] In this connection, the Supreme Court has indicated that the Board may not approve an application by a bank holding company if consummation of the proposal contemplated by such application would be prohibited by a valid state law.[3] In view of the ambiguity of the relevant provision of Kentucky law, as well as the conflicting opinions of the State Commissioner and the Attorney General regarding the interpretation thereof, the Board has decided to follow the more limited interpretation of that provision of state law which would prohibit a Kentucky bank holding company from directly or indirectly engaging in any insurance activities except those specified in KRS § 287.030(3). Under this interpretation, Applicant would be prohibited by state law from engaging in certain of its proposed activities, specifically, acting as agent or broker with respect to the sale of property and casualty insurance. Accordingly, the Board hereby vacates that portion of the Reserve Bank's Order of April 20, 1981, approving Applicant's proposal to engage, through Agency, in the activity of acting as insurance agent or broker with respect to the sale of property and casualty insurance which is directly related to extensions of credit, and, in addition, it denies Applicant's proposal to engage in such property and casualty insurance activities. The Board, however, affirms in all other respects the Reserve Bank's Order.

By order of the Board of Governors, effective August 6, 1981.

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

(Signed) WILLIAM W. WILES,
[SEAL] *Secretary of the Board.*

2. *Florida Association of Insurance Agents, Inc.*, v. *Board of Governors*, 591 F.2d 334 (1979); *Alabama Association of Insurance Agents* v. *Board of Governors*, 533 F.2d 224 (5th Cir. 1976), aff'd on rehearing 558 F.2d 729 (1977) (en banc) cert. den., 435 U.S. 904 (1978); See, *Whitney National Bank in Jefferson Parish* v. *Bank of New Orleans and Trust Company*, 379 U.S. 411 (1965).

3. *Whitney National Bank in Jefferson Parish* v. *Bank of New Orleans and Trust Company*, 379 U.S. 411, 419 (1965).

Orders Approving Applications Under the Bank Holding Company Act and Bank Merger Act

By the Board of Governors

During August 1981, the Board of Governors approved the applications listed below. Copies are available upon request to Publications Services, Division of Support Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Section 3

Applicant	Bank(s)	Board action (effective date)
Agri Bancorporation, Holyoke, Colorado	Sedgwick County Bank, Julesburg, Colorado	August 24, 1981
The Chugwater Corporation, Chugwater, Wyoming	First National Bank of Chugwater, Chugwater, Wyoming	August 7, 1981
FirstBank Holding Company of Colorado, Lakewood, Colorado FirstBank Holding Company, Lakewood, Colorado	FirstBank of Avon, Avon, Colorado	August 11, 1981
First International Bancshares, Inc., Dallas, Texas	The First National Bank in Mount Pleasant, Mount Pleasant, Texas	August 25, 1981
First International Bancshares, Inc., Dallas, Texas	Paris Bank of Texas, Paris, Texas	August 28, 1981
Independent Bank Holding Company, Englewood, Colorado	Western National Bank of Denver, Denver, Colorado	August 31, 1981
The Moorcroft Corporation, Moorcroft, Wyoming	Moorcroft State Bank, Moorcroft, Moorcroft, Wyoming	August 10, 1981
The Newcastle Corporation, Newcastle, Wyoming	National Bank of Newcastle, Newcastle, Wyoming	August 10, 1981
Southwest Bancshares, Inc., Houston, Texas	Fort Worth Bancshares Inc., Fort Worth, Texas Fort Worth Bank and Trust, Fort Worth, Texas	August 10, 1981
Southwest Bancshares, Inc., Houston, Texas	Mansfield State Bank, Mansfield, Texas	August 14, 1981
Texas American Bancshares Inc., Fort Worth, Texas	Fondren Southwest Bank, Houston, Texas	August 20, 1981
Thomas County Bankshares of Colby, Kansas, Inc., Colby, Kansas	Thomas County Bankshares, Inc., Colby, Kansas	August 4, 1981

Sections 3 and 4

Applicant	Bank(s)	Nonbanking company (or activity)	Reserve Bank	Effective date
Greene Investment Co., Coon Rapids, Iowa	Home State Bank, Jefferson, Iowa Greene County Agricultural Credit Corporation, Jefferson, Iowa	to engage in the sale of credit life and disability insurance	Chicago	August 10, 1981

Section 4

Applicant	Nonbanking company (or activity)	Effective date
Provident National Corporation, Philadelphia, Pennsylvania	L. S. Consulting Corp., Philadelphia, Pennsylvania	August 27, 1981

By Federal Reserve Banks

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

Section 3

Applicant	Bank(s)	Reserve Bank	Effective date
Belle Plaine Service Corp., Des Moines, Iowa	Citizens State Bank, Belle Plaine, Iowa	Chicago	August 10, 1981
The Bradley Corporation, Bradley, Arkansas	The Bank of Bradley, Bradley, Arkansas	St. Louis	August 28, 1981
Brenton Banks, Inc., Des Moines, Iowa	Community Holding Company, Knoxville, Iowa The Community National Bank & Trust Company of Knoxville, Knoxville, Iowa	Chicago	August 12, 1981
Burchard Bankshares, Inc., Tecumseh, Nebraska	State Bank of Burchard, Burchard, Nebraska	Kansas City	July 31, 1981
CTS Bancorporation, Eldridge, Iowa	Central Trust and Savings Bank, Eldridge, Iowa	Chicago	August 18, 1981
Cambridge Capital Co., Cambridge, Minnesota	Peoples State Bank of Cambridge, Cambridge, Minnesota	Minneapolis	August 6, 1981
Citizens Financial Services, Inc., Aurora, Colorado	Citizens Bank of Aurora, Aurora, Colorado	Kansas City	August 6, 1981
City Bancshares, Inc., Mineral Wells, Texas	The City National Bank of Mineral Wells, Mineral Wells, Texas	Dallas	July 31, 1981

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Commerical Bancshares, Inc., Tulsa, Oklahoma	Commercial Bank, Tulsa, Oklahoma	Kansas City	July 17, 1981
Dakota Bank Holding Co., Aberdeen, South Dakota	Bank of Cresbard, Cresbard, South Dakota	Minneapolis	August 7, 1981
Dakota Bankshares, Inc., Fargo, North Dakota	Liberty National Bank and Trust Company, Dickinson, North Dakota	Minneapolis	August 24, 1981
Emerson First National Company, Schuyler, Nebraska	The First National Bank, Emerson, Nebraska	Kansas City	August 14, 1981
First Fairfield Bankshares, Inc., Fairfield, Texas	First National Bank, Fairfield, Texas	Dallas	August 6, 1981
First Healdton Bancorporation, Inc., Healdton, Oklahoma	Bank of Healdton, Healdton, Oklahoma	Kansas City	August 11, 1981
First Jefferson Corporation, Biloxi, Mississippi	The Jefferson Bank, Biloxi, Mississippi	Atlanta	August 13, 1981
Fort Gibson Bancshares, Inc., Fort Gibson, Oklahoma	Fort Gibson State Bank, Fort Gibson, Oklahoma	Kansas City	July 30, 1981
Franklin Bancorp, Inc., College Grove, Tennessee	Bank of College Grove, College Grove, Tennessee	Altanta	August 6, 1981
GNB Bancorporation, Grundy Center, Iowa	The Grundy National Bank of Grundy Center, Grundy Center, Iowa	Chicago	August 10, 1981
Gulfstream Banks, Inc., Boca Raton, Florida	Summit Banking Corporation, Tamarac, Florida Summit Bank, Tamarac, Florida	Atlanta	August 14, 1981
Jeffries Insurance Agency, Inc., Buckner, Missouri	First State Bank of Buckner, Buckner, Missouri	Kansas City	August 14, 1981
Kavanaugh Bancshares, Inc., Walker, Missouri	The Farmers Bank of Walker Walker, Missouri	Kansas City	July 24, 1981
Liberty Bancshares, Inc., Brentwood, Tennessee	Liberty Bank, Brentwood, Tennessee	Atlanta	August 14, 1981
Lytton Bancorporation, Lytton, Iowa	Lytton Savings Bank, Lytton, Iowa	Chicago	August 20, 1981
Mercer Bancorp, Inc., Mercer, Missouri	The Peoples Bank of Mercer, Mercer, Missouri	Kansas City	August 14, 1981
Michigan National Corporation, Bloomfield Hills, Michigan	Peoples State Bank of East Tawas, East Tawas, Michigan	Chicago	August 11, 1981
Michigan National Corporation, Bloomfield Hills, Michigan	The Midwest Bank, Jackson, Michigan	Chicago	August 18, 1981
Mountain Valley Bankshares, Inc., Conifer, Colorado	Mountain Valley Bank, Conifer, Colorado	Kansas City	August 3, 1981
Mustang Community Ban Corp., Mustang, Oklahoma	Mustang Community Bank, Mustang, Oklahoma	Kansas City	August 3, 1981
National City Bancorporation, Minneapolis, Minnesota	National City Bank of Ridgedale, Minnetonka, Minnesota	Minneapolis	August 19, 1981
North Fork Bancorporation, Inc., Mattituck, New York	The North Fork Bank and Trust Company, Mattituck, New York	New York	August 21, 1981

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Palos Bancshares, Inc., Palos Heights, Illinois	Palos Bank and Trust Company, Palos Heights, Illinois	Chicago	August 7, 1981
Peoples Bankshares, Ltd., Waterloo, Iowa	Parkersburg State Bank, Parkersburg, Iowa	Chicago	August 24, 1981
Perry Bancshares, Inc., Perry, Missouri	Perry State Bank, Perry, Missouri	St. Louis	August 14, 1981
Platteville Capital Corporation, Platteville, Colorado	The Platteville State Bank, Platteville, Colorado	Kansas City	July 24, 1981
Port Neches Bancshares, Inc., Port Neches, Texas	The First National Bank of Port Neches, Port Neches, Texas	Dallas	August 7, 1981
Puget Sound Bancorp, Tacoma, Washington	Puget Sound National Bank, Tacoma, Washington	San Francisco	August 21, 1981
Security National Corporation, Sioux City, Iowa	The First National Bank of Akron, Akron, Iowa	Chicago	August 18, 1981
Shattuck Bancshares, Inc., Shattuck, Oklahoma	The Shattuck National Bank, Shattuck, Oklahoma	Kansas City	August 14, 1981
Shawmut Corporation, Boston, Massachusetts	First Melville Bancorp, Inc., New Bedford, Massachusetts	Boston	August 12, 1981
Shawneetown Bancorp, Inc., Shawneetown, Illinois	First National Bank in Shawneetown, Shawneetown, Illinois	St. Louis	August 7, 1981
Sheridan Bancorp, Inc., Sheridan, Illinois	Sheridan State Bank, Sheridan, Illinois	Chicago	August 25, 1981
Sherburn Bancshares, Inc., Sherburn, Minnesota	Farmers State Bank of Sherburn, Sherburn, Minnesota	Minneapolis	August 28, 1981
Society Corporation, Cleveland, Ohio	Lancaster National Bank, Lancaster, Ohio	Cleveland	August 6, 1981
Southwest Bancorporation, Inc., Minneapolis, Minnesota	First American State Bank of Brownsdale, Brownsdale, Minnesota	Minneapolis	July 30, 1981
Southwest Florida Banks, Inc., Fort Myers, Florida	Peoples Bank of Hillsborough County, Tampa, Florida	Atlanta	August 7, 1981
Texas Commerce Bancshares, Inc., Houston, Texas	First National Bank of Stafford, Houston, Texas	Dallas	August 13, 1981
Troy Bancorp, Inc., Troy, Tennessee	Bank of Troy, Troy, Tennessee	St. Louis	August 14, 1981
Twin Cities Financial Services, Inc., Maryville, Tennessee	Citizens Bank of Blount County, Maryville, Tennessee	Atlanta	August 20, 1981
Union Planters Corporation, Memphis, Tennessee	Union Planters Bank of Nashville, Nashville, Tennessee	St. Louis	August 21, 1981
Westex Bancorp, Inc., Del Rio, Texas	The First State Bank, Brackettville, Texas	Dallas	July 27, 1981
Wyoming Bancorporation Cheyenne, Wyoming	First Wyoming Bank, N.A.-Torrington, Torrington, Wyoming	Kansas City	July 31, 1981

Sections 3 and 4

Applicant	Bank(s)	Nonbanking company (or activity)	Reserve Bank	Effective date
V & V Holding Company Lander, Wyoming	Central Trust Company Lander, Wyoming Central Bank and Trust Lander, Wyoming	trust company activities	Kansas City	August 7, 1981

*PENDING CASES INVOLVING THE BOARD OF GOVERNORS**

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

Bank Stationers Association, Inc., et al v. *Board of Governors*, filed July 1981, U.S.D.C. for the Northern District of Georgia.

Public Interest Bounty Hunters v. *Board of Governors, et al.*, filed June 1981. U.S.D.C. for the Northern District of Georgia.

Edwin F. Gordon v. *John Heimann, et al.*, filed May 1981, U.S.C.A. for the Fifth Circuit.

Louis J. Roussell v. *Board of Governors*, filed May 1981, U.S.C.A. for the District of Columbia.

Wilshire Oil Company of Texas v. *Board of Governors, et al.*, filed April 1981, U.S.C.A. for the Third Circuit.

People of the State of Arkansas v. *Board of Governors, et al.*, filed March 1981, U.S.C.A. for the Western District of Arkansas.

First Bank & Trust Company v. *Board of Governors*, filed February 1981, U.S.D.C. for the Eastern District of Kentucky.

Ellis E. St. Rose & James H. Sibbet v. *Board of Governors*, filed February 1981, U.S.D.C. for the District of Columbia.

Option Advisory Service, Inc. v. *Board of Governors, et al.*, filed February 1981, U.S.C.A. for the Second Circuit.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Louis J. Roussel v. *Comptroller of the Currency and Federal Reserve Board*, filed April 1980, U.S.D.C. for the District of Columbia.

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

Donald W. Riegle, Jr. v. *Federal Open Market Committee*, filed July 1979, U.S.D.C. for the District of Columbia.

Security Bancorp and Security National Bank v. *Board of Governors*, filed March 1978, U.S.C.A. for the Ninth Circuit.

Roberts Farms, Inc. v. *Comptroller of the Currency, et al.*, filed November 1975, U.S.D.C. for the Southern District of California.

Darnell Hilliard v. *G. William Miller, et al.*, filed September 1976, U.S.C.A. for the District of Columbia.

David Merrill, et al. v. *Federal Open Market Committee,* filed May 1975, U.S.D.C. for the District of Columbia.

Financial and Business Statistics

CONTENTS

Domestic Financial Statistics

A3 Monetary aggregates and interest rates
A4 Reserves of depository institutions, reserve, bank credit
A5 Reserves and borrowings of depository institutions
A6 Federal funds and repurchase agreements of large member banks

POLICY INSTRUMENTS

A7 Federal Reserve Bank interest rates
A8 Depository institutions reserve requirements
A9 Maximum interest rates payable on time and savings deposits at federally insured institutions
A10 Federal Reserve open market transactions

FEDERAL RESERVE BANKS

A11 Condition and Federal Reserve note statements
A12 Maturity distribution of loan and security holdings

MONETARY AND CREDIT AGGREGATES

A12 Bank debits and deposit turnover
A13 Money stock measures and components
A14 Aggregate reserves of depository institutions and member bank deposits
A15 Loans and securities of all commercial banks

COMMERCIAL BANKS

A16 Major nondeposit funds
A17 Assets and liabilities, last Wednesday-of-month series

WEEKLY REPORTING COMMERCIAL BANKS

Assets and liabilities
A18 All reporting banks
A19 Banks with assets of $1 billion or more
A20 Banks in New York City
A21 Balance sheet memoranda
A22 Branches and agencies of foreign banks
A23 Commercial and industrial loans
A24 Gross demand deposits of individuals, partnerships, and corporations

FINANCIAL MARKETS

A25 Commercial paper and bankers dollar acceptances outstanding
A26 Prime rate charged by banks on short-term business loans
A26 Terms of lending at commercial banks
A27 Interest rates in money and capital markets
A28 Stock market—Selected statistics
A29 Savings institutions—Selected assets and liabilities

FEDERAL FINANCE

A30 Federal fiscal and financing operations
A31 U.S. budget receipts and outlay
A32 Federal debt subject to statutory limitation
A32 Gross public debt of U.S. Treasury—Types and ownership
A33 U.S. government marketable securities—Ownership, by maturity
A34 U.S. government securities dealers—Transactions, positions, and financing
A35 Federal and federally sponsored credit agencies—Debt outstanding

SECURITIES MARKETS AND CORPORATE FINANCE

A36 New security issues—State and local governments and corporations
A37 Open-end investment companies—Net sales and asset position
A37 Corporate profits and their distribution
A38 Nonfinancial corporations—Assets and liabilities
A38 Total nonfarm business expenditures on new plant and equipment
A39 Domestic finance companies—Assets and liabilities; business credit

REAL ESTATE

A40 Mortgage markets
A41 Mortgage debt oustanding

CONSUMER INSTALLMENT CREDIT

A42 Total outstanding and net change
A43 Extension and liquidations

FLOW OF FUNDS

A44 Funds raised in U.S. credit markets
A45 Direct and indirect sources of funds to credit markets

Domestic Nonfinancial Statistics

A46 Nonfinancial business activity—Selected measures
A46 Output, capacity, and capacity utilization
A47 Labor force, employment, and unemployment
A48 Industrial production—Indexes and gross value
A50 Housing and construction
A51 Consumer and producer prices
A52 Gross national product and income
A53 Personal income and saving

International Statistics

A54 U.S. international transactions—Summary
A55 U.S. foreign trade
A55 U.S. reserve assets
A56 Foreign branches of U.S. banks—Balance sheet data
A58 Selected U.S. liabilities to foreign official institutions

REPORTED BY BANKS IN THE UNITED STATES

A58 Liabilities to and claims on foreigners
A59 Liabilities to foreigners
A61 Banks' own claims on foreigners
A62 Banks' own and domestic customers' claims on foreigners
A62 Banks' own claims on unaffiliated foreigners
A63 Claims on foreign countries—Combined domestic offices and foreign branches

SECURITIES HOLDINGS AND TRANSACTIONS

A64 Marketable U.S. Treasury bonds and notes—Foreign holdings and transactions
A64 Foreign official assets held at Federal Reserve Banks
A65 Foreign transactions in securities

REPORTED BY NONBANKING BUSINESS ENTERPRISES IN THE UNITED STATES

A66 Liabilities to unaffiliated foreigners
A67 Claims on unaffiliated foreigners

INTEREST AND EXCHANGE RATES

A68 Discount rates of foreign central banks
A68 Foreign short-term interest rates
A68 Foreign exchange rates

A69 *Guide to Tabular Presentation, Statistical Releases, and Special Tables*

1.10 MONETARY AGGREGATES AND INTEREST RATES

Item	1980 Q3	1980 Q4	1981 Q1	1981 Q2	1981 Mar.	1981 Apr.	1981 May	1981 June	1981 July
	Monetary and credit aggregates (annual rates of change, seasonally adjusted in percent)[1]								
Reserves of depository institutions									
1 Total	7.0r	16.7r	2.8r	3.3r	3.7r	6.0r	8.5r	−5.8r	7.9
2 Required	6.1r	15.6r	4.1r	4.3r	4.6r	9.8r	7.1r	−8.1r	7.9
3 Nonborrowed	12.9r	7.2	7.8r	−3.3r	13.6r	−4.5r	−19.4r	0.1r	19.9
4 Monetary base[2]	9.5	10.6	5.1r	5.3r	3.7r	6.9r	8.5r	0.2r	8.9
Concepts of money and liquid assets[3]									
5 M1–A	11.3	8.2	−20.8	−5.3	−4.6	2.6	−5.6	−9.9	−2.0
6 M1–B	13.9	10.8	4.9	8.7	13.1	22.3	−6.1	−7.5	3.6
7 M2	15.4	8.1	8.3r	10.6	16.2	13.6	3.7	4.1	7.5
8 M3	13.1	11.3	12.4	10.6r	10.8r	11.1r	8.7r	10.6r	8.7
9 L	10.0r	11.4r	12.9r	8.5	5.8r	6.1r	10.9r	11.7	n.a.
Time and savings deposits									
Commercial banks									
10 Total	6.1	15.4	17.0	10.0	2.0	6.8	19.2	17.2	16.8
11 Savings[4]	22.2	1.5	−30.5	−11.9	−10.4	−2.8	−16.0	−24.0	−11.5
12 Small-denomination time[5]	2.1	16.2	30.2	13.4	16.4	5.4	15.8	22.0	14.5
13 Large-denomination time[6]	−1.2	25.4	37.5	20.0	−5.9	13.7	44.3	35.8	34.8
14 Thrift institutions[7]	10.1	9.7	5.3	0.4	1.5	−2.5	2.7	0.3	−5.2
15 Total loans and securities at commercial banks[8]	6.7	14.6r	11.8	5.5	−.7r	4.4	11.7	5.7	5.7
	1980 Q3	1980 Q4	1981 Q1	1981 Q2	1981 Apr.	1981 May	1981 June	1981 July	1981 Aug.
	Interest rates (levels, percent per annum)								
Short-term rates									
16 Federal funds[9]	9.83	15.85	16.57	17.78	15.72	18.52	19.10	19.04	17.82
17 Discount window borrowing[10]	10.35	11.78	13.00	13.62	13.00	13.87	14.00	14.00	14.00
18 Treasury bills (3-month market yield)[11]	9.15	13.61	14.39	14.91	13.69	16.30	14.73	14.95	15.51
19 Commercial paper (3-month)[11,12]	9.65	15.26	15.34	16.15	14.56	17.56	16.32	17.00	17.23
Long-term rates									
Bonds									
20 U.S. government[13]	10.95	12.23	12.74	13.49	13.46	13.82	13.20	13.92	14.52
21 State and local government[14]	8.58	9.59	9.97	10.69	10.62	10.78	10.67	11.14	12.26
22 Aaa utility (new issue)[15]	12.20	13.49	14.45	15.41	15.68	15.81	14.76	16.30	....
23 Conventional mortgages[16]	13.12	14.62	15.10	16.15r	15.70	16.35	16.40	16.70	17.50

1. Unless otherwise noted, rates of change are calculated from average amounts outstanding in preceding month or quarter. Growth rates are adjusted for discontinuities in series that result from changes in Regulation D.

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

3. M1–A: Averages of daily figures for (1) demand deposits at all commercial banks other than those due to domestic banks, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float; (2) currency outside the Treasury, Federal Reserve Banks, and the vaults of commercial banks; and (3) traveler's checks of nonbank issuers.

M1–B: M1–A plus negotiable order of withdrawal and automated transfer service accounts at banks and thrift institutions, credit union share draft accounts, and demand deposits at mutual savings banks.

M2: M1–B plus savings and small-denomination time deposits at all depository institutions, overnight repurchase agreements at commercial banks, overnight Eurodollars held by U.S. residents other than banks at Caribbean branches of member banks, and money market mutual fund shares.

M3: M2 plus large-denomination time deposits at all depository institutions and term RPs at commercial banks and savings and loan associations.

L: M3 plus other liquid assets such as term Eurodollars held by U.S. residents other than banks, bankers acceptances, commercial paper, Treasury bills and other liquid Treasury securities, and U.S. savings bonds.

4. Savings deposits exclude negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at commercial banks.

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

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

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

8. Changes calculated from figures shown in table 1.23.

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

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

11. Quoted on a bank-discount basis.

12. Unweighted average of offering rates quoted by at least five dealers.

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

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

15. Weighted averages of new publicly offered bonds rated Aaa, Aa, and A by Moody's Investors Service and adjusted to an Aaa basis. Federal Reserve compilations.

16. Average rates on new commitments for conventional first mortgages on new homes in primary markets, unweighted and rounded to nearest 5 basis points, from Dept. of Housing and Urban Development.

NOTE. Reserve series have been revised to adjust for discontinuities associated with the transitional phase-in of reserve requirements under the Monetary Control Act of 1980.

M3 has been revised to incorporate additional data for term repurchase agreements.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS, RESERVE BANK CREDIT

Millions of dollars

Factors	Monthly averages of daily figures			Weekly averages of daily figures for week ending						
	1981			1981						
	June[p]	July[p]	Aug.[p]	July 15[p]	July 22[p]	July 29[p]	Aug. 5[p]	Aug. 12[p]	Aug. 19[p]	Aug. 26[p]
SUPPLYING RESERVE FUNDS										
1 **Reserve Bank credit outstanding**	**144,999**	**147,405**	**146,892**	**147,172**	**148,927**	**147,246**	**145,784**	**146,268**	**148,189**	**147,299**
2 U.S. government securities[1]	120,637	122,882	124,522	123,129	123,889	122,820	123,025	122,967	125,497	125,801
3 Bought outright	120,333	121,203	123,950	120,624	121,344	121,604	121,682	122,967	124,408	125,207
4 Held under repurchase agreements	304	1,679	572	2505	2,545	1,216	1,343	0	1,089	594
5 Federal agency securities	8,773	9,067	8,785	9,094	9,395	8,867	8,941	8,694	8,881	8,780
6 Bought outright	8,710	8,694	8,694	8,694	8,694	8,694	8,694	8,694	8,694	8,694
7 Held under repurchase agreements	63	373	91	400	701	173	247	0	187	86
8 Acceptances	155	338	102	393	453	154	303	0	214	89
9 Loans	2,038	1,751	1,408	1,295	1,730	1,978	1,118	1,271	1,457	1,726
10 Float	3,474	3,176	2,796	3,276	3,230	3,167	2,779	3,701	2,723	2,148
11 Other Federal Reserve assets	9,922	10,191	9,279	9,984	10,229	10,261	9,618	9,635	9,416	8,754
12 Gold stock	11,154	11,154	11,154	11,154	11,154	11,154	11,154	11,154	11,154	11,154
13 Special drawing rights certificate account	2,826	3,068	3,068	3,068	3,068	3,068	3,068	3,068	3,068	3,068
14 Treasury currency outstanding	13,587	13,613	13,607	13,585	13,590	13,594	13,922	13,606	13,609	13,609
ABSORBING RESERVE FUNDS										
15 Currency in circulation	136,730	138,360	138,452	139,069	138,411	137,732	138,338	139,033	138,915	138,140
16 Treasury cash holdings	498	468	450	475	463	457	449	450	452	453
Deposits, other than member bank reserves, with Federal Reserve Banks										
17 Treasury	3,049	3,144	3,208	3,407	3,106	3,063	2,961	3,614	2,974	3,106
18 Foreign	292	309	280	262	293	282	270	279	276	277
19 Other	367	538	503	524	490	531	602	446	460	487
20 Required clearing balances	n.a.	n.a.	26	n.a.	n.a.	n.a.	n.a.	n.a.	42	43
21 Other Federal Reserve liabilities and capital	4,810	5,249	4,778	4,867	5,024	6,001	4,764	4,560	4,924	4,843
22 Reserve accounts[2]	26,819	27,172	27,023	26,373	28,952	26,997	26,544	25,713	27,976	27,780

Factors	End-of-month figures			Wednesday figures						
	1981			1981						
	June	July	Aug.	July 15	July 22	July 29	Aug. 5	Aug. 12	Aug. 19	Aug. 26
SUPPLYING RESERVE FUNDS										
23 **Reserve bank credit outstanding**	**142,934**	**144,651**	**145,731**	**149,276**	**155,422**	**147,760**	**148,166**	**146,395**	**149,191**	**144,829**
24 U.S. government securities[1]	120,017	123,172	124,522	122,289	125,682	122,549	122,692	122,710	126,082	122,829
25 Bought outright	120,017	121,554	124,522	121,581	121,658	120,873	122,692	122,710	125,155	122,829
26 Held under repurchase agreements	0	1,618	0	708	4,024	1,676	0	0	927	0
27 Federal agency securities	8,694	9,054	8,694	8,918	9,998	9,251	8,694	8,694	8,986	8,694
28 Bought outright	8,694	8,694	8,694	8,694	8,694	8,694	8,694	8,694	8,694	8,694
29 Held under repurchase agreements	0	360	0	224	1,304	557	0	0	292	0
30 Acceptances	0	453	0	223	621	296	0	0	154	0
31 Loans	1,010	1,027	1,254	3,286	5,230	1,916	1,804	1,321	1,914	1,482
32 Float	2,506	1,251	2,229	4,443	3,626	3,060	5,081	3,933	3,203	2,885
33 Other Federal Reserve assets	10,707	9,694	9,032	10,117	10,265	10,688	9,895	9,737	8,852	8,939
34 Gold stock	11,154	11,154	11,154	11,154	11,154	11,154	11,154	11,154	11,154	11,154
35 Special drawing rights certificate account	3,068	3,068	3,068	3,068	3,068	3,068	3,068	3,068	3,068	3,068
36 Treasury currency outstanding	14,155	14,350	13,609	13,588	13,593	13,599	13,604	13,609	13,609	13,609
ABSORBING RESERVE FUNDS										
37 Currency in circulation	138,080	138,287	137,913	139,181	138,348	138,158	138,896	139,572	138,968	138,246
38 Treasury cash holdings	478	448	446	466	463	453	447	453	453	448
Deposits, other than member bank reserves, with Federal Reserve Banks										
39 Treasury	2,923	2,922	2,595	3,153	3,573	3,193	2,936	3,075	3,104	3,139
40 Foreign	338	285	256	288	346	211	205	241	207	263
41 Other	536	472	502	486	674	1,010	798	454	434	503
42 Required clearing balances	n.a.	n.a.	45	n.a.	n.a.	n.a.	n.a.	n.a.	42	43
43 Other Federal Reserve liabilities and capital	5,330	4,798	4,805	4,558	5,064	5,686	4,428	4,414	4,755	4,591
44 Reserve accounts[2]	23,626	26,011	27,000	28,953	34,769	26,870	28,282	26,017	29,059	25,427

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.

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

1.12 RESERVES AND BORROWINGS Depository Institutions

Millions of dollars

Reserve classification	1979 Dec.	1980 Dec.	1981 Jan.	1981 Feb.	1981 Mar.	1981 Apr.	1981 May	1981 June	1981 July	1981 Aug.
	Monthly averages of daily figures									
1 Reserve balances with Reserve Banks[1]	32,473	26,664	27,114	26,591	26,722	27,173	26,822	26,819	27,172	27,023
2 Total vault cash (estimated)	n.a.	18,149	19,293	17,824	17,327	17,189	17,773	18,198	18,273	18,438
3 Vault cash at institutions with required reserve balances[2]	11,344	12,602	13,587	12,187	11,687	11,687	12,124	12,396	12,504	12,585
4 Vault cash equal to required reserves at other institutions	n.a.	704	700	763	1,237	1,204	1,310	1,350	1,319	1,364
5 Surplus vault cash at other institutions[3]	n.a.	4,843	5,006	4,874	4,403	4,298	4,339	4,452	4,450	4,489
6 Reserve balances + total vault cash[4]	n.a.	44,940	46,520	44,524	44,155	44,451	44,683	45,100	45,507	45,513
7 Reserve balances + total vault cash used to satisfy reserve requirements[4,5]	43,972	40,097	41,514	39,650	39,752	40,153	40,344	40,648	41,057	41,024
8 Required reserves (estimated)	43,578	40,067	41,025	39,448	39,372	40,071	40,213	40,098	40,675	40,753
9 Excess reserve balances at Reserve Banks[4,6]	394	30	489	202	380	82	131	550	382	271
10 Total borrowings at Reserve Banks	1,473	1,617	1,405	1,278	1,004	1,343	2,154	2,038	1,751	1,408
11 Seasonal borrowings at Reserve Banks	82	116	120	148	197	161	259	291	248	220
12 Extended credit at Reserve Banks	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	79
	Weekly averages of daily figures for week ending:									
	June 24	July 1	July 8	July 15	July 22	July 29	Aug. 5	Aug. 12	Aug. 19	Aug. 26
13 Reserve balances with Reserve Banks[1]	27,430	27,383	26,406	26,373	28,952	26,997	26,544	25,713	27,976	27,780
14 Total vault cash (estimated)	17,306	18,325	18,495	18,856	16,736	18,878	18,688	19,048	17,911	17,995
15 Vault cash at institutions with required reserve balances[2]	11,907	12,573	12,729	12,831	11,411	12,940	12,848	13,054	12,180	12,164
16 Vault cash equal to required reserves at other institutions	1,230	1,285	1,309	1,361	1,258	1,351	1,323	1,383	1,306	1,448
17 Surplus vault cash at other institutions[3]	4,169	4,467	4,457	4,664	4,067	4,587	4,517	4,611	4,425	4,383
18 Reserve balances + total vault cash[4]	44,818	45,785	44,975	45,288	45,747	45,931	45,288	44,815	45,940	45,826
19 Reserve balances + total vault cash used to satisfy reserve requirements[4,5]	40,649	41,318	40,518	40,624	41,680	41,344	40,771	40,204	41,515	41,443
20 Required reserves (estimated)	40,285	40,830	40,017	40,495	41,350	40,895	40,392	39,882	41,298	41,281
21 Excess reserve balances at Reserve Banks[4,6]	364	488	501	129	330	449	379	322	217	162
22 Total borrowings at Reserve Banks	2,305	1,735	1,866	1,295	1,730	1,978	1,118	1,271	1,457	1,726
23 Seasonal borrowings at Reserve Banks	306	306	241	247	244	258	227	223	231	246
24 Extended credit at Reserve Banks	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	155

1. As of Aug. 13, 1981 excludes required clearing balances of all depository institutions.
2. Prior to Nov. 13, 1980, the figures shown reflect only the vault cash held by member banks.
3. Total vault cash at institutions without required reserve balances less vault cash equal to their required reserves.
4. Adjusted to include waivers of penalties for reserve deficiencies in accordance with Board policy, effective Nov. 19, 1975, of permitting transitional relief on a graduated basis over a 24-month period when a nonmember bank merged into an existing member bank, or when a nonmember bank joins the Federal Reserve System. For weeks for which figures are preliminary, figures by class of bank do not add to total because adjusted data by class are not available.
5. Reserve balances with Federal Reserve Banks which exclude required clearing balances plus vault cash at institutions with required reserve balances plus vault cash equal to required reserves at other institutions.
6. Reserve balances with Federal Reserve Banks which exclude required clearing balances plus vault cash used to satisfy reserve requirements less required reserves. (This measure of excess reserves is comparable to the old excess reserve concept published historically.)

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

Averages of daily figures, in millions of dollars

By maturity and source	1981, week ending Wednesday								
	July 1	July 8	July 15	July 22	July 29ʳ	Aug. 5	Aug. 12	Aug. 19	Aug. 26
One day and continuing contract									
1 Commercial banks in United States	46,493ʳ	51,960	52,105	46,894	44,629	47,895	51,567	47,237	45,287
2 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies	16,312ʳ	15,528ʳ	16,290ʳ	15,554ʳ	15,278	15,092	15,522	16,048	15,841
3 Nonbank securities dealers	2,600	2,831	2,998	3,041	2,276	2,767	2,629	3,081	3,143
4 All other	20,731	17,066	20,659ʳ	21,408ʳ	21,856	20,888	20,998	20,224	21,365
All other maturities									
5 Commercial banks in United States	3,655	4,930	3,572	3,504	3,546	3,592	3,283	3,233	3,275
6 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies	7,410	7,429	7,732	8,218	7,330	7,212	6,721	7,111	6,865
7 Nonbank securities dealers	5,313	5,469	4,926	4,884	4,921	4,887	4,479	4,573	4,328
8 All other	9,702	12,732ʳ	9,822	9,849	9,567	9,854	9,908	9,596	9,501
MEMO: Federal funds and resale agreement loans in maturities of one day or continuing contract									
9 Commercial banks in United States	16,006	15,924	17,081	15,304	14,778	16,389	15,347	16,247	14,111
10 Nonbank securities dealers	2,931	2,744	2,294ʳ	2,598ʳ	2,357	2,534	2,819	2,679	2,408

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]			Other extended credit[2]						
				First 60 days of borrowing		Next 90 days of borrowing		After 150 days		Effective date for current rates
	Rate on 8/31/81	Effective date	Previous rate	Rate on 8/31/81	Previous rate	Rate on 8/31/81	Previous rate	Rate on 8/31/81	Previous rate	
Boston	14	5/5/81	13	15	14	15	14	15	14	5/5/81
New York	14	5/5/81	13	14	15	15	15	16	15	8/20/81
Philadelphia	14	5/5/81	13	14	15	15	15	16	15	8/20/81
Cleveland	14	5/5/81	13	14	15	15	15	16	15	8/25/81
Richmond	14	5/5/81	13	14	15	15	15	16	15	8/21/81
Atlanta	14	5/5/81	13	14	15	15	15	16	15	8/21/81
Ohio	14	5/8/81	13	14	15	15	15	16	15	8/27/81
St. Louis	14	5/5/81	13	14	15	15	15	16	15	8/25/81
Minneapolis	14	5/5/81	13	14	15	15	15	16	15	8/21/81
Kansas City	14	5/5/81	13	14	15	15	15	16	15	8/27/81
Dallas	14	5/5/81	13	14	15	15	15	16	15	8/20/81
San Francisco	14	5/5/81	13	14	15	15	15	16	15	8/21/81

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, 1972	4½	4½
1973— Jan. 15	5	5
Feb. 26	5–5½	5½
Mar. 2	5½	5½
Apr. 23	5½–5¾	5½
May 4	5¾	5¾
11	5¾–6	6
18	6	6
June 11	6–6½	6½
15	6½	6½
July 2	7	7
Aug. 14	7–7½	7½
23	7½	7½
1974— Apr. 25	7½–8	8
30	8	8
Dec. 9	7¾–8	7¾
16	7¾	7¾
1975— Jan. 6	7¼	7¼
10	7¼	7¼
24	7¼	7¼
Feb. 5	6¾–7¼	6¾
7	6¾	6¾
Mar. 10	6¼–6¾	6¼
14	6¼	6¼
May 16	6–6¼	6

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
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
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

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1979— 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
1981— May 5	13–14	14
May 8	14	14
In effect Aug. 31, 1981	14	14

1. Effective May 5, 1981, a 4 percent surcharge was applied to short-term adjustment credit borrowings by institutions with deposits of $500 million or more who borrowed in successive weeks or in more than 4 weeks in a calendar quarter. The rate for seasonal credit is unaffected by the surcharge.

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. 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, 1971–1975, 1972–1976, 1973–1977,* and *1974–1978.*

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. On Nov. 17, 1980, 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.

1.15 DEPOSITORY INSTITUTIONS RESERVE REQUIREMENTS[1]

Percent of deposits

Type of deposit, and deposit interval in millions of dollars	Member bank requirements before implementation of the Monetary Control Act		Type of deposit, and deposit interval	Depository institution requirements after implementation of the Monetary Control Act[5]	
	Percent	Effective date		Percent	Effective date
Net demand[2]			*Net transaction accounts*[6]		
0–2	7	12/30/76	$0–$25 million	3	11/13/80
2–10	9½	12/30/76	Over $25 million	12	11/13/80
10–100	11¾	12/30/76			
100–400	12¾	12/30/76	*Nonpersonal time deposits*[7]		
Over 400	16¼	12/30/76	By original maturity		
Time and savings[2,3]			Less than 4 years	3	11/13/80
Savings	3	3/16/67	4 years or more	0	11/13/80
			Eurocurrency liabilities		
Time[4]			All types	3	11/13/80
0–5, by maturity					
30–179 days	3	3/16/67			
180 days to 4 years	2½	1/8/76			
4 years or more	1	10/30/75			
Over 5, by maturity					
30–179 days	6	12/12/74			
180 days to 4 years	2½	1/8/76			
4 years or more	1	10/30/75			

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Percent per annum

Type and maturity of deposit	Commercial banks				Savings and loan associations and mutual savings banks			
	In effect July 31, 1981		Previous maximum		In effect July 31, 1981		Previous maximum	
	Percent	Effective date	Percent	Effective date	Percent	Effective date	Percent	Effective date
1 Savings	5¼	7/1/79	5	7/1/73	5½	7/1/79	5¼	(1)
2 Negotiable order of withdrawal accounts [2]	5¼	12/31/80	5	1/1/74	5¼	12/31/80	5	1/1/74
Time accounts [3]								
Fixed ceiling rates by maturity [4]								
3 14–89 days [5]	5¼	8/1/79	5	7/1/73	(6)	....	(6)	....
4 90 days to 1 year	5¾	1/1/80	5½	7/1/73	6	1/1/80	5¾	(1)
5 1 to 2 years [7]	6	7/1/73	5½	1/21/70	6½	(1)	5¾	1/21/70
6 2 to 2½ years [7]			5¾	1/21/70			6	1/21/70
7 2½ to 4 years [7]	6½	7/1/73	5¾	1/21/70	6¾	(1)	6	1/21/70
8 4 to 6 years [8]	7¼	11/1/73	(9)	....	7½	11/1/73	(9)	....
9 6 to 8 years [8]	7½	12/23/74	7¼	11/1/73	7¾	12/23/74	7½	11/1/73
10 8 years or more [8]	7¾	6/1/78	(6)	....	8	6/1/78	(6)	....
11 Issued to governmental units (all maturities) [10]	8	6/1/78	7¾	12/23/74	8	6/1/78	7¾	12/23/74
12 Individual retirement accounts and Keogh (H.R. 10) plans (3 years or more) [10,11]	8	6/1/78	7¾	7/6/77	8	6/1/78	7¾	7/6/77
Special variable ceiling rates by maturity								
13 6-month money market time deposits [12]	(13)	(13)	(13)	(13)	(13)	(13)	(13)	(13)
14 2½ years or more	(14)	(14)	(15)	(15)	(14)	(14)	(15)	(15)

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

2. For authorized states only, federally insured commercial banks, savings and loan associations, cooperative banks, and mutual savings banks in Massachusetts and New Hampshire were first permitted to offer negotiable order of withdrawal (NOW) accounts on Jan. 1, 1974. Authorization to issue NOW accounts was extended to similar institutions throughout New England on Feb. 27, 1976, and in New York State on Nov. 10, 1978, and in New Jersey on Dec. 28, 1979. Authorization to issue NOW accounts was extended to similar institutions nationwide effective Dec. 31, 1980.

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

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

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

6. No separate account category.

7. No minimum denomination. Until July 1, 1979, a minimum of $1,000 was required for savings and loan associations, except in areas where mutual savings banks permitted lower minimum denominations. This restriction was removed for deposits maturing in less than 1 year, effective Nov. 1, 1973.

8. No minimum denomination. Until July 1, 1979, minimum denomination was $1,000 except for deposits representing funds contributed to an Individual Retirement Account (IRA) or a Keogh (H.R. 10) plan established pursuant to the Internal Revenue Code. The $1,000 minimum requirement was removed for such accounts in December 1975 and November 1976 respectively.

9. Between July 1, 1973, and Oct. 31, 1973, there was no ceiling for certificates maturing in 4 years or more with minimum denominations of $1,000; however, the amount of such certificates that an institution could issue was limited to 5 percent of its total time and savings deposits. Sales in excess of that amount, as well as certificates of less than $1,000, were limited to the 6½ percent ceiling on time deposits maturing in 2½ years or more.

Effective Nov. 1, 1973, ceilings were reimposed on certificates maturing in 4 years or more with minimum denomination of $1,000. There is no limitation on the amount of these certificates that banks can issue.

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

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

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

13. Commercial banks, savings and loan associations, and mutual savings banks were authorized to offer money market time deposits effective June 1, 1978. The ceiling rate for commercial banks on money market time deposits entered into before June 5, 1980, is the discount rate (auction average) on most recently issued six-month U.S. Treasury bills. Until Mar. 15, 1979, the ceiling rate for savings and loan associations and mutual savings banks was ¼ percentage point higher than the rate for commercial banks. Beginning Mar. 15, 1979, the ¼-percentage-point interest differential is removed when the six-month Treasury bill rate is 9 percent or more. The full differential is in effect when the six-month bill rate is 8¾ percent or less. Thrift institutions may pay a maximum 9 percent when the six-month bill rate is between 8¾ and 9 percent. Also effective March 15, 1979, interest compounding was prohibited on six-month money market time deposits at all offering institutions. The maximum allowable rates in July for commercial banks and thrift institutions were as follows: Aug. 4, 15.821; Aug. 11, 15.372; Aug. 18, 15.894; Aug. 25, 16.104. Effective for all six-month money market certificates issued beginning June 5, 1980, the interest rate ceilings will be determined by the discount rate (auction average) of most recently issued six-month U.S. Treasury bills as follows:

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

The prohibition against compounding interest in these certificates continues.

14. Effective Aug. 1, 1981, commercial banks may pay interest on any variable ceiling nonnegotiable time deposit with an original maturity of 2½ years to less than 4 years at a rate not to exceed ¼ of 1 percent below the average 2½-year yield for U.S. Treasury securities as determined and announced by the U.S. Treasury Department immediately before the date of deposit. Mutual savings banks and savings and loan associations may pay interest on these certificates at a rate not to exceed the averate 2½ -year yield for U.S. Treasury securities as determined and announced by the Treasury Department immediately before the date of deposit. If the announced average 2½-year yield for U.S. Treasury securities is less than 9.50 percent, commercial banks may pay 9.25 percent and mutual savings banks and savings and loan associations, 9.50 percent for these deposits. These deposits have no required minimum denomination, and interest may be compounded on them. The ceiling rates of interest at which they may be offered vary biweekly. The maximum allowable rates in August (in percent) for commercial banks were as follows: Aug. 1, 14.90; Aug. 4, 15.55; Aug. 18, 15.65; and for thrift institutions: Aug. 1, 15.15; Aug. 4, 15.80; Aug. 18, 15.90.

15. Between Jan. 1, 1980, and Aug. 1, 1981, commercial banks, mutual savings banks, and savings and loan associations were authorized to offer variable ceiling nonnegotiable time deposits with no required minimum denomination and with maturities of 2½ years or more. Effective Jan. 1, 1980, the maximum rate for commercial banks was ¾ percentage point below the average yield on 2½-year U.S. Treasury securities; the ceiling rate for thrift institutions was ¼ percentage point higher than that for commercial banks. Effective Mar. 1, 1980, a temporary ceiling of 11¾ percent was placed on these accounts at commercial banks; the temporary ceiling for savings and loan associations and commercial banks, savings and loan associations, and mutual savings banks was increased ½ percentage point. The temporary ceiling was retained, and a minimum ceiling of 9.25 percent for commercial banks and 9.50 percent for savings and loan associations and mutual savings banks was established.

NOTE. Before Mar. 31, 1980, the maximum rates that could be paid by federally insured commercial banks, mutual savings banks, and savings and loan associations were established by the Board of Governors of the Federal Reserve System, the Board of Directors of the Federal Deposit Insurance Corporation, and the Federal Home Loan Bank Board under the provisions of 12 CFR 217, 329, and 526 respectively. Title II of the Depository Institutions Deregulation and Monetary Control Act of 1980 (P.L. 96–221) transferred the authority of the agencies to establish maximum rates of interest payable on deposits to the Depository Institutions Deregulation Committee. The maximum rates on time deposits in denominations of $100,000 or more with maturities of 30–89 days were suspended in June 1970; such deposits maturing in 90 days or more were suspended in May 1973. For information regarding previous interest rate ceilings on all types of accounts, see earlier issues of the FEDERAL RESERVE BULLETIN, the *Federal Home Loan Bank Board Journal*, and the *Annual Report of the Federal Deposit Insurance Corporation*.

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS

Millions of dollars

Type of transaction	1978	1979	1980	1981						
				Jan.	Feb.	Mar.	Apr.	May	June	July
U.S. GOVERNMENT SECURITIES										
Outright transactions (excluding matched sale-purchase transactions)										
Treasury bills										
1 Gross purchases	16,628	15,998	7,668	1,100	0	1,607	1,141	790	295	1,325
2 Gross sales	13,725	6,855	7,331	3,865	357	0	0	0	90	0
3 Exchange	0	0	0	0	0	0	0	0	0	0
4 Redemptions	2,033	2,900	3,389	1,000	0	0	0	0	0	100
Others within 1 year[1]										
5 Gross purchases	1,184	3,203	912	0	0	0	115	0	0	122
6 Gross sales	0	0	0	0	23	0	0	0	0	0
7 Maturity shift	-5,170	17,339	12,427	462	990	878	522	2,900	833	1,073
8 Exchange	0	-11,308	-18,251	0	-1,936	-1,385	-261	-1,281	-823	-351
9 Redemptions		2,600	0	0	0	0	0	0	0	0
1 to 5 years										
10 Gross purchases	4,188	2,148	2,138	0	0	0	469	0	0	607
11 Gross sales	0	0	0	0	0	0	0	0	0	0
12 Maturity shift	-178	-12,693	-8,909	-462	-990	-878	-522	-1,724	-833	-1,073
13 Exchange		7,508	13,412	0	1,211	1,385	261	681	823	351
5 to 10 years										
14 Gross purchases	1,526	523	703	0	0	0	164	0	0	64
15 Gross sales	0	0	0	0	0	0	0	0	0	0
16 Maturity shift	2,803	-4,646	-3,092	0	0	0	0	-1,176	0	0
17 Exchange		2,181	2,970	0	400	0	0	300	0	0
Over 10 years										
18 Gross purchases	1,063	454	811	0	0	0	89	0	0	182
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shift	2,545	0	-426	0	0	0	0	0	0	0
21 Exchange		1,619	1,869	0	325	0	0	300	0	0
All maturities[1]										
22 Gross purchases	24,591	22,325	12,232	1,100	0	1,607	1,977	790	295	2,301
23 Gross sales	13,725	6,855	7,331	3,865	380	0	0	0	90	0
24 Redemptions	2,033	5,500	3,389	1,000	0	0	0	0	0	100
Matched transactions										
25 Gross sales	511,126	627,350	674,000	61,427	30,819	32,003	37,251	45,658	51,106	69,972
26 Gross purchases	510,854	624,192	675,496	63,062	31,651	30,441	37,295	43,492	52,607	69,309
Repurchase agreements										
27 Gross purchases	151,618	107,051	113,902	6,108	0	1,623	9,458	1,219	3,509	23,217
28 Gross sales	152,436	106,968	113,040	8,137	0	1,246	9,835	1,219	3,509	21,599
29 Net change in U.S. government securities	7,743	6,896	3,869	-4,159	452	422	1,644	-1,376	1,706	3,155
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
30 Gross purchases	301	853	668	0	0	0	0	0	0	0
31 Gross sales	173	399	0	0	0	0	0	0	0	0
32 Redemptions	235	134	145	0	3	15	2	*	26	*
Repurchase agreements										
33 Gross purchases	40,567	37,321	28,895	652	0	494	1,211	186	691	5,182
34 Gross sales	40,885	36,960	28,863	1,177	0	437	1,268	186	691	4,822
35 Net change in federal agency obligations	-426	681	555	-525	-3	42	-58	0	-26	360
BANKERS ACCEPTANCES										
36 Outright transactions, net	0	0	0	0	0	0	0	0	0	0
37 Repurchase agreements, net	-366	116	73	-776	0	298	-298	0	0	453
38 Net change in bankers acceptances	-366	116	73	-776	0	298	-298	0	0	453
39 **Total net change in System Open Market Account**	**6,951**	**7,693**	**4,497**	**-5,460**	**450**	**762**	**1,287**	**-1,376**	**1,680**	**3,968**

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

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

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements

Millions of dollars

Account	Wednesday					End of month		
	1981					1981		
	July 29	Aug. 5	Aug. 12	Aug. 19	Aug. 26	June	July	Aug.
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,154	11,154	11,154	11,154	11,154	11,154	11,154	11,154
2 Special drawing rights certificate account	3,068	3,068	3,068	3,068	3,068	3,068	3,068	3,068
3 Coin	367	368	370	371	374	380	380	384
Loans								
4 To depository institutions	1,916	1,804	1,321	1,914	1,482	1,010	1,027	1,254
5 Other	0	0	0	0	0	0	0	0
Acceptances								
6 Held under repurchase agreements	296	0	0	154	0	0	453	0
Federal agency obligations								
7 Bought outright	8,694	8,694	8,694	8,694	8,694	8,694	8,694	8,694
8 Held under repurchase agreements	557	0	0	292	0	0	360	0
U.S. government securities								
Bought outright								
9 Bills	43,473	45,292	45,310	47,755	45,429	43,593	44,154	47,122
10 Notes	59,609	59,609	59,609	59,429	59,429	58,818	59,609	59,429
11 Bonds	17,791	17,791	17,791	17,971	17,971	17,606	17,791	17,971
12 Total[1]	120,873	122,692	122,710	125,155	122,829	120,017	121,554	124,522
13 Held under repurchase agreements	1,676	0	0	927	0	0	1,618	0
14 Total U.S. government securities	122,549	122,692	122,710	126,082	122,829	120,017	123,172	124,522
15 **Total loans and securities**	**134,012**	**133,190**	**132,725**	**137,136**	**133,005**	**129,721**	**133,706**	**134,470**
16 Cash items in process of collection	8,556	12,403	10,076	9,031	8,440	11,297	7,085	7,606
17 Bank premises	479	477	481	482	485	475	479	484
Other assets								
18 Denominated in foreign currencies[2]	5,812	5,758	5,757	5,763	5,765	6,430	5,739	5,713
19 All other[3]	4,397	3,660	3,499	2,607	2,689	3,802	3,476	2,835
20 **Total assets**	**167,845**	**170,078**	**167,130**	**169,612**	**164,980**	**166,327**	**165,087**	**165,714**
LIABILITIES								
21 Federal Reserve notes	125,379	126,107	126,786	126,183	125,459	124,783	124,765	125,134
Deposits								
22 Depository institutions	26,870	28,282	26,017	29,101	25,470	23,626	26,011	27,045
23 U.S. Treasury—General account	3,193	2,936	3,075	3,104	3,139	2,923	2,922	2,595
24 Foreign—Official accounts	211	205	241	207	263	338	285	256
25 Other	1,010	798	454	434	503	536	472	502
26 **Total deposits**	**31,284**	**32,221**	**29,787**	**32,846**	**29,375**	**27,423**	**29,690**	**30,398**
27 Deferred availability cash items	5,496	7,322	6,143	5,828	5,555	8,791	5,834	5,377
28 Other liabilities and accrued dividends[4]	2,885	1,712	1,633	1,946	1,786	2,387	1,992	1,801
29 **Total liabilities**	**165,044**	**167,362**	**164,349**	**166,803**	**162,175**	**163,384**	**162,281**	**162,710**
CAPITAL ACCOUNTS								
30 Capital paid in	1,250	1,251	1,252	1,254	1,254	1,246	1,250	1,256
31 Surplus	1,203	1,203	1,203	1,203	1,203	1,203	1,203	1,203
32 Other capital accounts	348	262	326	352	348	494	353	545
33 **Total liabilities and capital accounts**	**167,845**	**170,078**	**167,130**	**169,612**	**164,980**	**166,327**	**165,087**	**165,714**
34 MEMO: Marketable U.S. government securities held in custody for foreign and international account	95,116	94,020	91,507	91,752	91,648	97,549	95,133	92,025
	Federal Reserve note statement							
35 Federal Reserve notes outstanding (issued to bank)	146,989	147,470	148,027	148,740	149,102	145,062	147,142	149,051
36 Less-held by bank[5]	21,610	21,363	21,241	22,557	23,643	20,279	22,377	23,917
37 Federal Reserve notes, net	125,379	126,107	126,786	126,183	125,459	124,783	124,765	125,134
Collateral for Federal Reserve notes								
38 Gold certificate account	11,154	11,154	11,154	11,154	11,154	11,154	11,154	11,154
39 Special drawing rights certificate account	3,068	3,068	3,068	3,068	3,068	3,068	3,068	3,068
40 Other eligible assets	0	0	0	0	0	27	0	0
41 U.S. government and agency securities	111,157	111,885	112,564	111,961	111,237	110,534	110,543	110,912
42 **Total collateral**	**125,379**	**126,107**	**126,786**	**126,183**	**125,459**	**124,783**	**124,765**	**125,134**

1. *Includes* securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and *excludes* (if any) securities sold and scheduled to be bought back under matched sale-purchase transactions.
2. Includes U.S. government securities held under repurchase agreement against receipt of foreign currencies and foreign currencies warehoused for the U.S. Treasury. Assets shown in this line are revalued monthly at market exchange rates.
3. Includes 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.
5. Beginning September 1980, Federal Reserve notes held by the Reserve Bank are exempt from the collateral requirement.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings

Millions of dollars

Type and maturity groupings	Wednesday 1981 July 29	Aug. 5	Aug. 12	Aug. 19	Aug. 26	End of month 1981 June 30	July 31	Aug. 31
1 Loans—Total	1,916	1,804	1,321	1,914	1,482	1,010	1,027	1,254
2 Within 15 days	1,869	1,696	1,220	1,882	1,442	964	926	1,169
3 16 days to 90 days	47	108	101	32	40	46	101	85
4 91 days to 1 year	0	0	0	0	0	0	0	0
5 Acceptances—Total	296	0	0	154	0	0	453	0
6 Within 15 days	296	0	0	154	0	0	453	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	122,549	122,692	122,710	126,082	122,829	120,017	123,172	124,522
10 Within 15 days[1]	3,451	5,649	5,520	6,019	4,404	1,714	4,253	3,589
11 16 days to 90 days	23,801	22,050	23,207	24,443	22,619	23,875	21,945	24,422
12 91 days to 1 year	31,758	32,176	31,166	33,184	33,370	31,742	34,157	34,071
13 Over 1 year to 5 years	34,535	33,813	33,813	34,714	34,714	33,928	33,813	34,718
14 Over 5 years to 10 years	13,106	13,106	13,106	11,519	11,519	13,042	13,106	11,519
15 Over 10 years	15,898	15,898	15,898	16,203	16,203	15,716	15,898	16,203
16 Federal agency obligations—Total	9,251	8,694	8,694	8,986	8,694	8,694	9,054	8,694
17 Within 15 days[1]	622	0	100	454	195	207	425	195
18 16 days to 90 days	647	718	618	556	424	446	647	553
19 91 days to 1 year	1,717	1,711	1,711	1,711	1,821	1,779	1,717	1,692
20 Over 1 year to 5 years	4,649	4,649	4,649	4,649	4,638	4,636	4,649	4,638
21 Over 5 years to 10 years	1,015	1,015	1,015	1,015	1,015	982	1,015	1,015
22 Over 10 years	601	601	601	601	601	644	601	601

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

1.20 BANK DEBITS AND DEPOSIT TURNOVER

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

Bank group, or type of customer	1978	1979	1980	1981 Mar.	Apr.	May	June	July
	Debits to demand deposits[1] (seasonally adjusted)							
1 All commercial banks	40,297.8	49,775.0	63,013.4	75,487.3	73,621.7	74,800.5	78,745.3	83,256.8
2 Major New York City banks	15,008.7	18,512.7	25,192.5	30,276.0	29,501.3	29,610.9	32,262.4	37,282.6
3 Other banks	25,289.1	31,262.3	37,820.9	45,211.3	44,120.4	45,189.6	46,482.8	46,074.2
	Debits to savings deposits[2] (not seasonally adjusted)							
4 ATS/NOW[3]	17.1	83.3	158.4	668.7	815.4	693.3	808.8	798.2
5 Business[4]	56.7	77.3	93.4	112.8	112.4	112.0	113.8	120.6
6 Others[5]	359.7	515.2	605.3	556.8	590.1	518.3	586.4	605.5
7 All accounts	432.9	675.8	857.2	1,338.3	1,517.9	1,323.6	1,509.0	1,524.3
	Demand deposit turnover[1] (seasonally adjusted)							
8 All commercial banks	139.4	163.5	201.6	262.9	257.2	260.9	281.3	296.1
9 Major New York City banks	541.9	646.2	813.7	959.5	1,001.9	975.1	1,085.4	1,288.6
10 Other banks	96.8	113.3	134.3	176.9	171.8	176.3	185.8	182.4
	Savings deposit turnover[2] (not seasonally adjusted)							
11 ATS/NOW[3]	7.0	7.8	9.7	14.2	15.2	13.5	15.2	14.7
12 Business[4]	5.1	7.2	9.3	11.3	11.6	11.7	12.3	13.2
13 Others[5]	1.7	2.7	3.4	3.5	3.6	3.3	3.7	3.9
14 All accounts	1.9	3.1	4.2	6.1	6.7	6.0	6.9	6.9

1. Represents accounts of individuals, partnerships, and corporations, and of states and political subdivisions.
2. Excludes special club accounts, such as Christmas and vacation clubs.
3. Accounts authorized for negotiable orders of withdrawal (NOW) and accounts authorized for automatic transfer to demand deposits (ATS). ATS data availability starts with December 1978.
4. Represents corporations and other profit-seeking organizations (excluding commercial banks but including savings and loan associations, mutual savings banks, credit unions, the Export-Import Bank, and federally sponsored lending agencies).
5. Savings accounts other than NOW; business; and, from December 1978, ATS.

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

1.21 MONEY STOCK MEASURES AND COMPONENTS

Billions of dollars, averages of daily figures

Item	1977 Dec.	1978 Dec.	1979 Dec.	1980 Dec.	1981				
					Mar.	Apr.	May	June	July
	Seasonally adjusted								
MEASURES[1]									
1 M1-A	331.4	354.8	372.7	387.7	365.8	366.6	364.9	361.9	361.6
2 M1-B	336.4	364.2	390.5	415.6	425.8	433.7	431.5	428.8	430.3
3 M2	1,296.4	1,404.2	1,525.2	1,669.4	1,718.6	1,738.1	1,743.4	1,749.3	1,760.5
4 M3	1,462.5	1,625.7	1,775.1	1,963.5	2,026.1	2,044.6	2,059.0	2,076.5[r]	2,090.1
5 L[2]	1,722.7	1,936.5	2,151.1	2,377.4	2,443.7	2,455.6	2,476.7[r]	n.a.	n.a.
COMPONENTS									
6 Currency	88.6	97.4	106.1	116.1	117.9	118.9	119.8	119.9	120.9
7 Demand deposits	239.7	253.9	262.8	267.4	243.5	243.1	240.7	237.9	236.6
8 Travelers checks[3]	3.1	3.5	3.8	4.2	4.4	4.6	4.4	4.2	4.1
9 Savings deposits	486.5	475.5	416.5	393.0	368.3	367.0	361.1	354.0[r]	349.0
10 Small-denomination time deposits[4]	453.8	533.3	652.7	756.8	789.4	790.0	798.4	807.7[r]	811.6
11 Large-denomination time deposits[5]	145.1	194.0	219.7	256.8	271.0	269.5	277.2	287.3	290.3
	Not seasonally adjusted								
MEASURES[1]									
12 M1-A	340.1	364.2	382.5	397.7	358.9	369.5	359.4	361.1	363.7
13 M1-B	345.1	373.6	400.6	425.9	417.8	436.7	424.4	428.4	433.2
14 M2	1,299.0	1,409.0	1,531.3	1,675.2	1,713.4	1,745.7	1,737.5	1,751.5[r]	1,765.4
15 M3	1,467.7	1,634.6	1,785.5	1,974.0	2,023.6	2,051.1	2,052.1	2,073.0[r]	2,090.7
16 L[2]	1,726.7	1,943.6	2,158.8	2,384.0	2,444.5	2,465.3	2,472.6[r]	n.a.	n.a.
COMPONENTS									
17 Currency	90.3	99.4	108.3	118.4	116.8	118.4	119.3	119.9	121.5
18 Demand deposits	247.0	261.5	270.8	275.4	237.9	246.8	235.9	237.0[r]	237.6
19 Travelers checks[3]	2.9	3.3	3.5	3.9	4.2	4.3	4.2	4.3	4.7
20 Other checkable deposits[6]	5.0	9.4	18.2	28.3	59.2	67.5	65.3	67.6[r]	69.7
21 Overnight RPs and Eurodollars[7]	18.6	23.9	25.4	32.4	33.3	34.3	38.3	39.7	39.2
22 Money market mutual funds	3.8	10.3	43.6	75.8	105.6	117.1	118.1	122.8	134.3
23 Savings deposits	483.1	472.6	413.9	390.2	365.7	366.4	359.7	355.4[r]	352.8
24 Small-denomination time deposits[4]	451.3	531.7	651.4	755.2	794.8	795.2	801.0	808.9[r]	809.9
25 Large-denomination time deposits[5]	147.7	198.1	223.9	261.4	273.8	268.3	276.3	281.6	286.0

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

M1-A: Averages of daily figures for (1) demand deposits at all commercial banks other than those due to domestic banks, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float; (2) currency outside the Treasury, Federal Reserve Banks, and the vaults of commercial banks; and (3) travelers checks of nonbank issuers.

M1-B: M1-A plus negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at banks and thrift institutions, credit union share draft accounts, and demand deposits at mutual savings banks.

M2: M1-B plus savings and small-denomination time deposits at all depository institutions, overnight repurchase agreements at commercial banks, overnight Eurodollars held by U.S. residents other than banks at Caribbean branches of member banks, and money market mutual fund shares.

M3: M2 plus large-denomination time deposits at all depository institutions and term RPs at commercial banks and savings and loan associations.

2. L: M3 plus other liquid assets such as term Eurodollars held by U.S. residents other than banks, bankers acceptances, commercial paper, Treasury bills and other liquid Treasury securities, and U.S. savings bonds.

3. Outstanding amount of U.S. dollar-denominated travelers checks of nonbank issuers.

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

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

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

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

NOTE. Latest monthly and weekly figures are available from the Board's H.6(508) release. Back data are available from the Banking Section, Division of Research and Statistics.

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

Billions of dollars, averages of daily figures

Item	1978 Dec.	1979 Dec.	1980 Dec.	1980 Nov.[2]	1980 Dec.	1981 Jan.	1981 Feb.	1981 Mar.	1981 Apr.	1981 May	1981 June	1981 July
	Seasonally adjusted											
1 **Total reserves[3]**	**41.16**	**43.46**	**40.13**	**41.23**	**40.13**	**40.10**	**39.76**	**40.25**	**40.25**	**40.81**	**40.83**	**41.11**
2 Nonborrowed reserves	40.29	41.98	38.44	39.17	38.44	38.71	38.45	39.25	38.91	38.58	38.80	39.43
3 Required reserves	40.93	43.13	39.58	40.73	39.58	39.56	39.57	39.87	40.10	40.55	40.50	40.76
4 Monetary base[4]	142.2	153.7	159.8	160.7	159.8	160.1	160.6	161.3	162.2	163.6	163.8	165.0
5 **Member bank deposits subject to reserve requirements[5]**	**616.1**	**644.5**	**701.8**	**694.3**	**701.8**	**703.8**	**704.3**	**703.4**	**711.2**	**715.0**	**720.8**	**728.3**
6 Time and savings	428.7	451.2	485.6	475.4	485.6	517.5	523.4	524.7	531.1	538.1	545.6	553.8
Demand												
7 Private	185.1	191.5	196.0	198.1	196.0	184.1	178.8	176.7	177.4	174.7	173.3	172.3
8 U.S. government	2.2	1.8	1.9	2.2	1.9	2.3	2.1	2.0	2.8	2.2	1.9	2.2
	Not seasonally adjusted											
9 Monetary base[4]	144.6	156.2	162.5	161.5	162.5	161.0	158.9	159.6	161.7	162.7	163.3	165.5
10 **Member bank deposits subject to reserve requirements[5]**	**624.0**	**652.7**	**710.3**	**694.6**	**710.3**	**712.6**	**701.5**	**702.9**	**713.5**	**710.0**	**719.7**	**727.8**
11 Time and savings	429.6	452.1	486.5	493.0	505.0	520.6	524.9	527.8	531.6	538.1	545.0	552.7
Demand												
12 Private	191.9	198.6	203.2	199.6	203.3	189.9	174.5	173.0	178.9	169.8	172.2	173.1
13 U.S. government	2.5	2.0	2.1	1.9	2.1	2.1	2.0	2.1	3.0	2.1	2.5	2.0

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

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

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

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

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

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

1.23 LOANS AND SECURITIES All Commercial Banks[1]

Billions of dollars; averages of Wednesday figures

Category	1978 Dec.	1979 Dec.	1980 Dec.	1981 June	1981 July	1978 Dec.	1979 Dec.	1980 Dec.	1981 June	1981 July
	Seasonally adjusted					Not seasonally adjusted				
1 **Total loans and securities**[2]	**1,013.4**[3]	**1,134.6**[4]	**1,237.2**[5]	**1,285.4**	**1,291.6**	**1,022.5**[3]	**1,145.0**[4]	**1,248.8**[5]	**1,289.4**	**1,293.1**
2 U.S. Treasury securities	93.3	93.8	110.7	119.3	120.4	94.5	95.0	112.1	119.7	118.2
3 Other securities	173.2[3]	191.8	213.9	219.0	219.5	173.9[3]	192.6	214.8	219.6	219.3
4 Total loans and leases[2]	746.9[3]	848.9[4]	912.7[5]	947.1[r]	951.6	754.2[3]	857.4[4]	922.0[5]	950.0	955.5
5 Commercial and industrial loans	246.1[6]	291.1[4]	324.9[5]	338.8[7,r]	343.8	247.7[6]	293.0[4]	327.0[5]	340.6[7]	345.3
6 Real estate loans	210.5	241.3[4]	260.6[5]	271.6	273.0	210.9	241.8[4]	261.1[5]	271.4	273.3
7 Loans to individuals	164.7	184.9	175.2	174.1	174.0	165.6	186.0	176.2	173.6	174.4
8 Security loans	19.3	18.6	17.6	20.5	19.5	20.6	19.8	18.8	20.6	18.7
9 Loans to nonbank financial institutions	27.1[8]	28.8[4]	28.7[5]	29.3	29.0	27.6[8]	29.3[4]	29.2[5]	29.5	29.4
10 Agricultural loans	28.2	31.1	31.6	32.8[r]	33.1	28.1	30.9	31.4	33.0[r]	33.5
11 Lease financing receivables	7.5	9.3	10.9	12.2	12.3	7.5	9.3	10.9	12.2	12.3
12 All other loans	43.6[3]	44.0	63.3	67.8[r]	66.9	46.2[3]	47.3	67.3	69.1[r]	68.4
MEMO:										
13 **Total loans and securities plus loans sold**[2,9]	**1,017.1**[3]	**1,137.6**[4,10]	**1,239.9**[5]	**1,288.2**[r]	**1,294.2**	**1,026.2**[3]	**1,148.0**[4,10]	**1,251.5**[5]	**1,292.2**	**1,295.8**
14 Total loans plus loans sold[2,9]	750.6[3]	851.9[4,10]	915.4[5]	950.0	954.3	757.9[3]	860.4[4,10]	924.7[5]	952.9	958.2
15 Total loans sold to affiliates[9]	3.7	3.0[8,10]	2.7	2.8	2.7	3.7	3.0[8,10]	2.7	2.8	2.7
16 Commercial and industrial loans plus loans sold[9]	248.0[6,11]	293.1[4,10]	326.6[5]	340.8[7]	345.8	249.6[6,11]	295.0[4,10]	328.8[5]	342.7[7]	347.5
17 Commercial and industrial loans sold[9]	1.9[11]	2.0[10]	1.8	2.0	2.0	1.9[11]	2.0[10]	1.8	2.0	2.0
18 Acceptances held	6.6	8.2	8.2	10.0	10.2	7.3	9.1	8.8	10.0	9.8
19 Other commercial and industrial loans	239.5	282.9	316.7	328.8	333.6	240.4	283.9	318.2	330.7	335.7
20 To U.S. addressees[12]	226.0	264.1	295.2	304.0	308.7	225.9	264.1	295.2	306.1	310.9
21 To non-U.S. addressees	13.5	18.8	21.5	24.7	24.9	14.5	19.8	23.0	24.6	24.8
22 Loans to foreign banks	21.5	18.5	23.1	21.8	21.4	23.2	20.0	24.8	22.4	22.3

1. Includes domestically chartered banks; U.S. branches and agencies of foreign banks, 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. As of Dec. 31, 1978, total loans and securities were reduced by $0.1 billion. "Other securities" were increased by $1.5 billion and total loans were reduced by $1.6 billion largely as the result of reclassifications of certain tax-exempt obligations. Most of the loan reduction was in "all other loans."
4. As of Jan. 3, 1979, as the result of reclassifications, total loans and securities and total loans were increased by $0.6 billion. Business loans were increased by $0.4 billion and real estate loans by $0.5 billion. Nonbank financial loans were reduced by $0.3 billion.
5. Absorption of a nonbank affiliate by a large commercial bank added the following to February figures: total loans and securities, $1.0 billion; total loans and leases, $1.0 billion; commercial and industrial loans, $.5 billion; real estate loans, $.1 billion; nonbank financial, $.1 billion.
6. As of Dec. 31, 1978, commercial and industrial loans were reduced $0.1 billion as a result of reclassifications.
7. An accounting procedure change by one bank reduced commercial and industrial loans by $0.1 billion as of Apr. 1, 1981.
8. As of Dec. 1, 1978, nonbank financial loans were reduced $0.1 billion as the result of reclassification.
9. Loans sold are those sold outright to a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.
10. As of Dec. 1, 1979, loans sold to affiliates were reduced $800 million and commercial and industrial loans sold were reduced $700 million due to corrections of two banks in New York City.
11. As of Dec. 31, 1978, commercial and industrial loans sold outright were increased $0.7 billion as the result of reclassifications, but $0.1 billion of this amount was offset by a balance sheet reduction of $0.1 billion as noted above.
12. United States includes the 50 states and the District of Columbia.

NOTE. Data are prorated averages of Wednesday estimates for domestically chartered banks, based on weekly reports of a sample of domestically chartered banks and quarterly reports of all domestically chartered banks. For foreign-related institutions, data are averages of month-end estimates based on weekly reports from large agencies and branches and quarterly reports from all agencies, branches, investment companies, and Edge Act corporations engaged in banking.

1.24 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS[1]

Monthly averages, billions of dollars

Source	December outstanding			Outstanding in 1980 and 1981								
	1977	1978	1979	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
Total nondeposit funds												
1 Seasonally adjusted[2]	61.5	91.2	121.1	116.9	120.4	124.5	122.0	117.0	111.2	117.6	119.7	118.2
2 Not seasonally adjusted	60.1	90.2	119.8	120.1	119.9	122.0	121.2	116.7	111.8	122.0	120.4	118.9
Federal funds, RPs, and other borrowings from nonbanks[3]												
3 Seasonally adjusted	58.4	80.7	90.0	105.4	109.5	113.5	110.9	110.7	109.4	106.7	111.8	110.7
4 Not seasonally adjusted	57.0	79.7	88.7	108.6	109.0	111.0	110.2	110.5	109.0	111.0	112.6	111.5
5 Net balances due to foreign-related institutions, not seasonally adjusted	−1.5	6.8	28.1	8.9	8.2	8.2	8.3	3.5	−0.9	8.2	5.0	4.8
6 Loans sold to affiliates, not seasonally adjusted[4,5]	4.7	3.7	3.0	2.6	2.7	2.8	2.8	2.8	2.7	2.8	2.8	2.7
MEMO												
7 Domestically chartered banks net positions with own foreign branches, not seasonally adjusted[6]	−12.5	−10.2	6.5	−14.2	−14.7	−16.2	−14.7	−16.9	−21.3	−13.6	−14.6	−14.7
8 Gross due from balances	21.1	24.9	22.8	37.3	37.5	37.5	36.4	38.9	43.1	43.6	42.7	45.2
9 Gross due to balances	8.6	14.7	29.3	23.1	22.8	21.2	21.7	22.0	21.8	30.0	28.0	30.5
10 Foreign-related institutions net positions with directly related institutions, not seasonally adjusted[7]	10.9	17.0	21.6	23.1	22.9	24.4	22.9	20.5	20.4	21.8	19.6	19.5
11 Gross due from balances	10.7	14.3	28.9	31.0	32.5	31.5	31.8	31.9	33.8	34.9	35.5	33.7
12 Gross due to balances	21.7	31.3	50.5	54.1	55.4	55.9	54.7	52.3	54.1	56.7	55.1	53.2
Security RP borrowings												
13 Seasonally adjusted[8]	36.0	44.8	49.2	58.8	63.4	68.7	67.0	67.1	67.0	64.4	71.0[r]	69.5
14 Not seasonally adjusted	35.1	43.6	47.9	60.9	61.7	65.0	65.2	65.8	65.6	67.7	70.6[r]	69.1
U.S. Treasury demand balances[9]												
15 Seasonally adjusted	4.4	8.7	8.9	8.1	8.4	6.9	8.2	11.7	12.3	14.2	10.9[r]	11.9
16 Not seasonally adjusted	5.1	10.3	9.7	6.7	9.0	8.0	8.1	10.3	12.1	12.3[r]	12.4[r]	10.8
Time deposits, $100,000 or more[10]												
17 Seasonally adjusted	162.0	213.0	227.1	254.9	265.8	277.0	282.5	281.1	284.3	294.8	303.6[r]	312.8
18 Not seasonally adjusted	165.4	217.9	232.8	257.9	272.4	282.0	287.0	285.9	283.7	293.6	298.4[r]	305.0

1. Commercial banks are those in the 50 states and the District of Columbia with national or state charters plus agencies and branches of foreign banks, New York investment companies majority owned by foreign banks, and Edge Act corporations owned by domestically chartered and foreign banks.
2. Includes seasonally adjusted federal funds, RPs, and other borrowings from nonbanks and not seasonally adjusted net Eurodollars and loans to affiliates. Includes averages of Wednesday data for 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. Includes averages of daily figures for member banks and averages of current and previous month-end data for foreign-related institutions.
4. Loans initially booked by the bank and later sold to affiliates that are still held by affiliates. Averages of Wednesday data.
5. As of Dec. 1, 1979, loans sold to affiliates were reduced $800 million due to corrections of two New York City banks.
6. Averages of daily figures for member and nonmember banks. Before October 1980 nonmember banks were interpolated from quarterly call report data.
7. Includes averages of current and previous month-end data until August 1979; beginning September 1979 averages of daily data.
8. Based on daily average data reported by 122 large banks beginning February 1980 and 46 banks before February 1980.
9. Includes U.S. Treasury demand deposits and Treasury tax-and-loan notes at commercial banks. Averages of daily data.
10. Averages of Wednesday figures.

NOTE. Movement of federal funds, RPs, and other borrowings from nonbanks (lines 3 and 4) is based on fluctuations in security RP borrowings (lines 13 and 14) and borrowings from unaffiliated foreign sources (not shown) after October 1980.

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

Billions of dollars except for number of banks

Account	1980			1981							
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.
DOMESTICALLY CHARTERED COMMERCIAL BANKS[1]											
1 Loans and securities, excluding interbank	1,134.8	1,150.8	1,177.1	1,166.0	1,167.0	1,169.5	1,187.8	1,194.6	1,205.3	1,213.2	1,220.6
2 Loans, excluding interbank	821.6	832.8	851.4	840.2	839.0	840.6	855.4	862.4	872.2	879.2	886.8
3 Commercial and industrial	269.0	275.7	281.5	277.6	276.3	277.5	285.4	287.9	293.1	295.8	299.0
4 Other	552.6	557.1	569.9	562.6	562.7	563.1	570.1	574.5	579.1	583.4	587.9
5 U.S. Treasury securities	104.4	107.1	111.2	112.0	113.7	112.9	115.8	114.9	116.1	115.8	114.0
6 Other securities	208.9	210.9	214.6	213.8	214.3	216.0	216.6	217.3	216.9	218.2	219.8
7 Cash assets, total	155.9	175.6	194.2	159.3	165.9	167.9	181.8	180.3	169.8	161.1	173.2
8 Currency and coin	18.3	16.9	19.9	18.7	18.6	17.8	18.8	19.5	19.1	19.6	20.2
9 Reserves with Federal Reserve Banks	31.7	30.4	28.2	25.2	30.4	31.8	38.3	25.2	25.4	27.0	25.4
10 Balances with depository institutions	47.2	56.1	63.0	54.9	54.6	55.1	57.3	62.0	60.7	56.8	66.0
11 Cash items in process of collection	58.8	72.2	83.0	60.5	62.3	63.3	67.4	73.6	64.6	57.7	61.6
12 Other assets[2]	151.3	151.3	165.6	155.8	160.1	163.4	167.7	158.8	168.6	158.8	164.2
13 Total assets/total liabilities and capital	**1,442.1**	**1,477.7**	**1,537.0**	**1,481.0**	**1,493.0**	**1,500.9**	**1,537.3**	**1,533.7**	**1,543.7**	**1,533.2**	**1,557.9**
14 Deposits	1,092.9	1,126.2	1,187.4	1,128.7	1,132.0	1,136.5	1,151.7	1,170.3	1,165.9	1,160.8	1,182.2
15 Demand	375.7	393.0	432.2	351.1	345.5	345.3	356.8	360.7	350.9	333.6	342.5
16 Savings	210.9	209.5	201.3	211.9	214.3	220.5	222.7	220.9	220.7	219.8	218.0
17 Time	506.2	523.7	553.8	565.7	572.3	570.7	572.2	588.7	594.3	607.3	621.7
18 Borrowings	161.7	157.3	156.4	156.4	163.2	163.8	179.5	155.7	169.3	159.3	163.7
19 Other liabilities	74.7	78.1	79.0	76.7	80.3	80.6	81.8	82.3	81.8	86.3	89.8
20 Residual (assets less liabilities)	112.7	116.1	114.2	119.3	117.5	120.0	124.3	125.4	126.7	126.7	122.1
MEMO:											
21 U.S. Treasury note balances included in borrowing	11.5	4.4	9.5	9.5	8.5	10.2	16.9	5.5	17.4	7.2	6.9
22 Number of banks	14,760	14,692	14,693	14,689	14,696	14,701	14,713	14,719	14,719	14,719	14,720
ALL COMMERCIAL BANKING INSTITUTIONS[3]											
23 Loans and securities, excluding interbank	...	...	1,262.4	...	...	1,253.8	...	...	...	...	
24 Loans, excluding interbank	...	...	932.5	...	...	920.9	...	...	...	...	
25 Commercial and industrial	...	...	330.6	...	...	329.3	...	...	...	...	
26 Other	...	...	601.9	...	...	591.6	...	...	...	...	
27 U.S. Treasury securities	...	...	113.6	...	...	115.2	...	...	...	...	
28 Other securities	...	...	216.3	...	...	217.7	...	...	...	...	
29 Cash assets, total	...	...	218.6	...	...	193.6	...	...	...	...	
30 Currency and coin	...	...	20.0	...	...	17.8	...	...	...	...	
31 Reserves with Federal Reserve Banks	...	...	29.0	...	...	32.7	...	...	...	...	
32 Balances with depository institutions	...	...	85.0	...	...	77.9	...	...	...	...	
33 Cash items in process of collection	...	...	84.7	...	...	65.3	...	...	...	...	
34 Other assets[2]	...	...	222.7	...	...	225.5	...	...	...	...	
35 Total assets/total liabilities and capital	...	...	**1,703.7**	...	...	**1,673.0**	...	...	...	...	**n.a.**
36 Deposits	...	...	1,239.9	...	...	1,190.6	...	...	...	...	
37 Demand	...	...	453.6	...	...	367.4	...	...	...	...	
38 Savings	...	...	201.6	...	...	220.7	...	...	...	...	
39 Time	...	...	584.7	...	...	602.5	...	...	...	...	
40 Borrowings	...	...	210.4	...	...	223.3	...	...	...	...	
41 Other liabilities	...	...	135.5	...	...	137.2	...	...	...	...	
42 Residual (assets less liabilities)	...	...	117.9	...	...	121.9	...	...	...	...	
MEMO:											
43 U.S. Treasury note balances included in borrowing	...	...	9.5	...	...	10.2	...	...	...	...	
44 Number of banks	...	...	15,120	...	...	15,147	...	...	...	...	

1. Domestically chartered commercial banks include all commercial banks in the United States except branches of foreign banks; included are member and nonmember banks, stock savings banks, and nondeposit trust companies.
2. Other assets include loans to U.S. commercial banks.
3. Commercial banking institutions include domestically chartered commercial banks, branches and agencies of foreign banks, Edge Act and Agreement corporations, and New York State foreign investment corporations.

NOTE. Figures are partly estimated. They include all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries. Data for domestically chartered commercial banks are for the last Wednesday of the month; data for other banking institutions are for the last day of the quarter.

1.26 ALL LARGE WEEKLY REPORTING COMMERCIAL BANKS with Domestic Assets of $750 Million or More on December 31, 1977, Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1981								
	July 1	July 8	July 15	July 22	July 29p	Aug. 5p	Aug. 12p	Aug. 19p	Aug. 26p
1 Cash items in process of collection	65,919	53,555	57,633	51,889	46,575	57,990	52,659	54,425	50,456
2 Demand deposits due from banks in the United States	22,805	21,661	22,527	20,012	14,663	20,313	21,019	21,538	19,971
3 All other cash and due from depository institutions	31,724	35,642	35,310	39,148	33,356	33,889	33,554	35,673	32,251
4 **Total loans and securities**	**584,064**	**580,247**	**582,512**	**571,438**	**573,257**	**586,619**	**579,474**	**577,500**	**579,192**
Securities									
5 U.S. Treasury securities	40,612	41,839	41,068	40,244	40,657	41,294	40,475	40,431	39,806
6 Trading account	6,793	8,148	7,411	6,843	7,247	8,072	7,356	8,337	7,795
7 Investment account, by maturity	33,819	33,691	33,656	33,401	33,410	33,221	33,119	32,095	32,010
8 One year or less	10,550	10,382	10,296	9,975	10,019	10,012	10,022	9,205	9,170
9 Over one through five years	19,466	19,473	19,462	19,508	19,553	19,413	19,324	19,132	19,140
10 Over five years	3,802	3,836	3,899	3,918	3,837	3,797	3,773	3,758	3,701
11 Other securities	78,930	77,651	77,311	77,282	77,475	78,527	77,746	77,376	77,745
12 Trading account	4,650	3,421	3,389	3,252	3,246	4,167	3,273	2,911	2,904
13 Investment account	74,280	74,230	73,922	74,030	74,229	74,360	74,473	74,465	74,841
14 U.S. government agencies	16,399	16,345	16,115	16,069	16,154	16,149	16,159	16,128	16,345
15 States and political subdivision, by maturity	55,177	55,166	55,148	55,302	55,385	55,459	55,506	55,538	55,641
16 One year or less	7,034	7,077	7,049	7,095	7,051	7,266	7,266	7,194	7,235
17 Over one year	48,142	48,089	48,099	48,208	48,334	48,194	48,240	48,344	48,407
18 Other bonds, corporate stocks and securities	2,704	2,719	2,659	2,659	2,690	2,751	2,808	2,800	2,854
Loans									
19 Federal funds sold[1]	28,703	30,822	33,974	25,780	26,331	31,529	28,236	27,831	28,241
20 To commercial banks	20,157	23,298	26,696	18,385	19,172	24,138	20,682	20,073	19,742
21 To nonbank brokers and dealers in securities	6,695	5,598	5,192	5,371	5,261	5,520	5,639	5,732	6,519
22 To others	1,851	1,926	2,085	2,024	1,898	1,872	1,915	2,026	1,980
23 Other loans, gross	447,847	442,003	442,276	440,284	440,965	447,462	445,237	444,102	445,680
24 Commercial and industrial	182,490	181,538	180,769	180,515	180,468	184,219	183,556	182,784	182,859
25 Bankers acceptances and commercial paper	5,720	5,015	4,822	4,165	4,397	4,468	3,930	3,354	3,265
26 All other	176,769	176,523	175,946	176,349	176,071	179,750	179,626	179,430	179,594
27 U.S. addressees	169,088	168,956	168,319	168,810	168,520	172,294	172,226	172,042	172,180
28 Non-U.S. addressees	7,682	7,567	7,627	7,540	7,551	7,456	7,400	7,388	7,414
29 Real estate	117,749	117,800	118,246	118,480	118,692	118,940	119,380	119,718	119,902
30 To individuals for personal expenditures	71,493	71,277	71,249	71,352	71,688	71,857	71,864	72,035	72,304
To financial institutions									
31 Commercial banks in the United States	6,247	5,767	6,210	6,039	5,547	6,087	5,901	6,226	6,520
32 Banks in foreign countries	9,385	9,360	9,538	8,767	9,216	9,119	9,036	9,122	9,432
33 Sales finance, personal finance companies, etc	10,545	9,909	9,737	9,864	10,085	10,166	10,238	10,128	10,132
34 Other financial institutions	16,225	16,138	15,915	15,930	15,855	16,380	16,340	16,259	16,257
35 To nonbank brokers and dealers in securities	9,555	7,116	7,337	6,311	6,617	7,253	5,584	4,943	5,067
36 To others for purchasing and carrying securities[2]	2,545	2,535	2,541	2,539	2,543	2,617	2,591	2,594	2,580
37 To finance agricultural production	5,946	5,990	5,982	5,981	5,986	6,034	6,045	6,020	5,977
38 All other	15,666	14,572	14,752	14,506	14,269	14,788	14,701	14,272	14,650
39 LESS: Unearned income	5,878	5,918	5,948	5,953	5,980	5,934	5,953	5,963	5,995
40 Loan loss reserve	6,150	6,150	6,169	6,199	6,191	6,259	6,267	6,277	6,284
41 Other loans, net	435,819	429,935	430,158	428,132	428,794	435,269	433,016	431,862	433,400
42 Lease financing receivables	10,270	10,362	10,395	10,381	10,410	10,411	10,422	10,449	10,475
43 All other assets	92,981	91,514	89,860	87,113	87,335	88,638	88,522	88,866	89,043
44 **Total assets**	**807,763**	**792,982**	**798,237**	**779,981**	**765,596**	**797,860**	**785,651**	**788,452**	**781,388**
Deposits									
45 Demand deposits	209,696	191,354	203,375	182,928	173,400	196,528	187,520	187,973	181,631
46 Mutual savings banks	737	598	694	492	535	686	571	570	584
47 Individuals, partnerships, and corporations	140,436	129,640	133,780	124,508	122,031	132,306	128,077	123,367	122,471
48 States and political subdivisions	5,179	4,504	4,853	4,146	4,164	4,617	3,856	4,244	4,116
49 U.S. government	1,082	1,971	3,005	1,860	1,784	3,200	2,121	3,023	1,870
50 Commercial banks in the United States	41,213	36,132	41,194	34,908	27,912	36,314	34,659	38,939	34,598
51 Banks in foreign countries	8,392	8,450	9,389	7,637	8,693	8,822	8,580	9,001	9,149
52 Foreign governments and official institutions	1,619	1,760	1,906	1,305	1,304	1,329	1,878	1,698	1,680
53 Certified and officers' checks	11,038	8,299	8,554	8,072	6,975	9,253	7,778	7,130	7,163
54 Time and savings deposits	337,390	337,754	337,954	339,331	341,228	343,767	345,178	345,301	346,841
55 Savings	78,250	78,708	77,942	77,305	76,373	77,553	76,709	76,187	75,500
56 Individuals and nonprofit organizations	74,373	74,910	74,153	73,631	72,728	73,923	73,074	72,592	71,935
57 Partnerships and corporations operated for profit	3,203	3,192	3,150	3,141	3,112	3,088	3,066	3,019	3,029
58 Domestic governmental units	656	586	618	509	509	519	547	553	513
59 All other	18	20	21	23	22	22	23	23	23
60 Time	259,139	259,046	260,012	262,027	264,855	266,214	268,468	269,114	271,342
61 Individuals, partnerships, and corporations	225,852	225,636	227,735	229,468	232,103	233,805	235,663	235,919	237,718
62 States and political subdivisions	18,703	18,729	18,515	18,786	18,878	18,757	19,087	19,413	19,674
63 U.S. government	268	279	268	278	281	273	272	256	246
64 Commercial banks in the United States	8,121	8,040	8,032	8,041	8,304	8,247	8,308	8,312	8,407
65 Foreign governments, official institutions, and banks	6,195	6,362	5,462	5,454	5,289	5,132	5,138	5,215	5,296
Liabilities for borrowed money									
66 Borrowings from Federal Reserve Banks	3,128	2,145	2,521	4,147	653	1,100	502	881	299
67 Treasury tax-and-loan notes	9,542	5,141	4,000	5,133	4,902	1,541	1,814	2,163	3,946
68 All other liabilities for borrowed money[3]	128,273	138,916	132,288	127,679	123,438	133,272	128,903	128,739	123,740
69 Other liabilities and subordinated notes and debentures	67,549	65,304	65,948	68,698	69,881	69,059	69,124	70,958	72,488
70 **Total liabilities**	**755,578**	**740,615**	**746,086**	**727,916**	**713,503**	**745,267**	**733,040**	**736,015**	**728,946**
71 Residual (total assets minus total liabilities)[4]	52,184	52,367	52,151	52,064	52,094	52,593	52,611	52,437	52,441

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

1.27 LARGE WEEKLY REPORTING COMMERCIAL BANKS with Domestic Assets of $1 Billion or More on December 31, 1977, Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1981								
	July 1	July 8	July 15	July 22	July 29p	Aug. 5p	Aug. 12p	Aug. 19p	Aug. 26p
1 Cash items in process of collection	62,670	50,798	54,629	49,201	44,096	54,861	49,759	51,480	47,779
2 Demand deposits due from banks in the United States	22,078	20,973	21,788	19,409	14,001	19,666	20,362	20,852	19,356
3 All other cash and due from depository institutions	29,583	33,707	33,031	36,791	31,132	32,010	31,446	33,298	29,973
4 **Total loans and securities**	**545,810**	**541,355**	**544,196**	**533,416**	**535,259**	**546,079**	**540,495**	**539,210**	**540,823**
Securities									
5 U.S. Treasury securities	37,206	38,447	37,669	36,846	37,266	37,873	37,087	37,033	36,412
6 Trading account	6,728	8,073	7,342	6,766	7,158	7,983	7,278	8,244	7,718
7 Investment account, by maturity	30,478	30,375	30,327	30,080	30,108	29,890	29,808	28,789	28,694
8 One year or less	9,657	9,460	9,371	9,057	9,125	9,108	9,133	8,329	8,284
9 Over one through five years	17,380	17,438	17,417	17,464	17,505	17,353	17,255	17,052	17,059
10 Over five years	3,441	3,477	3,539	3,558	3,478	3,429	3,420	3,407	3,351
11 Other securities	72,641	71,379	71,056	71,005	71,159	72,222	71,442	71,089	71,432
12 Trading account	4,558	3,364	3,327	3,197	3,174	4,107	3,216	2,857	2,843
13 Investment account	68,082	68,016	67,728	67,808	67,985	68,116	68,226	68,232	68,589
14 U.S. government agencies	15,211	15,135	14,920	14,869	14,942	14,942	14,949	14,936	15,151
15 States and political subdivision, by maturity	50,344	50,338	50,325	50,456	50,528	50,598	50,645	50,666	50,754
16 One year or less	6,299	6,333	6,305	6,334	6,290	6,494	6,497	6,432	6,465
17 Over one year	44,046	44,006	44,020	44,121	44,238	44,103	44,148	44,234	44,289
18 Other bonds, corporate stocks and securities	2,527	2,542	2,484	2,484	2,515	2,576	2,632	2,629	2,684
Loans									
19 Federal funds sold[1]	25,542	26,826	30,599	22,696	23,358	26,166	24,427	24,753	25,041
20 To commercial banks	17,519	19,879	23,895	15,803	16,670	19,280	17,418	17,520	17,221
21 To nonbank brokers and dealers in securities	6,203	5,054	4,653	4,894	4,816	5,044	5,124	5,263	5,876
22 To others	1,820	1,893	2,051	1,998	1,872	1,842	1,884	1,970	1,944
23 Other loans, gross	421,439	415,755	415,966	413,994	414,621	420,988	418,729	417,542	419,184
24 Commercial and industrial	173,520	172,580	171,767	171,517	171,471	175,154	174,486	173,751	173,861
25 Bankers acceptances and commercial paper	5,529	4,830	4,634	3,977	4,224	4,299	3,761	3,176	3,106
26 All other	167,992	167,750	167,133	167,540	167,246	170,854	170,725	170,574	170,754
27 U.S. addressees	160,378	160,252	159,576	160,072	159,768	163,480	163,480	163,264	163,418
28 Non-U.S. addressees	7,614	7,498	7,557	7,467	7,479	7,375	7,323	7,310	7,336
29 Real estate	111,169	111,211	111,634	111,876	112,071	112,329	112,737	113,024	113,234
30 To individuals for personal expenditures	62,658	62,457	62,452	62,554	62,858	62,964	62,967	63,114	63,364
To financial institutions									
31 Commercial banks in the United States	6,095	5,628	6,064	5,927	5,434	5,961	5,786	6,098	6,398
32 Banks in foreign countries	9,261	9,290	9,465	8,674	9,132	9,043	8,967	9,061	9,370
33 Sales finance, personal finance companies, etc	10,406	9,769	9,589	9,718	9,938	10,007	10,085	9,977	9,981
34 Other financial institutions	15,843	15,764	15,546	15,551	15,469	15,997	15,938	15,842	15,816
35 To nonbank brokers and dealers in securities	9,491	7,045	7,267	6,239	6,542	7,183	5,515	4,869	4,998
36 To others for purchasing and carrying securities[2]	2,312	2,299	2,306	2,312	2,317	2,387	2,364	2,368	2,353
37 To finance agricultural production	5,798	5,839	5,829	5,825	5,830	5,880	5,891	2,865	5,824
38 All other	14,886	13,873	14,046	13,800	13,557	14,083	13,992	13,575	13,985
39 LESS: Unearned income	5,240	5,278	5,304	5,304	5,333	5,294	5,307	5,314	5,346
40 Loan loss reserve	5,777	5,775	5,790	5,821	5,812	5,875	5,883	5,893	5,901
41 Other loans, net	410,422	404,702	404,872	402,869	403,476	409,818	407,539	406,335	407,938
42 Lease financing receivables	9,973	10,066	10,100	10,090	10,119	10,119	10,131	10,157	10,184
43 All other assets	90,207	88,825	87,296	84,553	84,724	85,914	85,790	86,153	86,274
44 **Total assets**	**760,323**	**745,723**	**751,040**	**733,460**	**719,332**	**748,649**	**737,984**	**741,151**	**734,389**
Deposits									
45 Demand deposits	197,066	179,506	191,310	171,721	162,262	182,870	175,505	176,396	170,432
46 Mutual savings banks	703	570	673	473	516	660	550	551	562
47 Individuals, partnerships, and corporations	130,740	120,355	124,433	115,640	113,338	121,829	118,919	114,327	113,604
48 States and political subdivisions	4,565	4,056	4,334	3,644	3,554	4,135	3,414	3,727	3,605
49 U.S. government	936	1,804	2,673	1,678	1,604	2,968	1,948	2,773	1,687
50 Commercial banks in the United States	39,534	34,611	39,730	33,614	26,626	34,748	33,257	37,546	33,326
51 Banks in foreign countries	8,312	8,369	9,316	7,563	8,612	8,758	8,519	8,929	9,068
52 Foreign governments and official institutions	1,615	1,752	1,898	1,295	1,303	1,328	1,877	1,697	1,679
53 Certified and officers' checks	10,660	7,989	8,252	7,812	6,707	8,444	7,021	6,846	6,899
54 Time and savings deposits	315,351	315,620	315,813	317,281	319,194	321,511	322,877	322,944	324,471
55 Savings	72,308	72,701	71,903	71,400	70,544	71,626	70,856	70,357	69,740
56 Individuals and nonprofit organizations	68,726	69,190	68,474	68,004	67,175	68,272	67,494	67,039	66,443
57 Partnerships and corporations operated for profit	2,950	2,947	2,907	2,899	2,874	2,854	2,832	2,787	2,795
58 Domestic governmental units	614	544	501	473	472	479	507	508	479
59 All other	18	20	21	23	22	22	23	23	23
60 Time	243,042	242,920	243,909	245,882	248,650	249,884	252,021	252,587	254,731
61 Individuals, partnerships, and corporations	211,737	211,550	213,680	215,376	217,985	219,573	221,336	221,557	223,270
62 States and political subdivisions	17,103	17,070	16,855	17,123	17,178	17,049	17,346	17,632	17,896
63 U.S. government	254	265	254	264	270	263	262	246	236
64 Commercial banks in the United States	7,753	7,672	7,657	7,664	7,926	7,868	7,940	7,937	8,033
65 Foreign governments, official institutions, and banks	6,195	6,362	5,462	5,454	5,289	5,132	5,138	5,215	5,296
Liabilities for borrowed money									
66 Borrowings from Federal Reserve Banks	3,106	2,041	2,357	3,977	596	1,001	459	667	275
67 Treasury tax-and-loan notes	8,830	4,728	3,683	4,731	4,520	1,394	1,659	1,958	3,650
68 All other liabilities for borrowed money[3]	121,277	131,230	124,764	120,000	115,892	125,388	120,930	120,961	115,840
69 Other liabilities and subordinated notes and debentures	65,902	63,677	64,393	67,110	68,213	67,355	67,417	69,267	70,752
70 **Total liabilities**	**711,532**	**696,803**	**702,320**	**684,821**	**670,676**	**699,519**	**688,848**	**692,193**	**685,420**
71 Residual (total assets minus total liabilities)[4]	48,791	48,920	48,720	48,640	48,656	49,130	49,136	48,958	48,969

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

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

Millions of dollars, Wednesday figures

Account	1981								
	July 1	July 8	July 15	July 22	July 29p	Aug. 5p	Aug. 12p	Aug. 19p	Aug. 26p
1 Cash items in process of collection	25,553	19,870	20,808	19,107	15,256	20,568	18,644	19,945	18,285
2 Demand deposits due from banks in the United States	15,542	15,708	16,332	14,362	8,775	13,765	14,862	15,205	13,592
3 All other cash and due from depository institutions	8,164	9,819	9,361	8,774	6,529	10,079	6,735	8,511	6,645
4 Total loans and securities[1]	**134,677**	**131,792**	**135,942**	**129,734**	**129,689**	**134,354**	**132,139**	**130,575**	**130,561**
Securities									
5 U.S. Treasury securities[2]	....	....	....	....	....	....	....	....	....
6 Trading account[2]	....	....	....	....	....	....	....	....	....
7 Investment account, by maturity	9,014	9,085	9,078	8,936	8,956	9,011	8,922	8,391	8,286
8 One year or less	2,306	2,350	2,336	2,153	2,210	2,400	2,386	1,926	1,856
9 Over one through five years	5,897	5,888	5,864	5,906	5,868	5,733	5,657	5,638	5,557
10 Over five years	811	847	877	877	878	878	878	827	873
11 Other securities[2]	....	....	....	....	....	....	....	....	....
12 Trading account[2]	....	....	....	....	....	....	....	....	....
13 Investment account	14,238	14,240	14,152	14,192	14,193	14,364	14,335	14,283	14,339
14 U.S. government agencies	2,551	2,535	2,516	2,491	2,510	2,528	2,490	2,479	2,460
15 States and political subdivision, by maturity	11,074	11,101	11,060	11,123	11,096	11,153	11,151	11,124	11,154
16 One year or less	1,630	1,673	1,675	1,718	1,690	1,769	1,775	1,694	1,705
17 Over one year	9,444	9,427	9,385	9,404	9,406	9,384	9,376	9,430	9,449
18 Other bonds, corporate stocks and securities	613	604	576	578	586	682	693	680	724
Loans									
19 Federal funds sold[3]	7,508	7,458	11,331	7,615	6,952	8,388	7,848	7,993	7,577
20 To commercial banks	3,274	3,801	7,749	3,948	3,490	4,598	4,014	4,156	3,934
21 To nonbank brokers and dealers in securities	3,249	2,589	2,428	2,529	2,535	2,849	2,907	2,758	2,715
22 To others	948	1,068	1,154	1,137	927	940	927	1,019	928
23 Other loans, gross	107,145	104,237	104,639	102,252	102,859	105,876	104,321	103,270	103,698
24 Commercial and industrial	53,556	53,544	53,037	52,222	52,231	54,285	53,713	53,412	53,392
25 Bankers acceptances and commercial paper	1,898	1,648	1,621	1,172	1,312	1,450	1,277	954	979
26 All other	51,658	51,896	51,416	51,050	50,919	52,836	52,437	52,459	52,413
27 U.S. addressees	49,040	49,377	48,866	48,507	48,362	50,341	49,985	50,023	50,100
28 Non-U.S. addressees	2,618	2,519	2,551	2,542	2,557	2,495	2,452	2,436	2,314
29 Real estate	16,061	16,082	16,234	16,286	16,382	16,466	16,587	16,700	16,740
30 To individuals for personal expenditures	10,000	10,011	10,041	10,107	10,153	10,200	10,260	10,303	10,332
31 To financial institutions Commercial banks in the United States	1,662	1,479	1,814	1,570	1,171	1,488	1,258	1,548	1,473
32 Banks in foreign countries	4,845	4,849	5,222	4,396	4,972	4,737	4,572	4,454	4,762
33 Sales finance, personal finance companies, etc.	4,663	4,156	4,066	4,201	4,254	4,331	4,287	4,093	4,157
34 Other financial institutions	4,652	4,620	4,471	4,448	4,420	4,619	4,641	4,672	4,709
35 To nonbank brokers and dealers in securities	6,082	4,294	4,544	3,739	3,910	4,329	3,215	2,889	2,884
36 To others for purchasing and carrying securities[4]	576	586	601	582	609	610	581	573	564
37 To finance agricultural production	390	389	371	374	365	373	364	356	334
38 All other	4,656	4,226	4,238	4,325	4,391	4,436	4,842	4,269	4,350
39 LESS: Unearned income	1,291	1,304	1,319	1,311	1,324	1,319	1,330	1,337	1,370
40 Loan loss reserve	1,936	1,923	1,940	1,949	1,946	1,965	1,956	1,965	1,970
41 Other loans, net	103,917	101,010	101,380	98,991	99,589	102,592	101,035	99,968	100,359
42 Lease financing receivables	2,244	2,245	2,260	2,259	2,263	2,250	2,229	2,245	2,247
43 All other assets[5]	39,233	37,887	36,055	35,588	36,210	36,356	35,580	37,656	37,798
44 Total assets	**225,414**	**217,322**	**220,758**	**209,823**	**198,723**	**217,372**	**210,190**	**214,137**	**209,129**
Deposits									
45 Demand deposits	75,928	66,315	74,152	63,888	54,922	66,726	64,014	66,159	62,450
46 Mutual savings banks	387	278	395	238	259	348	258	278	287
47 Individuals, partnerships, and corporations	36,461	31,025	32,654	30,307	28,909	33,249	31,005	29,050	29,004
48 States and political subdivisions	522	436	483	412	344	433	362	323	322
49 U.S. government	178	551	725	506	380	744	651	748	467
50 Commercial banks in the United States	24,998	22,149	27,020	21,844	14,519	19,860	20,120	24,277	20,560
51 Banks in foreign countries	6,453	6,566	7,423	5,841	6,938	6,918	6,926	7,081	7,214
52 Foreign governments and official institutions	1,281	1,404	1,622	1,019	1,036	1,053	1,597	1,392	1,408
53 Certified and officers' checks	5,647	3,905	3,829	3,721	2,536	4,121	3,095	3,011	3,188
54 Time and savings deposits	60,483	60,257	60,213	61,082	61,396	61,459	61,528	61,099	61,896
55 Savings	9,437	9,438	9,358	9,243	9,117	9,227	9,204	9,142	9,054
56 Individuals and nonprofit organizations	9,060	9,064	8,999	8,895	8,766	8,878	8,821	8,783	8,703
57 Partnerships and corporations operated for profit	255	258	253	258	261	256	251	250	253
58 Domestic governmental units	120	112	103	87	88	90	103	108	96
59 All other	3	2	2	2	2	2	2	2	3
60 Time	51,045	50,819	50,855	51,839	52,279	52,232	52,325	51,957	52,842
61 Individuals, partnerships, and corporations	43,850	43,533	43,949	44,845	45,336	45,394	45,532	44,959	45,730
62 States and political subdivisions	1,503	1,618	1,676	1,702	1,711	1,691	1,695	1,817	1,883
63 U.S. government	83	83	79	87	98	100	89	90	90
64 Commercial banks in the United States	2,729	2,662	2,639	2,690	2,718	2,698	2,652	2,648	2,707
65 Foreign governments, official institutions, and banks	2,880	2,923	2,511	2,515	2,416	2,349	2,356	2,444	2,432
Liabilities for borrowed money									
66 Borrowings from Federal Reserve Banks	1,625	360	1,283	1,003	....	....	....	....	....
67 Treasury tax-and-loan notes	2,369	1,255	1,081	1,300	1,340	259	477	411	1,144
68 All other liabilities for borrowed money[6]	43,548	47,908	41,894	40,012	37,938	44,706	40,987	41,239	37,852
69 Other liabilities and subordinated notes and debentures	25,156	24,850	25,908	26,354	27,068	27,757	26,787	28,921	29,619
70 Total liabilities	**209,108**	**200,946**	**204,530**	**193,638**	**182,665**	**200,906**	**193,794**	**197,829**	**192,962**
71 Residual (total assets minus total liabilities)[7]	16,306	16,377	16,228	16,185	16,057	16,466	16,396	16,308	16,168

1. Excludes trading account securities.
2. Not available due to confidentiality.
3. Includes securities purchased under agreements to resell.
4. Other than financial institutions and brokers and dealers.
5. Includes trading account securities.
6. Includes federal funds purchased and securities sold under agreements to repurchase
7. Not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.

1.29 LARGE WEEKLY REPORTING COMMERCIAL BANKS Balance Sheet Memoranda

Millions of dollars, Wednesday figures

Account	1981								
	July 1	July 8	July 15	July 22	July 29p	Aug. 5p	Aug. 12p	Aug. 19p	Aug. 26p
BANKS WITH ASSETS OF $750 MILLION OR MORE									
1 Total loans (gross) and securities adjusted[1]	569,688	563,250	561,722	559,166	560,709	568,587	565,111	563,441	565,210
2 Total loans (gross) adjusted[1]	450,147	443,760	443,343	441,640	442,577	448,766	446,890	445,634	447,659
3 Demand deposits adjusted[2]	101,482	99,696	101,542	94,271	97,128	99,024	98,080	91,585	94,707
4 Time deposits in accounts of $100,000 or more	170,407	170,325	170,859	172,484	174,846	175,669	177,213	177,539	179,582
5 Negotiable CDs	122,735	122,345	123,533	124,423	126,604	127,198	128,432	128,472	130,174
6 Other time deposits	47,672	47,980	47,326	48,061	48,242	48,470	48,781	49,067	49,408
7 Loans sold outright to affiliates[3]	2,798	2,673	2,711	2,693	2,650	2,642	2,616	2,631	2,656
8 Commercial and industrial	2,133	2,016	2,062	2,035	1,971	1,965	1,940	1,959	1,973
9 Other	665	657	649	658	679	677	676	671	683
BANKS WITH ASSETS OF $1 BILLION OR MORE									
10 Total loans (gross) and securities adjusted[1]	533,214	526,901	525,331	522,810	524,300	532,008	528,481	526,800	528,451
11 Total loans (gross) adjusted[1]	423,367	417,074	416,606	414,960	415,875	421,912	419,952	418,678	420,607
12 Demand deposits adjusted[2]	93,926	92,293	94,278	87,227	89,935	90,293	90,541	84,597	87,640
13 Time deposits in accounts of $100,000 or more	161,348	161,250	161,823	163,448	165,777	166,514	167,985	168,249	170,220
14 Negotiable CDs	116,565	116,146	117,354	118,249	120,417	120,983	122,187	122,177	123,813
15 Other time deposits	44,782	45,104	44,470	45,199	45,360	45,531	45,798	46,072	46,407
16 Loans sold outright to affiliates[3]	2,729	2,604	2,643	2,618	2,574	2,568	2,544	2,560	2,580
17 Commercial and industrial	2,077	1,960	2,007	1,964	1,907	1,903	1,882	1,902	1,914
18 Other	652	644	636	654	667	665	662	658	666
BANKS IN NEW YORK CITY									
19 Total loans (gross) and securities adjusted[1,4]	132,968	129,739	129,637	127,475	128,298	131,551	130,154	128,173	128,494
20 Total loans (gross) adjusted[1]	109,716	106,414	106,407	104,348	105,150	108,176	106,897	105,499	105,868
21 Demand deposits adjusted[2]	25,199	23,745	25,600	22,430	24,766	25,554	24,599	21,189	23,138
22 Time deposits in accounts of $100,000 or more	40,196	39,919	39,882	40,822	41,192	41,014	41,000	40,597	41,454
23 Negotiable CDs	29,827	29,395	29,640	30,486	30,880	30,520	30,460	30,039	30,859
24 Other time deposits	10,369	10,524	10,242	10,336	10,312	10,494	10,540	10,557	10,594

1. Exclusive of loans and federal funds transactions with domestic commercial banks.
2. All demand deposits except U.S. government and domestic banks less cash items in process of collection.
3. Loans sold are those sold outright to a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.
4. Excludes trading account securities.

1.291 LARGE WEEKLY REPORTING BRANCHES AND AGENCIES OF FOREIGN BANKS Assets and Liabilities

Millions of dollars, Wednesday figures

Account	July 1	July 8	July 15	July 22	July 29	Aug. 5	Aug. 12	Aug. 19	Aug. 26
1 Cash and due from depository institutions	23,820	24,360	27,126	24,362	18,899	24,136	22,323	24,958	23,560
2 Total loans and securities	62,826	61,268	61,054	62,000	61,751	61,280	62,144	62,005	62,564
3 U.S. Treasury securities	1,867	1,869	1,768	1,703	1,753	1,725	1,766	1,757	1,824
4 Other securities	952	949	982	988	1,006	995	997	987	987
5 Federal funds sold[1]	5,046	4,443	4,261	4,884	4,578	3,412	4,396	4,333	5,137
6 To commercial banks in U.S.	4,785	4,169	3,877	4,805	4,422	3,227	4,148	4,272	4,606
7 To others	261	273	384	80	156	186	248	60	531
8 Other loans, gross	54,962	54,007	54,043	54,424	54,413	55,147	54,985	54,929	54,616
9 Commercial and industrial	26,306	26,026	26,164	26,575	26,815	27,451	27,432	27,501	27,220
10 Bankers acceptances and commercial paper	3,549	3,563	3,518	3,480	3,425	3,344	3,352	3,326	3,310
11 All other	22,757	22,463	22,646	23,095	23,390	24,107	24,080	24,176	23,910
12 U.S. addresses	13,331	12,818	13,017	13,338	13,575	14,111	14,170	14,173	14,009
13 Non-U.S. addresses	9,530	9,645	9,629	9,757	9,814	9,997	9,909	10,002	9,900
14 To financial institutions	19,479	19,411	19,351	19,468	19,483	19,234	19,227	19,321	19,148
15 Commercial banks in U.S.	11,653	11,656	11,488	11,553	11,741	11,516	11,692	11,743	11,518
16 Banks in foreign countries	7,443	7,405	7,531	7,584	7,394	7,411	7,223	7,273	7,297
17 Nonbank financial institutions	383	350	332	331	348	307	312	305	333
18 For purchasing and carrying securities	1,262	816	790	604	525	730	564	570	563
19 All other	7,915	7,752	7,737	7,776	7,590	7,731	7,762	7,535	7,685
20 Other assets (claims on nonrelated parties)	9,788	10,312	10,132	9,863	10,072	10,315	10,222	10,365	10,686
21 Net due from related institutions	9,447	9,098	9,334	9,126	9,280	9,601	9,316	9,217	9,286
22 Total assets	105,881	105,038	107,646	105,351	100,002	105,332	104,005	106,546	106,096
23 Deposits or credit balances[2]	42,140	42,138	43,575	41,443	36,880	42,099	40,669	42,904	42,527
24 Credit balances	1,895	1,959	2,425	2,062	1,722	2,243	2,614	2,646	2,622
25 Demand deposits	18,995	18,844	20,057	17,904	13,345	18,152	16,075	18,823	18,166
26 Individuals, partnerships, corporations	1,206	1,066	971	944	852	956	990	998	975
27 Other	17,789	17,778	19,086	16,960	12,493	17,196	15,085	17,825	17,191
28 Total time and savings	21,250	21,335	21,093	21,477	21,813	21,704	21,979	21,436	21,739
29 Individuals, partnerships, corporations	17,482	17,518	17,344	17,779	18,163	18,169	18,459	17,800	18,097
30 Other	3,768	3,817	3,749	3,698	3,650	3,535	3,520	3,636	3,642
31 Borrowings[3]	30,250	30,124	31,882	29,243	29,201	30,985	30,230	30,268	29,939
32 Federal funds purchased[4]	3,962	3,799	5,831	3,665	3,269	5,254	4,513	4,502	4,315
33 From commercial banks in U.S.	3,208	3,049	5,032	2,772	2,544	4,421	3,776	3,730	3,493
34 From others	754	750	799	893	725	833	737	772	822
35 Other liabilities for borrowed money	26,287	26,324	26,051	25,577	25,932	25,640	25,716	25,766	25,624
36 To commercial banks in U.S.	22,018	21,841	21,763	21,437	21,833	21,801	22,136	21,890	21,756
37 To others	4,269	4,483	4,288	4,140	4,099	3,839	3,580	3,876	3,868
38 Other liabilities to nonrelated parties	10,076	10,431	10,218	9,909	10,247	10,733	10,308	10,444	10,682
39 Net due to related institutions	23,414	22,345	21,970	24,756	23,674	21,605	22,799	22,928	22,948
40 Total liabilities	105,881	105,038	107,646	105,351	100,002	105,332	104,005	106,546	106,096
MEMO									
41 Total loans (gross) and securities adjusted[5]	46,388	45,443	45,689	45,643	45,588	46,537	46,304	45,990	46,440
42 Total loans (gross) adjusted[5]	43,570	42,624	42,939	42,951	42,828	43,817	43,541	43,246	43,621

1. Includes securities purchased under agreements to resell.
2. Balances due to other than directly related institutions.
3. Borrowings from other than directly related institutions.
4. Includes securities sold under agreements to repurchase.
5. Excludes loans and federal funds transactions with commercial banks in U.S.

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

Millions of dollars

Industry classification	Outstanding					Net change during				
	1981					1981		1981		
	Apr. 29	May 27	June 24	July 29	Aug. 26^p	Q1	Q2	June	July	Aug.^{p}
1 Durable goods manufacturing	24,570	24,623	25,274	25,370	25,629	−217	620	651	96	259
2 Nondurable goods manufacturing	19,845	20,250	20,618	20,175	22,478	−1,229	1,217	368	−443	2,303
3 Food, liquor, and tobacco	4,409	4,577	4,404	4,095	4,392	−834	−176	−173	−309	297
4 Textiles, apparel, and leather	4,469	4,603	4,920	4,994	5,068	200	569	317	74	74
5 Petroleum refining	3,298	3,440	3,412	3,546	3,587	−724	430	−28	134	40
6 Chemicals and rubber	4,036	3,957	4,049	3,791	5,500	−100	211	92	−258	1,709
7 Other nondurable goods	3,633	3,672	3,832	3,749	3,931	230	182	160	−83	182
8 Mining (including crude petroleum and natural gas)	16,752	17,197	18,194	19,658	20,019	−695	2,444	998	1,464	361
9 Trade	26,778	26,306	26,107	26,462	26,399	−729	490	−199	355	−63
10 Commodity dealers	2,337	1,865	1,499	1,601	1,659	−613	−451	−366	102	58
11 Other wholesale	12,244	12,023	12,087	12,405	12,368	−467	212	65	318	−37
12 Retail	12,196	12,418	12,520	12,456	12,372	352	728	102	−64	−84
13 Transportation, communication, and other public utilities	20,338	20,403	20,824	21,027	21,417	−1,518	851	421	203	390
14 Transportation	8,156	8,343	8,196	8,251	8,273	−377	89	−147	55	22
15 Communication	3,275	3,462	3,542	3,545	3,589	−174	381	79	3	44
16 Other public utilities	8,906	8,597	9,086	9,231	9,555	−967	381	489	145	324
17 Construction	6,446	6,988	6,984	7,108	7,132	218	758	−4	124	24
18 Services	24,074	24,421	24,546	24,524	24,771	555	934	124	−22	248
19 All other[2]	15,404	15,008	15,177	15,444	15,572	−878	−4	169	266	128
20 **Total domestic loans**	**154,208**	**155,195**	**157,724**	**159,768**	**163,418**	**−4,492**	**7,311**	**2,529**	**2,044**	**3,650**
21 MEMO: Term loans (original maturity more than 1 year) included in domestic loans	80,333	82,411	83,402	84,354	86,103	−2,492	4,104	991	952	1,749

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

2. Includes commercial and industrial loans at a few banks with assets of $1 billion or more that do not classify their loans.

NOTE. New series. The 134 large weekly reporting commercial banks with domestic assets of $1 billion or more as of Dec. 31, 1977, are included in this series. The revised series is on a last-Wednesday-of-the-month basis. Partly estimated historical data are available from the Banking Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

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

Billions of dollars, estimated daily-average balances

Type of holder	Commercial banks									
	1975 Dec.	1976 Dec.	1977 Dec.	1978 Dec.	1979[2] Dec.	1980 Mar.	1980 June	1980 Sept.	1980 Dec.	1981 Mar.[3]
1 **All holders—Individuals, partnerships, and corporations**	**236.9**	**250.1**	**274.4**	**294.6**	**302.2**	**288.4**	**288.6**	**302.0**	**315.5**	**280.8**
2 Financial business	20.1	22.3	25.0	27.8	27.1	28.4	27.7	29.6	29.8	30.8
3 Nonfinancial business	125.1	130.2	142.9	152.7	157.7	144.9	145.3	151.9	162.3	144.3
4 Consumer	78.0	82.6	91.0	97.4	99.2	97.6	97.9	101.8	102.4	86.7
5 Foreign	2.4	2.7	2.5	2.7	3.1	3.1	3.3	3.2	3.3	3.4
6 Other	11.3	12.4	12.9	14.1	15.1	14.4	14.4	15.5	17.2	15.6
	Weekly reporting banks									
	1975 Dec.	1976 Dec.	1977 Dec.	1978 Dec.	1979[4] Dec.	1980 Mar.	1980 June	1980 Sept.	1980 Dec.	1981 Mar.[3]
7 **All holders—Individuals, partnerships, and corporations**	**124.4**	**128.5**	**139.1**	**147.0**	**139.3**	**133.6**	**133.9**	**140.6**	**147.4**	**133.2**
8 Financial business	15.6	17.5	18.5	19.8	20.1	20.1	20.2	21.2	21.8	21.9
9 Nonfinancial business	69.9	69.7	76.3	79.0	74.1	69.1	69.2	72.4	78.3	69.8
10 Consumer	29.9	31.7	34.6	38.2	34.3	34.2	33.9	36.0	35.6	30.6
11 Foreign	2.3	2.6	2.4	2.5	3.0	3.0	3.1	3.1	3.1	3.2
12 Other	6.6	7.1	7.4	7.5	7.8	7.2	7.5	7.9	8.6	7.7

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

2. Beginning with the March 1979 survey, the demand deposit ownership survey sample was reduced to 232 banks from 349 banks, and the estimation procedure was modified slightly. To aid in comparing estimates based on the old and new reporting sample, the following estimates in billions of dollars for December 1978 have been constructed using the new smaller sample; financial business, 27.0; nonfinancial business, 146.9; consumer, 98.3; foreign, 2.8; and other, 15.1.

3. Demand deposit ownership data for March 1981 are subject to greater than normal errors reflecting unusual reporting difficulties associated with funds shifted to NOW accounts authorized at year-end 1980. For the household category, the $15.7 billion decline in demand deposits at all commercial banks between December 1980 and March 1981 has an estimated standard error of $4.8 billion.

4. After the end of 1978 the large weekly reporting bank panel was changed to 170 large commercial banks, each of which had total assets in domestic offices exceeding $750 million as of Dec. 31, 1977. See "Announcements," p. 408 in the May 1978 BULLETIN. Beginning in March 1979, demand deposit ownership estimates for these large banks are constructed quarterly on the basis of 97 sample banks and are not comparable with earlier data. The following estimates in billions of dollars for December 1978 have been constructed for the new large-bank panel; financial business, 18.2; nonfinancial business, 67.2; consumer, 32.8; foreign, 2.5; other, 6.8.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1977 Dec.	1978 Dec.	1979[1] Dec.	1980 Dec.	1981 Jan.	Feb.	Mar.	Apr.	May	June	July
	Commercial paper (seasonally adjusted)										
1 All issuers	**65,051**	**83,438**	**112,154[r]**	**123,703[r]**	**126,793[r]**	**128,252[r]**	**130,548[r]**	**132,052[r]**	**139,224[r]**	**145,652[r]**	**150,965**
Financial companies[2]											
Dealer-placed paper[3]											
2 Total	8,796	12,181	16,722[r]	18,186[r]	18,023[r]	18,805[r]	20,489[r]	22,029[r]	22,819[r]	24,442[r]	24,497
3 Bank-related	2,132	3,521	2,874	3,561	3,670	3,742	4,163	4,437	4,800	4,750	5,267
Directly placed paper[4]											
4 Total	40,574	51,647	64,748	67,888	68,956	68,936	69,461	69,537	71,842	74,952	79,571
5 Bank-related	7,102	12,314	17,598	22,382	22,570	22,331	21,604	22,858	23,880	24,107	26,104
6 Nonfinancial companies[5]	15,681	19,610	30,684	37,629	39,814	40,511	40,598	40,486	44,563	46,258	46,877
	Bankers dollar acceptances (not seasonally adjusted)										
7 Total	**25,450**	**33,700**	**45,321**	**54,744**	**54,465**	**58,084**	**60,089**	**62,320**	**60,551**	**63,427**	**63,721**
Holder											
8 Accepting banks	10,434	8,579	9,865	10,564	9,371	9,911	10,117	10,781	10,132	11,595	10,505
9 Own bills	8,915	7,653	8,327	8,963	7,951	8,770	8,735	9,626	9,049	10,207	9,437
10 Bills bought	1,519	927	1,538	1,601	1,420	1,141	1,382	1,155	1,082	1,389	1,068
Federal Reserve Banks											
11 Own account	954	1	704	776	0	0	298	0	0	0	453
12 Foreign correspondents	362	664	1,382	1,791	1,771	1,399	1,372	1,383	1,255	1,272	1,459
13 Others	13,700	24,456	33,370	41,614	43,323	46,779	48,303	50,156	49,164	50,560	51,303
Basis											
14 Imports into United States	6,378	8,574	10,270	11,776	11,903	12,976	13,292	13,634	12,775	12,996	13,059
15 Exports from United States	5,863	7,586	9,640	12,712	12,816	12,979	13,451	13,368	13,057	13,388	13,296
16 All other	13,209	17,540	25,411	30,257	29,746	32,129	33,347	35,319	34,768	37,043	37,365

1. A change in reporting instructions results in offsetting shifts in the dealer-placed and directly placed financial company paper in October 1979.
2. Institutions engaged primarily in activities such as, but not limited to, commercial, savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.
3. Includes all financial company paper sold by dealers in the open market.
4. As reported by financial companies that place their paper directly with investors.
5. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.

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

Percent per annum

Effective date	Rate	Effective Date	Rate	Month	Average rate	Month	Average rate
1980—Dec. 16	21.00	1981—Apr. 2	17.00	1980—Apr.	19.77	1981—Jan.	20.16
19	21.50	24	17.50	May	16.57	Feb.	19.43
		30	18.00	June	12.63	Mar.	18.05
1981—Jan. 2	20.50	May 4	19.00	July	11.48	Apr.	17.15
9	20.00	11	19.50	Aug.	11.12	May	19.61
Feb. 3	19.50	19	20.00	Sept.	12.23	June	20.03
23	19.00	22	20.50	Oct.	13.79	July	20.39
Mar. 10	18.00	June 3	20.00	Nov.	16.06	Aug.	20.50
17	17.50	July 8	20.50	Dec.	20.35		

1.34 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, May 4–9, 1981

Item	All sizes	Size of loan (in thousands of dollars)					
		1–24	25–49	50–99	100–499	500–999	1,000 and over
SHORT-TERM COMMERCIAL AND INDUSTRIAL LOANS							
1 Amount of loans (thousands of dollars)	16,840,794	853,190	481,971	767,519	2,118,788	1,041,775	11,577,551
2 Number of loans	164,452	121,015	14,694	12,003	12,686	1,706	2,346
3 Weighted-average maturity (months)	2.0	3.1	3.8	3.5	3.2	3.3	1.4
4 Weighted-average interest rate (percent per annum)	19.99	19.45	19.87	19.10	19.93	19.58	20.14
5 Interquartile range[1]	19.00–20.85	17.85–21.15	18.83–21.74	17.00–21.00	18.95–21.49	18.39–20.75	19.36–20.85
Percentage of amount of loans							
6 With floating rate	49.0	30.1	41.2	43.2	64.7	60.7	47.2
7 Made under commitment	52.8	24.6	33.1	48.1	49.1	56.7	56.4
8 With no stated maturity	21.6	13.4	12.6	21.4	20.7	29.5	22.0
LONG-TERM COMMERCIAL AND INDUSTRIAL LOANS							
9 Amount of loans (thousands of dollars)	3,633,958		280,677		450,944	175,691	2,726,645
10 Number of loans	21,441		17,936		2,725	277	503
11 Weighted-average maturity (months)	50.6		35.4		53.1	43.6	52.2
12 Weighted-average interest rate (percent per annum)	19.25		19.22		19.34	19.48	19.23
13 Interquartile range[1]	19.00–20.00		17.87–21.34		18.68–20.16	19.00–20.74	19.00–19.76
Percentage of amount of loans							
14 With floating rate	78.6		49.5		68.4	87.1	82.7
15 Made under commitment	77.2		25.7		34.6	78.0	89.5
CONSTRUCTION AND LAND DEVELOPMENT LOANS							
16 Amount of loans (thousands of dollars)	874,542	74,010	81,222	169,763	223,133	326,415	
17 Number of loans	13,956	7,690	2,363	2,333	1,332	237	
18 Weighted-average maturity (months)	13.2	3.3	4.1	17.7	12.0	16.1	
19 Weighted-average interest rate (percent per annum)	19.09	19.83	19.06	16.10	20.74	19.35	
20 Interquartile range[1]	18.00–21.94	18.00–21.91	15.00–21.74	8.25–18.40	20.40–22.54	19.00–21.55	
Percentage of amount of loans							
21 With floating rate	66.3	58.5	42.3	19.4	83.2	87.0	
22 Secured by real estate	93.1	93.3	85.5	97.9	92.4	93.0	
23 Made under commitment	64.8	63.5	62.3	19.8	80.9	78.1	
24 With no stated maturity	10.5	20.6	5.2	4.7	4.0	17.0	
Type of construction							
25 1- to 4-family	32.3	64.1	85.5	12.5	24.0	27.7	
26 Multifamily	13.1	2.9	3.3	3.0	10.1	25.2	
27 Nonresidential	54.7	33.0	11.2	84.5	65.9	47.2	

LOANS TO FARMERS	All sizes	1–9	10–24	25–49	50–99	100–249	250 and over
28 Amount of loans (thousands of dollars)	1,419,090	188,183	236,302	220,646	180,935	281,187	311,838
29 Number of loans	77,593	50,065	15,850	6,450	2,740	1,957	531
30 Weighted-average maturity (months)	6.8	6.8	6.4	6.6	6.3	7.7	6.8
31 Weighted-average interest rate (percent per annum)	17.88	17.50	17.59	17.67	17.78	17.97	18.46
32 Interquartile range[1]	16.53–19.10	16.64–18.68	16.64–18.81	16.64–18.50	16.64–18.50	16.53–18.77	16.10–20.75
By purpose of loan							
33 Feeder livestock	18.44	17.98	18.43	17.91	18.07	18.49	18.93
34 Other livestock	17.98	17.28	18.42	17.39	18.75	17.64	(2)
35 Other current operating expenses	17.73	17.46	17.36	17.65	17.88	18.27	17.85
36 Farm machinery and equipment	17.61	17.53	17.62	17.63	17.01	(2)	(2)
37 Other	17.68	17.30	17.25	17.58	17.22	17.35	19.73

1. Interest rate range that covers the middle 50 percent of the total dollar amount of loans made.
2. Fewer than 10 sample loans.

NOTE. For more detail, see the Board's E.2(111) statistical release.

1.35 INTEREST RATES Money and Capital Markets

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

Instrument	1978	1979	1980	1981				1981, week ending				
				May	June	July	Aug.	July 31	Aug. 7	Aug. 14	Aug. 21	Aug. 28
MONEY MARKET RATES												
1 Federal funds[1,2]	7.93	11.19	13.36	18.52	19.10	19.04	17.82	18.54	18.25	18.29	18.19	17.41
Commercial paper[3,4]												
2 1-month	7.76	10.86	12.76	17.91	17.34	17.70	17.58	17.36	17.89	17.59	17.74	17.32
3 3-month	7.94	10.97	12.66	17.56	16.32	17.00	17.23	17.02	17.37	17.16	17.37	17.16
4 6-month	7.99	10.91	12.29	16.66	15.22	16.09	16.62	16.28	16.70	16.46	16.72	16.67
Finance paper, directly placed[3,4]												
5 1-month	7.73	10.78	12.44	17.47	16.66	17.29	17.37	17.08	17.62	17.32	17.58	17.09
6 3-month	7.80	10.47	11.49	15.56	14.58	15.21	15.88	15.68	15.73	15.83	15.95	15.99
7 6-month	7.78	10.25	11.28	14.97	14.13	14.47	15.32	15.03	15.14	15.20	15.32	15.59
Bankers acceptances[4,5]												
8 3-month	8.11	11.04	12.78	17.56	16.27	17.10	17.22	17.20	17.33	17.17	17.28	17.17
9 6-month	n.a.	n.a.	n.a.	16.26	15.02	16.15	16.56	16.45	16.59	16.42	16.57	16.67
Certificates of deposit, secondary market[6]												
10 1-month	7.88	11.03	12.91	18.16	17.55	17.98	17.91	17.85	18.02	17.93	18.02	17.84
11 3-month	8.22	11.22	13.07	18.27	16.90	17.76	17.96	17.82	18.04	17.88	18.03	18.02
12 6-month	8.61	11.44	12.99	17.66	16.09	17.40	17.98	17.73	17.99	17.80	18.07	18.16
13 Eurodollar deposits, 3-month[2]	8.78	11.96	14.00	19.06	17.86	18.49	18.79	18.91	18.84	18.78	18.73	18.84
U.S. Treasury bills[4]												
Secondary market[7]												
14 3-month	7.19	10.07	11.43	16.30	14.73	14.95	15.51	15.07	15.43	15.25	15.63	15.71
15 6-month	7.58	10.06	11.37	15.29	14.09	14.74	15.52	15.00	15.40	15.28	15.58	15.76
16 1-year	7.74	9.75	10.89	14.29	13.22	13.91	14.70	14.25	14.63	14.43	14.70	14.99
Auction average[8]												
17 3-month	7.221	10.041	11.506	16.295	14.557	14.699	15.612	15.065	15.674	15.235	15.705	15.832
18 6-month	7.572	10.017	11.374	15.334	13.947	14.402	15.548	14.790	15.571	15.122	15.644	15.854
19 1-year	7.678	9.817	10.748	14.623	13.146	13.735	14.542	....	....	14.542	....	....
CAPITAL MARKET RATES												
U.S. Treasury notes and bonds[9]												
Constant maturities[10]												
20 1-year	8.34	10.67	12.05	16.20	14.86	15.72	16.72	16.13	16.56	16.45	16.74	17.07
21 2-year	8.34	10.12	11.77	15.46	14.51	15.35	16.28	15.77	16.09	15.97	16.28	16.71
22 2-½-year[11]	......	....	....	....	......	......	....	15.80	....	15.90	....	16.50
23 3-year	8.29	9.71	11.55	15.08	14.29	15.15	16.00	15.55	15.88	15.67	15.98	16.39
24 5-year	8.32	9.52	11.48	14.63	13.95	14.79	15.56	15.13	15.45	15.13	15.51	16.04
25 7-year	8.36	9.48	11.43	14.30	13.67	14.49	15.22	14.80	15.15	14.83	15.13	15.69
26 10-year	8.41	9.44	11.46	14.10	13.47	14.28	14.94	14.59	14.90	14.61	14.83	15.32
27 20-year	8.48	9.33	11.39	13.82	13.20	13.92	14.52	14.23	14.51	14.14	14.34	14.99
28 30-year	8.49	9.29	11.30	13.60	12.96	13.59	14.17	13.87	14.14	13.83	14.00	14.57
Composite[12]												
29 Over 10 years (long-term)	7.89	8.74	10.81	12.96	12.39	13.05	13.61	13.30	13.58	13.25	13.46	14.02
State and local notes and bonds												
Moody's series[13]												
30 Aaa	5.52	5.92	7.85	9.90	9.86	10.21	11.10	10.50	11.10	11.10	11.10	11.10
31 Baa	6.27	6.73	9.01	11.28	11.21	11.55	12.78	11.70	12.50	12.50	12.60	13.50
32 *Bond Buyer* series[14]	6.03	6.52	8.59	10.78	10.67	11.14	12.26	11.44	11.63	11.94	12.49	12.97
Corporate bonds												
Seasoned issues[15]												
33 All industries	9.07	10.12	12.75	15.15	14.76	15.18	15.60	15.35	15.53	15.42	15.51	15.87
34 Aaa	8.73	9.63	11.94	14.32	13.75	14.38	14.89	14.61	14.82	14.62	14.78	15.21
35 Aa	8.92	9.94	12.50	14.88	14.41	14.79	15.42	14.99	15.35	15.25	15.32	15.65
36 A	9.12	10.20	12.89	15.43	15.08	15.36	15.76	15.55	15.62	15.59	15.69	16.07
37 Baa	9.45	10.69	13.67	15.95	15.80	16.17	16.34	16.25	16.31	16.21	16.25	16.54
Aaa utility bonds[16]												
38 New issue	8.96	10.03	12.74	15.81	14.76	16.30	....	16.78	....	....	....	....
39 Recently offered issues	8.97	10.02	12.70	15.48	14.81	15.73	16.82	16.55	16.68	16.63	16.80	17.15
MEMO: Dividend/price ratio[17]												
40 Preferred stocks	8.25	9.07	10.57	12.03	12.23	12.43	12.63	12.57	12.52	12.43	12.63	12.94
41 Common stocks	5.28	5.46	5.25	4.98	5.03	5.18	5.16	5.17	5.06	5.03	5.15	5.38

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 statement week averages—that is, averages for the week ending Wednesday.
3. 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.
4. Yields are quoted on a bank-discount basis, rather than an investment yield basis (which would give a higher figure).
5. Dealer closing offered rates for top-rated banks. Most representative rate (which may be, but need not be, the average of the rates quoted by the dealers).
6. Unweighted average of offered rates quoted by at least five dealers early in the day.
7. Unweighted average of closing bid rates quoted by at least five dealers.
8. Rates are recorded in the week in which bills are issued.
9. Yields (not compounded) are based on closing bid prices quoted by at least five dealers.
10. Yields adjusted to constant maturities by the U.S. Treasury. That is, yields are read from a yield curve at fixed maturities. Based on only recently issued, actively traded securities.
11. Each weekly figure is calculated on a biweekly basis and is the average of five business days ending on the Monday following the calendar week. The biweekly rate is used to determine the maximum interest rate payable in the following two-week period on small saver certificates. (See table 1.16.)
12. Unweighted averages for all outstanding notes and bonds neither due nor callable in less than 10 years, including several very low yielding "flower" bonds.
13. General obligations only, based on figures for Thursday, from Moody's Investors Service.
14. General obligations only, with 20 years to maturity, issued by 20 state and local governmental units of mixed quality. Based on figures for Thursday.
15. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
16. Compilation of the Federal Reserve. Issues included are long-term (20 years or more). New-issue yields are based on quotations on date of offering; those on recently offered issues (included only for first 4 weeks after termination of underwriter price restrictions), on Friday close-of-business quotations.
17. Standard and Poor's corporate series. Preferred stock ratio based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation. Common stock ratios on the 500 stocks in the price index.

1.36 STOCK MARKET Selected Statistics

Indicator	1978	1979	1980	1981 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.
	Prices and trading (averages of daily figures)										
Common stock prices											
1 New York Stock Exchange (Dec. 31, 1965 = 50)	53.76	55.67	68.06	76.24	73.52	76.46	77.60	76.28	76.80	74.98	75.24
2 Industrial	58.30	61.82	78.64	89.23	85.74	89.39	90.57	88.78	88.63	86.64	86.72
3 Transportation	43.25	45.20	60.52	74.43	72.76	77.09	80.63	76.78	76.71	74.42	73.27
4 Utility	39.23	36.46	37.35	38.53	37.59	37.78	38.34	38.27	39.23	38.90	40.22
5 Finance	56.74	58.65	64.28	70.04	68.48	72.82	74.59	74.65	79.79	74.97	73.76
6 Standard & Poor's Corporation (1941–43 = 10)[1]	96.11	107.94	118.71	132.97	128.40	133.19	134.43	131.73	132.28	129.13	129.63
7 American Stock Exchange (Aug. 31, 1973 = 100)	144.56	186.56	300.94	344.21	338.28	347.07	363.09	365.52	369.64	364.33	364.60
Volume of trading (thousands of shares)											
8 New York Stock Exchange	28,591	32,233	44,867	45,500	42,963	53,387	54,124	45,272	50,517	43,930	44,489
9 American Stock Exchange	3,622	4,182	6,377	6,024	4,816	5,682	6,339	5,650	6,096	4,374	5,137
	Customer financing (end-of-period balances, in millions of dollars)										
10 **Regulated margin credit at brokers–dealers[2]**	**11,035**	**11,619**	**14,721**	**14,242**	**14,171**	**14,243**	**14,869**	**14,951**	**15,126**	**15,134**	
11 Margin stock[3]	10,830	11,450	14,500	14,020	13,950	14,020	14,630	14,700	14,870	14,870	
12 Convertible bonds	205	167	219	221	220	222	238	251	254	263	
13 Subscription issues	1	2	2	1	1	1	1	1	2	1	n.a.
Free credit balances at brokers[4]											
14 Margin-account	835	1,105	2,105	2,065	2,225	2,340	2,270	2,345	2,350	2,670	
15 Cash-account	2,510	4,060	6,070	5,655	5,700	6,530	6,440	6,150	6,650	6,470	
	Margin-account debt at brokers (percentage distribution, end of period)										
16 **Total**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	
By equity class (in percent)[5]											
17 Under 40	33.0	16.0	14.0	20.0	20.0	16.0	20.8	21.3	25.0	25.0	
18 40–49	28.0	29.0	30.0	30.0	31.0	28.0	26.8	25.3	29.0	29.0	
19 50–59	18.0	27.0	25.0	22.0	21.0	26.0	23.7	25.3	21.0	22.0	n.a.
20 60–69	10.0	14.0	14.0	13.0	13.0	14.0	12.6	12.7	11.0	11.0	
21 70–79	6.0	8.0	9.0	8.0	8.0	9.0	8.1	8.0	7.0	7.0	
22 80 or more	5.0	7.0	8.0	7.0	7.0	8.0	8.0	8.0	7.0	6.0	
	Special miscellaneous-account balances at brokers (end of period)										
23 **Total balances (millions of dollars)[6]**	**13,092**	**16,150**	**21,690**	**21,686**	**21,861**	**22,548**	**22,748**	**23,457**	**23,700**	**24,460**	
Distribution by equity status (percent)											
24 Net credit status	41.3	44.2	47.8	47.0	48.6	50.9	49.3	50.2	53.2	53.8	n.a.
Debt status, equity of											
25 60 percent or more	45.1	47.0	44.4	43.9	43.1	41.5	41.7	41.0	38.4	37.9	
26 Less than 60 percent	13.6	8.8	7.7	9.1	8.3	7.6	9.0	8.8	8.4	8.3	

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

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

1. Effective July 1976, includes a new financial group, banks and insurance companies. With this change the index includes 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.

2. Margin credit includes all credit extended to purchase or carry stocks or related equity instruments and secured at least in part by stock. Credit extended is end-of-month data for member firms of the New York Stock Exchange.

In addition to assigning a current loan value to margin stock generally, Regulations T and U permit special loan values for convertible bonds and stock acquired through exercise of subscription rights.

3. A distribution of this total by equity class is shown on lines 17–22.

4. Free credit balances are in accounts with no unfulfilled commitments to the brokers and are subject to withdrawal by customers on demand.

5. Each customer's equity in his collateral (market value of collateral less net debit balance) is expressed as a percentage of current collateral values.

6. Balances that may be used by customers as the margin deposit required for additional purchases. Balances may arise as transfers based on loan values of other collateral in the customer's margin account or deposits of cash (usually sales proceeds) occur.

7. Regulations G, T, and U of the Federal Reserve Board of Governors, prescribed in accordance with the Securities Exchange Act of 1934, limit the amount of credit to purchase and carry margin stocks that may be extended on securities as collateral by prescribing a maximum loan value, which is a specified percentage of the market value of the collateral at the time the credit is extended. Margin requirements are the difference between the market value (100 percent) and the maximum loan value. The term "margin stocks" is defined in the corresponding regulation.

1.37 SAVINGS INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1978	1979	1980 Oct.	1980 Nov.	1980 Dec.	1981 Jan.	1981 Feb.	1981 Mar.	1981 Apr.	1981 May	1981 June	1981 July[p]
	Savings and loan associations											
1 **Assets**	**523,542**	**578,962**	**617,773**	**623,939**	**629,829**	**631,228**	**634,405**	**636,859**	**639,827**	**644,603**	**646,704**	**648,743**
2 Mortgages	432,808	475,688	496,495	499,973	502,812	504,068	505,309	507,152	509,525	511,754	514,803	516,278
3 Cash and investment securities[1]	44,884	46,341	56,146	57,302	57,572	57,460	58,401	58,461	56,886	59,045	57,616	57,446
4 Other	45,850	56,933	65,132	66,664	69,445	69,700	70,695	71,246	72,416	73,804	74,285	75,019
5 **Liabilities and net worth**	**523,542**	**578,962**	**617,773**	**623,939**	**629,829**	**631,228**	**634,405**	**636,859**	**639,827**	**644,603**	**646,704**	**648,743**
6 Savings capital	430,953	470,004	500,861	503,365	510,959	512,946	515,250	518,990	516,071	517,628	517,632	514,087
7 Borrowed money	42,907	55,232	60,727	62,067	64,491	62,938	62,270	64,197	67,704	70,025	74,756	79,345
8 FHLBB	31,990	40,441	44,325	45,505	47,045	46,629	46,360	47,310	49,607	51,064	53,836	57,098
9 Other	10,917	14,791	16,562	17,446	16,309	15,910	16,887	18,097	18,097	18,961	20,920	22,247
10 Loans in process	10,721	9,582	8,853	8,783	8,120	7,833	7,756	7,840	7,840	7,997	8,008	7,733
11 Other	9,904	11,506	14,502	16,433	12,227	14,104	16,071	13,271	14,946	17,089	14,756	16,565
12 Net worth[2]	29,057	32,638	33,029	33,221	33,319	33,120	32,981	32,645	32,266	31,864	31,552	31,013
13 MEMO: Mortgage loan commitments outstanding[3]	18,911	16,007	19,077	17,979	16,102	15,972	16,279	17,374	18,552	18,740	18,020	17,199
	Mutual savings banks[4]											
14 **Assets**	**158,174**	**163,405**	**170,432**	**171,126**	**171,564**	**171,891**	**172,349**	**173,232**	**172,837**	**173,776**	**174,387**	
Loans												
15 Mortgage	95,157	98,908	99,523	99,677	99,865	99,816	99,739	99,719	99,798	99,790	99,993	
16 Other	7,195	9,253	11,382	11,477	11,733	12,199	12,598	13,248	12,756	13,375	14,403	
Securities												
17 U.S. government[5]	4,959	7,658	8,622	8,715	8,949	9,000	9,032	9,203	9,262	9,296	9,230	
18 State and local government	3,333	2,930	2,754	2,736	2,390	2,378	2,376	2,359	2,314	2,328	2,337	
19 Corporate and other[6]	39,732	37,086	39,720	39,888	39,282	39,256	39,223	39,236	39,247	39,111	38,418	
20 Cash	3,665	3,156	3,592	3,717	4,334	4,133	4,205	4,238	4,172	4,513	4,473	n.a.
21 Other assets	4,131	4,412	4,839	4,916	5,011	5,107	5,177	5,231	5,288	5,364	5,534	
22 **Liabilities**	**158,174**	**163,405**	**170,432**	**171,126**	**171,564**	**171,891**	**172,349**	**173,232**	**172,837**	**173,776**	**174,387**	
23 Deposits	142,701	146,006	151,998	152,133	153,501	153,143	153,332	154,805	153,692	153,891	154,926	
24 Regular[7]	141,170	144,070	149,797	150,109	151,416	151,051	151,346	152,630	151,429	151,658	152,603	
25 Ordinary savings	71,816	61,123	57,651	56,256	53,971	52,737	52,035	53,049	52,331	51,212	51,594	
26 Time and other	69,354	82,947	92,146	93,853	97,445	98,314	99,311	99,581	99,098	100,447	101,009	
27 Other	1,531	1,936	2,200	2,042	2,086	2,092	1,986	2,174	2,264	2,232	2,323	
28 Other liabilities	4,565	5,873	7,117	7,644	6,695	7,426	7,753	7,265	8,103	8,922	8,634	
29 General reserve accounts	10,907	11,525	11,317	11,349	11,368	12,957	13,412	11,163	11,042	10,923	10,827	
30 MEMO: Mortgage loan commitments outstanding[8]	4,400	3,182	1,817	1,682	1,476	1,316	1,331	1,379	1,614	1,709	1,577	
	Life insurance companies											
31 **Assets**	**389,924**	**432,282**	**470,717**	**476,294**	**479,210**	**482,009**	**485,033**	**490,149**	**493,185**	**497,276**	**500,316**	
Securities												
32 Government	20,009	0,338	21,078	21,275	21,871	22,246	22,669	22,775	22,603	22,948	23,415	
33 United States[9]	4,822	4,888	5,241	5,351	5,838	6,429	6,774	6,807	6,502	6,787	7,119	
34 State and local	6,402	6,428	6,505	6,571	6,701	6,571	6,145	6,199	6,809	6,815	6,876	
35 Foreign[10]	8,785	9,022	9,332	9,353	9,332	9,246	9,250	9,269	9,292	9,346	9,420	
36 Business	198,105	222,332	236,523	239,537	238,059	240,959	241,675	243,996	245,841	247,437	248,737	n.a.
37 Bonds	162,587	178,371	191,428	191,722	190,693	194,777	195,251	196,514	198,397	199,818	201,402	
38 Stocks	35,518	39,757	45,095	47,815	47,366	46,182	46,424	47,482	47,444	47,619	47,335	
39 Mortgages	106,167	118,421	128,963	129,813	131,080	131,710	132,567	133,230	133,896	134,492	135,318	
40 Real estate	11,764	13,007	14,791	14,919	15,033	15,657	15,869	16,244	16,464	16,738	16,966	
41 Policy loans	30,146	34,825	40,499	40,813	41,411	41,988	42,574	43,231	43,772	44,292	44,970	
42 Other assets	23,733	27,563	28,863	29,937	31,702	29,449	29,679	30,673	30,609	31,369	30,910	
	Credit unions											
43 **Total assets/liabilities and capital**	**62,348**	**65,854**	**70,702**	**71,335**	**71,709**	**70,754**	**71,446**	**73,214**	**72,783**	**73,565**	**74,041**	**73,616**
44 Federal	34,760	35,934	39,155	39,428	39,801	39,142	39,636	40,624	40,207	40,648	40,948	40,510
45 State	27,588	29,920	31,547	31,907	31,908	31,612	31,810	32,590	32,576	32,917	33,093	33,106
46 Loans outstanding	50,269	53,125	47,221	47,299	47,774	47,309	47,451	47,815	47,994	48,499	49,064	49,507
47 Federal	27,687	28,698	25,288	25,273	25,627	25,272	25,376	25,618	25,707	26,038	26,422	26,661
48 State	22,582	24,426	21,933	22,026	22,147	22,037	22,075	22,197	22,287	22,461	22,642	22,846
49 Savings	53,517	56,232	63,957	64,304	64,399	63,874	64,357	65,744	65,495	65,988	66,472	65,854
50 Federal (shares)	29,802	35,530	36,030	36,183	36,348	35,915	36,236	36,898	36,684	36,967	37,260	36,819
51 State (shares and deposits)	23,715	25,702	27,927	28,121	28,051	27,959	28,121	28,846	28,811	29,021	29,212	29,035

For notes see bottom of page A30.

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1978	Fiscal year 1979	Fiscal year 1980	Calendar year 1980 H1	1980 H2	1981 H1	1981 May	1981 June	1981 July
U.S. budget									
1 Receipts[1]	401,997	465,940	520,050	270,864	262,152	318,899	38,514	70,688	48,142
2 Outlays[1,2]	450,804	493,635	579,613	289,905	310,972	334,710	54,608	55,619	58,486
3 Surplus, or deficit(−)	−48,807	−27,694	−59,563	−19,041	−48,821	−15,811	−16,094	15,070	−10,343
4 Trust funds	12,693	18,335	8,791	4,383	−2,551	5,797	3,639	3,026	−3,506
5 Federal funds[3]	−61,532	−46,069	−67,752	−23,418	−46,306	−21,608	−19,733	12,045	−6,838
Off-budget entities (surplus, or deficit (−))									
6 Federal Financing Bank outlays	−10,661	−13,261	−14,549	−7,735	−7,552	−11,046	−1,943	−1,295	−2,429
7 Other[4]	302	793	303	−522	376	−900	−342	45	−348
U.S. budget plus off-budget, including Federal Financing Bank									
8 Surplus, or deficit (−)	−59,166	−40,162	−73,808	−27,298	−55,998	−27,757	−18,379	13,820	−13,120
Source or financing									
9 Borrowing from the public	59,106	33,641	70,515	24,435	54,764	33,213	539	572	3,383
10 Cash and monetary assets (decrease, or increase (−))[5]	−3,023	−408	−355	−3,482	−6,730	2,873	22,809	−15,121	5,570
11 Other[6]	3,083	6,929	3,648	6,345	7,964	−8,328	−4,969	730	4,168
MEMO:									
12 Treasury operating balance (level, end of period)	22,444	24,176	20,990	14,092	12,305	16,389	5,702	16,389	11,318
13 Federal Reserve Banks	16,647	6,489	4,102	3,199	3,062	2,923	2,288	2,923	2,922
14 Tax and loan accounts	5,797	17,687	16,888	10,893	9,243	13,466	3,414	13,466	8,396

1. Effective June 1978, earned income credit payments in excess of an individual's tax liability, formerly treated as income tax refunds, are classified as outlays retroactive to January 1976.
2. Effective Oct. 1, 1980, the Pension Benefit Guaranty Corporation was reclassified from an off-budget agency to an on-budget agency in the Department of Labor.
3. Half-year figures are calculated as a residual (total surplus/deficit less trust fund surplus/deficit).
4. Includes Postal Service Fund; Rural Electrification and Telephone Revolving Fund; and Rural Telephone Bank.
5. Includes U.S. Treasury operating cash accounts; special drawing rights; gold tranche drawing rights; loans to International Monetary Fund; and other cash and monetary assets.
6. Includes accrued interest payable to the public; allocations of special drawing rights; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seignorage; increment on gold; net gain/loss for U.S. currency valuation adjustment; net gain/loss for IMF valuation adjustment; and profit on the sale of gold.

SOURCE. "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government," *Treasury Bulletin*, and the *Budget of the United States Government, Fiscal Year 1981.*

NOTES TO TABLE 1.37

1. Holdings of stock of the Federal Home Loan Banks are included in "other assets."
2. Includes net undistributed income, which is accrued by most, but not all, associations.
3. Excludes figures for loans in process, which are shown as a liability.
4. The NAMSB reports that, effective April 1979, balance sheet data are not strictly comparable with previous months. Beginning April 1979, data are reported on a net-of-valuation-reserves basis. Prior to that date, data were reported on a gross-of-valuation-reserves basis.
5. Beginning April 1979, includes obligations of U.S. government agencies. Before that date, this item was included in "Corporate and other."
6. Includes securities of foreign governments and international organizations and, prior to April 1979, nonguaranteed issues of U.S. government agencies.
7. Excludes checking, club, and school accounts.
8. Commitments outstanding (including loans in process) of banks in New York State as reported to the Savings Banks Association of the state of New York.
9. Direct and guaranteed obligations. Excludes federal agency issues not guaranteed, which are shown in the table under "Business" securities.
10. Issues of foreign governments and their subdivisions and bonds of the International Bank for Reconstruction and Development.

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

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

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

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

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS

Millions of dollars

Source or type	Fiscal year 1978	Fiscal year 1979	Fiscal year 1980	Calendar year 1980 H1	Calendar year 1980 H2	Calendar year 1981 H1	Calendar year 1981 May	Calendar year 1981 June	Calendar year 1981 July
RECEIPTS									
1 **All sources[1]**	**401,997**	**465,955**	**520,050**	**270,864**	**262,152**	**318,899**	**38,514**	**70,688**	**48,142**
2 Individual income taxes, net	180,988	217,841	244,069	119,988	131,962	142,889	10,496	33,729	24,439
3 Withheld	165,215	195,295	223,763	110,394	120,924	126,101	20,260	23,000	23,963
4 Presidential Election Campaign Fund	39	36	39	34	4	36	8	5	4
5 Nonwithheld	47,804	56,215	63,746	49,707	14,592	59,907	2,451	11,682	2,228
6 Refunds[1]	32,070	33,705	43,479	40,147	3,559	43,155	12,222	958	1,756
Corporation income taxes									
7 Gross receipts	65,380	71,448	72,380	43,434	28,579	44,048	1,894	16,411	2,721
8 Refunds	5,428	5,771	7,780	4,064	4,518	6,565	883	618	1,007
9 Social insurance taxes and contributions, net	123,410	141,591	160,747	86,597	77,262	102,911	20,694	14,657	15,206
10 Payroll employment taxes and contributions[2]	99,626	115,041	133,042	69,077	66,831	83,851	15,026	13,308	13,899
11 Self-employment taxes and contributions[3]	4,267	5,034	5,723	5,535	188	6,240	419	536	−723
12 Unemployment insurance	13,850	15,387	15,336	8,690	6,742	9,205	4,660	234	1,379
13 Other net receipts[4]	5,668	6,130	6,646	3,294	3,502	3,615	588	580	652
14 Excise taxes	18,376	18,745	24,329	11,383	15,332	21,945	3,953	4,224	3,997
15 Customs deposits	6,573	7,439	7,174	3,443	3,717	3,926	625	791	777
16 Estate and gift taxes	5,285	5,411	6,389	3,091	3,499	3,259	647	531	621
17 Miscellaneous receipts[5]	7,413	9,252	12,741	6,993	6,318	6,487	1,087	964	1,388
OUTLAYS									
18 **All types[1,6]**	**450,804**	**493,635**	**579,613**	**289,905**	**310,972**	**334,710**	**54,608**	**55,619**	**58,486**
19 National defense	105,186	117,681	135,856	69,132	72,457	80,005	13,810	13,839	14,692
20 International affairs	5,922	6,091	10,733	4,602	5,430	5,999	737	1,373	378
21 General science, space, and technology	4,742	5,041	5,722	3,150	3,205	3,314	536	609	515
22 Energy	5,861	6,856	6,313	3,126	3,997	5,677	1,106	1,319	914
23 Natural resources and environment	10,925	12,091	13,812	6,668	7,722	6,476	1,017	1,140	1,164
24 Agriculture	7,731	6,238	4,762	3,193	1,892	3,101	−151	274	−86
25 Commerce and housing credit	3,324	2,565	7,782	3,878	3,163	1,940	−269	860	−52
26 Transportation	15,445	17,459	21,120	9,582	11,547	11,991	1,581	1,841	1,771
27 Community and regional development	11,039	9,482	10,068	5,302	5,370	4,621	687	928	677
28 Education, training, employment, social services	26,463	29,685	30,767	16,686	15,221	15,928	2,677	2,131	2,400
29 Health	43,676	49,614	58,165	29,299	31,263	34,708	5,645	6,123	6,141
30 Income security[1,6]	146,180	160,159	193,100	94,605	107,912	113,490	18,576	18,807	19,637
31 Veterans benefits and services	18,974	19,928	21,183	9,758	11,731	10,531	1,670	1,786	2,995
32 Administration of justice	3,802	4,153	4,570	2,291	2,299	2,344	343	388	386
33 General government	3,737	4,153	4,505	2,422	2,432	2,692	393	506	242
34 General-purpose fiscal assistance	9,601	8,372	8,584	3,940	4,191	3,015	253	44	1,234
35 Interest[7]	43,966	52,556	64,504	32,658	35,909	41,178	7,024	11,674	6,164
36 Undistributed offsetting receipts[7,8]	−15,772	−18,489	−21,933	−10,387	−14,769	−12,432	−1,029	−8,023	−688

1. Effective June 1978, earned income credit payments in excess of an individual's tax liability, formerly treated as income tax refunds, were classified as outlays retroactive to January 1976.
2. Old-age, disability, and hospital insurance, and railroad retirement accounts.
3. Old-age, disability, and hospital insurance.
4. Supplementary medical insurance premiums, federal employee retirement contributions, and Civil Service retirement and disability fund.
5. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.
6. Effective Oct. 1, 1980, the Pension Benefit Guaranty Corporation was reclassified from an off-budget agency to an on-budget agency in the Department of Labor.
7. Effective September 1976, "Interest" and "Undistributed offsetting receipts" reflect the accounting conversion from an accrual basis to a cash basis for the interest on special issues for U.S. government accounts.
8. Consists of interest received by trust funds, rents and royalties on the Outer Continental Shelf, and U.S. government contributions for employee retirement.

SOURCE. "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government" and the *Budget of the U.S. Government, Fiscal Year 1981*.

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1979				1980				1981
	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31
1 **Federal debt outstanding**	**804.6**	**812.2**	**833.8**	**852.2**	**870.4**	**884.4**	**914.3**	**936.7**	**970.9**
2 Public debt securities	796.8	804.9	826.5	845.1	863.5	877.6	907.7	930.2	964.5
3 Held by public	630.5	626.4	638.8	658.0	677.1	682.7	710.0	737.7	773.7
4 Held by agencies	166.3	178.5	187.7	187.1	186.3	194.9	197.7	192.5	190.9
5 Agency securities	7.8	7.3	7.2	7.1	7.0	6.8	6.6	6.5	6.4
6 Held by public	6.3	5.9	5.8	5.6	5.5	5.3	5.1	5.0	4.9
7 Held by agencies	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
8 **Debt subject to statutory limit**	**797.9**	**806.0**	**827.6**	**846.2**	**864.5**	**878.7**	**908.7**	**931.2**	**965.5**
9 Public debt securities	796.2	804.3	825.9	844.5	862.8	877.0	907.1	929.6	963.9
10 Other debt[1]	1.7	1.7	1.7	1.7	1.7	1.7	1.6	1.6	1.6
11 MEMO: Statutory debt limit	798.0	830.0	830.0	879.0	879.0	925.0	925.0	935.1	985.0

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

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

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

Billions of dollars, end of period

Type and holder	1977	1978	1979	1980	1981				
					Apr.	May	June	July	Aug.
1 **Total gross public debt**	**718.9**	**789.2**	**845.1**	**930.2**	**964.0**	**968.5**	**971.2**	**973.3**	**980.2**
By type									
2 Interest-bearing debt	715.2	782.4	844.0	928.9	962.8	964.8	969.9	972.1	978.9
3 Marketable	459.9	487.5	530.7	623.2	657.9	656.2	660.8	666.4	673.8
4 Bills	161.1	161.7	172.6	216.1	225.8	224.5	218.8	217.5	219.9
5 Notes	251.8	265.8	283.4	321.6	341.1	338.4	348.8	354.0	357.6
6 Bonds	47.0	60.0	74.7	85.4	91.0	93.3	93.2	94.9	96.3
7 Nonmarketable[1]	255.3	294.8	313.2	305.7	304.9	308.6	309.2	305.6	305.2
8 Convertible bonds[2]	2.2	2.2	2.2	...	...	...	...	...	...
9 State and local government series	13.9	24.3	24.6	23.8	23.4	23.2	23.2	22.8	22.8
10 Foreign issues[3]	22.2	29.6	28.8	24.0	24.4	24.8	23.5	21.9	21.4
11 Government	21.0	28.0	23.6	17.6	18.0	18.4	17.1	16.3	15.7
12 Public	1.2	1.6	5.3	6.4	6.4	6.4	6.4	5.7	5.7
13 Savings bonds and notes	77.0	80.9	79.9	72.5	69.8	69.5	69.2	69.0	68.6
14 Government account series[4]	139.8	157.5	177.5	185.1	187.0	190.8	193.0	191.6	192.1
15 Non-interest-bearing debt	3.7	6.8	1.2	1.3	1.2	3.7	1.3	1.2	1.3
By holder[5]									
16 U.S. government agencies and trust funds	154.8	170.0	187.1	192.5	193.9	197.8	199.9		
17 Federal Reserve Banks	102.8	109.6	117.5	121.3	119.7	117.9	120.0		
18 Private investors	461.3	508.6	540.5	616.4	650.4	652.3	651.2		
9 Commercial banks	101.4	93.1	91.5	104.7	104.8	104.4	103.7		
20 Mutual savings banks	5.9	5.0	4.7	5.8	6.2	6.2	6.0		
21 Insurance companies	15.1	14.9	14.8	15.2	14.8	16.3	15.9	n.a.	n.a.
22 Other companies	22.7	21.2	24.9r	24.6	21.8	20.7	20.6		
23 State and local governments	55.2	64.4	67.4	74.7	79.1	80.4	78.6		
Individuals									
24 Savings bonds	76.7	80.7	79.9	72.2	69.8	69.5	69.2		
25 Other securities	28.6	30.3	36.2	56.7	68.3	70.3	70.4		
26 Foreign and international[6]	109.6	137.8	123.8	134.3	143.1	139.4	141.2		
27 Other miscellaneous investors[7]	46.1	58.2	97.4	127.9	142.5	145.1	145.6		

1. Includes (not shown separately): Securities issued to the Rural Electrification Administration, depository bonds, retirement plan bonds, and individual retirement bonds.
2. These nonmarketable bonds, also known as Investment Series B Bonds, may be exchanged (or converted) at the owner's option for 1½ percent, 5-year marketable Treasury notes. Convertible bonds that have been so exchanged are removed from this category and recorded in the notes category (line 5).
3. Nonmarketable dollar-denominated and foreign currency-denominated series held by foreigners.
4. Held almost entirely by U.S. government agencies and trust funds.
5. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.
6. Consists of investments of foreign balances and international accounts in the United States.
7. Includes savings and loan associations, nonprofit institutions, corporate pension trust funds, dealers and brokers, certain government deposit accounts, and government sponsored agencies.

NOTE. Gross public debt excludes guaranteed agency securities.
Data by type of security from *Monthly Statement of the Public Debt of the United States* (U.S. Treasury Department); data by holder from *Treasury Bulletin*.

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

Par value; millions of dollars, end of period

Type of holder	1979	1980	1981 May	1981 June	1979	1980	1981 May	1981 June
	All maturities				1 to 5 years			
1 **All holders**	**530,731**	**623,186**	**656,185**	**660,769**	**164,198**	**197,409**	**203,174**	**208,085**
2 U.S. government agencies and trust funds	11,047	9,564	9,228	9,227	2,555	1,990	1,357	1,357
3 Federal Reserve Banks	117,458	121,328	117,900	120,017	8,469	35,835	33,938	33,928
4 Private investors	402,226	492,294	529,057	531,525	133,173	159,585	167,880	172,801
5 Commercial banks	69,076	77,868	77,689	77,764	38,346	44,482	40,325	40,578
6 Mutual savings banks	3,204	3,917	4,202	4,222	1,668	1,925	2,071	2,084
7 Insurance companies	11,496	11,930	12,621	11,852	4,518	4,504	5,493	4,929
8 Nonfinancial corporations	8,433	7,758	6,820	6,789	2,844	2,203	1,157	1,642
9 Savings and loan associations	3,209	4,225	4,572	4,438	1,763	2,289	2,549	2,430
10 State and local governments	15,735	21,058	23,338	22,604	3,487	4,595	5,472	5,282
11 All others	291,072	365,539	399,815	403,856	80,546	99,577	110,813	115,856
	Total, within 1 year				5 to 10 years			
12 **All holders**	**255,252**	**297,385**	**314,411**	**310,922**	**50,440**	**56,037**	**58,295**	**61,485**
13 U.S. government agencies and trust funds	1,629	830	1,119	1,119	871	1,404	1,411	1,411
14 Federal Reserve Banks	63,219	56,858	55,205	57,331	12,977	13,458	13,042	13,042
15 Private investors	190,403	239,697	258,087	252,471	36,592	41,175	43,842	47,033
16 Commercial banks	20,171	25,197	28,662	28,221	8,086	5,793	5,680	5,912
17 Mutual savings banks	836	1,246	1,404	1,377	459	455	400	417
18 Insurance companies	2,016	1,940	2,103	2,036	2,815	3,037	2,616	2,583
19 Nonfinancial corporations	4,933	4,281	3,664	3,192	308	357	391	383
20 Savings and loan associations	1,301	1,646	1,881	1,866	69	216	82	83
21 State and local governments	5,607	7,750	8,135	7,495	1,540	2,030	2,254	2,297
22 All others	155,539	197,636	212,238	208,285	24,314	29,287	32,419	35,358
	Bills, within 1 year				10 to 20 years			
23 **All holders**	**172,644**	**216,104**	**224,514**	**218,786**	**27,588**	**36,854**	**39,927**	**39,899**
24 U.S. government agencies and trust funds	0	1	2	1	4,520	3,686	3,685	3,685
25 Federal Reserve Banks	45,337	43,971	41,887	43,593	3,272	5,919	5,945	5,945
26 Private investors	127,306	172,132	182,625	175,192	19,796	27,250	30,296	30,268
27 Commercial banks	5,938	9,856	9,891	9,138	993	1,071	1,368	1,311
28 Mutual savings banks	262	394	455	449	127	181	177	195
29 Insurance companies	473	672	791	736	1,305	1,718	1,674	1,590
30 Nonfinancial corporations	2,793	2,363	1,671	1,197	218	431	766	758
31 Savings and loan associations	219	818	749	692	58	52	36	36
32 State and local governments	3,100	5,413	5,318	4,774	1,762	3,597	4,164	4,314
33 All others	114,522	152,616	163,751	158,206	15,332	20,200	22,110	22,064
	Other, within 1 year				Over 20 years			
34 **All holders**	**82,608**	**81,281**	**89,897**	**92,136**	**33,254**	**35,500**	**40,378**	**40,378**
35 U.S. government agencies and trust funds	1,629	829	1,118	1,118	1,472	1,656	1,656	1,656
36 Federal Reserve Banks	17,882	12,888	13,318	13,738	9,520	9,258	9,770	9,770
37 Private investors	63,097	67,565	75,462	77,279	22,262	24,587	28,953	28,953
38 Commercial banks	14,233	15,341	18,771	19,083	1,470	1,325	1,654	1,742
39 Mutual savings banks	574	852	949	929	113	110	150	149
40 Insurance companies	1,543	1,268	1,312	1,299	842	730	734	714
41 Nonfinancial corporations	2,140	1,918	1,993	1,995	130	476	843	815
42 Savings and loan associations	1,081	828	1,132	1,174	19	21	24	22
43 State and local governments	2,508	2,337	2,817	2,721	3,339	3,086	3,313	3,216
44 All others	41,017	45,020	48,487	50,079	16,340	18,838	22,235	22,294

NOTE. Direct public issues only. Based on Treasury Survey of Ownership from *Treasury Bulletin* (U.S. Treasury Department).

Data complete for U.S. government agencies and trust funds and Federal Reserve Banks, but data for other groups include only holdings of those institutions that report. The following figures show, for each category, the number and proportion reporting as of June 30, 1981: (1) 5,341 commercial banks, 457 mutual savings banks, and 724 insurance companies, each about 80 percent; (2) 409 nonfinancial corporations and 474 savings and loan associations, each about 50 percent; and (3) 488 state and local governments, about 40 percent.

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

1.43 U.S. GOVERNMENT SECURITIES DEALERS Transactions

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

	Item	1978	1979	1980	1981			1981, week ending Wednesday					
					May p	June p	July p	July 22	July 29	Aug. 5	Aug. 12	Aug. 19	Aug. 26
	Immediate delivery[1]												
1	U.S. government securities	10,285	13,183		21,554	23,513	21,885	19,541	19,532	22,567	26,241	20,011	23,604
	By maturity												
2	Bills	6,173	7,915		12,359	13,900	14,011	12,812	12,427	14,257	14,847	11,996	14,739
3	Other within 1 year	392	454		459	478	615	382	370	597	352	848	375
4	1-5 years	1,889	2,417		3,954	4,052	3,200	2,914	3,592	4,113	4,374	2,983	4,347
5	5-10 years	965	1,121		1,982	2,511	2,062	1,637	1,378	1,565	2,315	1,525	1,865
6	Over 10 years	867	1,276		2,574	2,571	1,997	1,796	1,764	2,035	4,353	2,659	2,278
	By type of customer												
7	U.S. government securities dealers	1,135	1,448		1,108	1,373	2,289	1,676	1,223	1,836	1,853	1,650	1,604
8	U.S. government securities brokers	3,838	5,170	n.a.	10,226	11,158	10,279	9,705	9,604	10,244	13,343	9,271	11,720
9	All others[2]	5,312	6,564		10,221	10,984	9,317	8,160	8,705	10,486	11,046	9,091	10,279
10	Federal agency securities	1,894	2,723		2,806	3,865	3,056	2,110	3,082	2,787	3,485	3,257	3,215
11	Certificates of deposit				2,992	4,336	4,237	4,058	4,398	4,275	4,432	3,827	4,031
12	Bankers acceptances				1,363	1,833	1,644	1,570	1,776	1,745	1,564	1,109	1,272
13	Commercial paper				6,047	6,295	5,899	5,754	5,666	5,645	5,685	5,804	6,199
	Futures transactions[3]												
14	Treasury bills	n.a.	n.a.		2,768	3,390	3,808	3,272	3,854	3,349	3,519	3,721	3,716
15	Treasury coupons				1,040	887	1,185	967	1,405	1,212	1,138	901	1,367
16	Federal agency securities				243	190	155	163	178	248	216	243	227
	Forward transactions[4]												
17	U.S. government securities				280	253	370	420	405	335	1,110	380	377
18	Federal agency securities				1,403	1,375	922	946	832	1,305	1,744	694	720

1. Before 1981, data for immediate transactions include forward transactions.
2. 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.
3. 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.
4. 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.

NOTES. Averages for transactions are based on number of trading days in the period.

Transactions are market purchases and sales of U.S. government securities dealers reporting to the Federal Reserve Bank of New York. The figures exclude allotments of, and exchanges for, new U.S. government securities, redemptions of called or matured securities, purchases or sales of securities under repurchase agreement, reverse repurchase (resale), or similar contracts.

1.44 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing

Averages of daily figures, in millions of dollars

	Item	1978	1979	1980	1981			1981, week ending Wednesday					
					May p	June p	July p	July 1	July 8	July 15	July 22	July 29	Aug. 5
		Positions											
	Net immediate[1]												
1	U.S. government securities	2,656	3,223		4,646	9,037	6,319	7,320	7,645	6,719	5,030	6,104	5,048
2	Bills	2,452	3,813		1,820	5,472	3,022	3,031	3,252	3,349	2,756	2,741	2,985
3	Other within 1 year	260	−325		226	−523	−1,393	−1,001	−1,171	−1,375	−1,501	−1,414	−1,972
4	1-5 years	−92	−455		499	1,133	1,745	2,613	2,046	1,446	900	2,282	2,380
5	5-10 years	40	160		157	490	774	184	1,100	1,052	739	487	83
6	Over 10 years	−4	30		1,944	2,232	2,171	2,493	2,418	2,246	2,136	2,008	1,573
7	Federal agency securities	606	1,471		1680	2,504	3,028	2,729	2,940	3,028	3,093	3,132	2,889
8	Certificates of deposit	2,775	2,794	n.a.	1,965	4,012	4,861	5,550	5,376	5,025	4,566	4,391	4,811
9	Bankers acceptances				1,278	2,109	1,946	2,649	2,499	2,024	1,714	1,523	1,681
10	Commercial paper				2,373	3,043	2,308	3,153	2,658	2,237	2,071	2,099	2,477
	Future positions												
11	Treasury bills				−6,146	−9,773	9,421	−9,302	−8,637	−7,549	−11,244	−10,744	−7,667
12	Treasury coupons	n.a.	n.a.		−2,312	−2,455	−2,484	−2,305	−2,469	−2,574	−2,593	−2,394	−2,248
13	Federal agency securities				−735	−1,041	−948	−1,035	−974	−976	−991	−887	−782
	Forwards positions												
14	U.S. government securities				−1,009	−720	−493	−610	−437	−279	−558	−683	−488
15	Federal agency securities				−124	260	101	382	226	165	115	−60	−186
		Financing[2]											
	Reverse repurchase agreements[3]												
16	Overnight and continuing				10,667	12,193	15,371	14,643	14,047	15,310	16,392	16,464	15,617
17	Term agreements				30,592	29,785	29,519	30,248	29,464	28,981	29,672	29,230	29,348
	Repurchase agreements[4]	n.a.	n.a.	n.a.									
18	Overnight and continuing				28,075	33,748	36,175	36,899	36,713	36,446	36,067	34,752	36,705
19	Term agreements				27,716	27,684	26,122	26,275	25,463	25,238	27,926	25,708	26,353

For notes see opposite page.

1.45 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1978	1979	1980	1981					
				Jan.	Feb.	Mar.	Apr.	May	June
1 **Federal and federally sponsored agencies**[1]	**137,063**	**163,290**	**193,229**	**195,056**	**194,926**	**198,828**	**200,434**	**205,020**	**208,961**
2 Federal agencies	23,488	24,715	28,606	28,769	28,596	29,397	29,502	29,311	29,945
3 Defense Department[2]	968	738	610	600	591	576	566	556	546
4 Export-Import Bank[3,4]	8,711	9,191	11,250	11,239	11,201	11,881	11,868	11,850	12,423
5 Federal Housing Administration[5]	588	537	477	476	468	464	459	449	448
6 Government National Mortgage Association participation certificates[6]	3,141	2,979	2,817	2,817	2,817	2,817	2,775	2,775	2,715
7 Postal Service[7]	2,364	1,837	1,770	1,770	1,770	1,770	1,770	1,538	1,538
8 Tennessee Valley Authority	7,460	8,997	11,190	11,375	11,550	11,680	11,845	11,930	12,060
9 United States Railway Association[7]	356	436	492	492	199	209	219	213	215
10 Federally sponsored agencies[1]	113,575	138,575	164,623	166,287	166,330	169,431	170,932	175,709	179,016
11 Federal Home Loan Banks	27,563	33,330	41,258	41,819	42,275	43,791	44,357	47,121	49,425
12 Federal Home Loan Mortgage Corporation	2,262	2,771	2,536	2,518	2,514	2,409	2,409	2,409	2,409
13 Federal National Mortgage Association	41,080	48,486	55,185	54,605	54,110	54,666	54,183	54,430	54,657
14 Federal Land Banks	20,360	16,006	12,365	11,507	11,507	11,507	10,583	10,583	710,583
15 Federal Intermediate Credit Banks	11,469	2,676	1,821	1,388	1,388	1,388	1,388	1,388	71,388
16 Banks for Cooperatives	4,843	584	584	584	584	584	220	220	7,220
17 Farm Credit Banks[1]	5,081	33,216	48,153	50,645	50,675	51,689	54,345	56,061	56,932
18 Student Loan Marketing Association[8]	915	1,505	2,720	3,220	3,275	3,395	3,445	3,495	3,400
19 Other	2	1	1	1	2	2	2	2	2
MEMO:									
20 **Federal Financing Bank debt**[1,9]	**51,298**	**67,383**	**87,460**	**88,420**	**89,444**	**94,101**	**96,489**	**98,297**	**100,333**
Lending to federal and federally sponsored agencies									
21 Export-Import Bank[4]	6,898	8,353	10,654	10,654	10,654	11,346	11,346	11,346	11,933
22 Postal Service[7]	2,114	1,587	1,520	1,520	1,520	1,520	1,520	1,288	1,288
23 Student Loan Marketing Association[8]	915	1,505	2,720	3,220	3,275	3,395	3,445	3,495	3,400
24 Tennessee Valley Authority	5,635	7,272	9,465	9,650	9,825	9,955	10,120	10,205	10,335
25 United States Railway Association[7]	356	436	492	492	199	209	219	213	215
Other Lending[10]									
26 Farmers Home Administration	23,825	32,050	39,431	39,271	39,851	41,791	43,456	44,746	45,691
27 Rural Electrification Administration	4,604	6,484	9,196	9,471	10,212	10,443	10,652	10,988	11,346
28 Other	6,951	9,696	13,982	14,142	13,908	15,442	15,731	16,016	716,125

1. In September 1977 the Farm Credit Banks issued their first consolidated bonds, and in January 1979 they began issuing these bonds on a regular basis to replace the financing activities of the Federal Land Banks, the Federal Intermediate Credit Banks, and the Banks for Cooperatives. Line 17 represents those consolidated bonds outstanding, as well as any discount notes that have been issued. Lines 1 and 10 reflect the addition of this item.

2. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.

3. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.

4. Off-budget Aug. 17, 1974, through Sept. 30, 1976; on-budget thereafter.

5. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.

6. Certificates of participation issued prior to fiscal 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration; Department of Health, Education, and Welfare; Department of Housing and Urban Development; Small Business Administration; and the Veterans Administration.

7. Off-budget.

8. Unlike other federally sponsored agencies, the Student Loan Marketing Association may borrow from the Federal Financing Bank (FFB) since its obligations are guaranteed by the Department of Health, Education, and Welfare.

9. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Since FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table in order to avoid double counting.

10. Includes FFB purchases of agency assets and guaranteed loans; the latter contain loans guaranteed by numerous agencies with the guarantees of any particular agency being generally small. The Farmers Home Administration item consists exclusively of agency assets, while the Rural Electrification Administration entry contains both agency assets and guaranteed loans.

NOTES TO TABLE 1.44

1. 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. Securities owned, and hence dealer positions, do not include securities to resell (reverse RPs). Before 1981, data for immediate positions include forward positions.

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

3. 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, i.e., matched agreements.

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

NOTE. 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 shown net and are on a commitment basis. Data for financing are based on Wednesday figures, in terms of actual money borrowed or lent.

1.46 NEW SECURITY ISSUES of State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1978	1979	1980	1981					
				Jan.	Feb.	Mar.	Apr.	May	June
1 **All issues, new and refunding**[1]	**48,607**	**43,490**	**48,462**	**2,658**	**2,928**	**3,879**	**5,068**	**3,406**	**4,846**
Type of issue									
2 General obligation	17,854	12,109	14,100	728	876	1,249	1,317	1,307	1,355
3 Revenue	30,658	31,256	34,267	1,923	2,049	2,619	3,745	2,089	3,486
4 Housing Assistance Administration[2]	....	....	....	....	....	....	....	....	....
5 U.S. government loans	95	125	95	7	3	11	6	10	5
Type of issuer									
6 State	6,632	4,314	5,304	478	530	349	544	639	585
7 Special district and statutory authority	24,156	23,434	26,972	1,442	1,442	1,979	2,701	1,629	2,711
8 Municipalities, counties, townships, school districts	17,718	15,617	16,090	731	951	1,541	1,816	1,127	1,545
9 **Issues for new capital, total**	**37,629**	**41,505**	**46,736**	**2,650**	**2,855**	**3,845**	**4,898**	**3,394**	**4,768**
Use of proceeds									
10 Education	5,003	5,130	4,572	338	292	515	479	227	615
11 Transportation	3,460	2,441	2,621	147	322	238	121	424	158
12 Utilities and conservation	9,026	8,594	8,149	585	452	784	1,262	641	756
13 Social welfare	10,494	15,968	19,958	786	881	956	1,001	1,054	1,408
14 Industrial aid	3,526	3,836	3,974	389	296	512	1,298	408	731
15 Other purposes	6,120	5,536	7,462	405	612	840	737	640	1,100

1. Par amounts of long-term issues based on date of sale.
2. Only bonds sold pursuant to the 1949 Housing Act, which are secured by contract requiring the Housing Assistance Administration to make annual contributions to the local authority.

SOURCE. Public Securities Association.

1.47 NEW SECURITY ISSUES of Corporations

Millions of dollars

Type of issue or issuer, or use	1978	1979	1980	1980	1981					
				Dec.	Jan.	Feb.	Mar.	Apr.r	May	June
1 **All issues**[1]	**47,230**	**51,533**	**73,688**	**5,933**	**5,581**	**4,157**	**6,423**	**6,835r**	**5,457r**	**9,536**
2 **Bonds**	**36,872**	**40,208**	**53,199**	**3,044**	**3,386**	**2,834**	**4,275**	**4,597r**	**3,080r**	**5,601**
Type of offering										
3 Public	19,815	25,814	41,587	1,719	2,928	2,408	3,778c	3,668	2,520r	4,603
4 Private placement	17,057	14,394	11,612	1,325	458	426	497	929r	560r	998
Industry group										
5 Manufacturing	9,572	9,678	15,409	609	1,635	1,140	1,064	1,459r	1,269	1,313
6 Commercial and miscellaneous	5,246	3,948	6,688	509	231	356	212	342r	138	566
7 Transportation	2,007	3,119	3,329	165	353	45	172	142r	49	584
8 Public utility	7,092	8,153	9,556	314	800	593	594	904r	1,063r	996
9 Communication	3,373	4,219	6,683	653	62	272	958	554r	56	470
10 Real estate and financial	9,586	11,094	11,534	793	306	430	1,276	1,197r	506r	1,672
11 **Stocks**	**10,358**	**11,325**	**20,490**	**2,889**	**2,195**	**1,323**	**2,148**	**2,238**	**2,377**	**3,935**
Type										
12 Preferred	2,832	3,574	3,632	241	364	149	298	85	164	188
13 Common	7,526	7,751	16,858	2,648	1,831	1,174	1,850	2,153	2,213	3,747
Industry group										
14 Manufacturing	1,241	1,679	4,839	844	609	204	735	531	903	382
15 Commercial and miscellaneous	1,816	2,623	5,245	908	603	589	816	477	958	1,024
16 Transportation	263	255	549	95	124	81	17	146	47	18
17 Public utility	5,140	5,171	6,230	669	562	260	414	717	173	843
18 Communication	264	303	567	65	14	31	....	56	....	1,036
19 Real estate and financial	1,631	12,931	3,059	308	284	159	167	310	296	632

1. Figures, which represent gross proceeds of issues maturing in more than one year, sold for cash in the United States, are principal amount or number of units multiplied by offering price. Excludes offerings of less than $100,000, secondary offerings, undefined or exempted issues as defined in the Securities Act of 1933, employee stock plans, investment companies other than closed-end, intracorporate transactions, and sales to foreigners.

SOURCE. Securities and Exchange Commission.

1.48 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

Item	1979	1980	1980	1981						
			Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
INVESTMENT COMPANIES[1]										
1 Sales of own shares[2]	7,495	15,266	1,242	1,676	1,347	1,696	2,000	1,785	1,910	1,639
2 Redemptions of own shares[3]	8,393	12,012	1,720	1,193	960	1,112	1,594	1,250	1,512	1,298
3 Net sales	−898	3,254	−478	483	387	584	406	535	398	341
4 Assets[4]	49,277	58,400	58,400	56,160	56,452	59,146	58,531	60,081	58,887	57,500
5 Cash position[5]	4,983	5,321	5,321	4,636	4,882	4,971	5,099	5,448	5,199	51,109
6 Other	44,294	53,079	53,079	51,524	51,570	54,175	53,432	54,633	53,688	52,391

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

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

1.49 CORPORATE PROFITS AND THEIR DISTRIBUTION

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

Account	1978	1979	1980	1979		1980				1981
				Q3	Q4	Q1	Q2	Q3	Q4	Q1r
1 Corporate profits with inventory valuation and capital consumption adjustment	185.5	196.8	182.7	199.5	189.4	200.2	169.3	177.9	183.3	203.0
2 Profits before tax	223.3	255.3	245.5	262.0	255.4	277.1	217.9	237.6	249.5	257.0
3 Profits tax liability	82.9	87.6	82.3	88.4	87.2	94.2	71.5	78.5	85.2	87.7
4 Profits after tax	140.3	167.7	163.2	173.6	168.2	182.9	146.4	159.1	164.3	169.3
5 Dividends	44.6	50.1	56.0	50.2	51.6	53.9	55.7	56.7	57.7	59.6
6 Undistributed profits	95.7	117.6	107.2	123.4	116.6	129.0	90.7	102.4	106.6	109.7
7 Inventory valuation	−24.3	−42.6	−45.6	−46.5	−50.8	−61.4	−31.1	−41.7	−48.4	−39.2
8 Capital consumption adjustment	−13.5	−15.9	−17.2	−16.1	−15.1	−15.4	−17.6	−17.9	−17.8	−14.7

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

1.50 NONFINANCIAL CORPORATIONS Current Assets and Liabilities

Billions of dollars, except for ratio

Account	1975	1976	1977	1978	1979	1980				1981
						Q1r	Q2r	Q3r	Q4r	Q1
1 **Current assets**	**759.0**	**826.8**	**902.1**	**1,030.0**	**1,200.9**	**1,234.0**	**1,232.2**	**1,254.9**	**1,281.1**	**1,321.4**
2 Cash	82.1	88.2	95.8	104.5	116.1	110.5	111.5	113.4	120.9	120.4
3 U.S. government securities	19.0	23.4	17.6	16.3	15.6	15.2	14.0	16.4	17.1	16.8
4 Notes and accounts receivable	272.1	292.8	324.7	383.8	456.8	470.3	463.4	478.7	491.6	507.9
5 Inventories	315.9	342.4	374.8	426.9	501.7	518.9	525.0	524.5	525.3	542.8
6 Other	69.9	80.1	89.2	98.5	110.8	119.2	118.3	121.9	126.2	133.5
7 **Current liabilities**	**451.6**	**494.7**	**549.4**	**665.5**	**809.1**	**836.5**	**826.0**	**850.5**	**877.8**	**911.7**
8 Notes and accounts payable	264.2	281.9	313.2	373.7	456.3	467.7	462.8	477.0	498.5	504.5
9 Other	187.4	212.8	236.2	291.7	352.8	368.8	363.2	373.5	379.3	407.2
10 **Net working capital**	**307.4**	**332.2**	**352.7**	**364.6**	**391.8**	**397.5**	**406.2**	**404.3**	**403.4**	**409.7**
11 MEMO: Current ratio [1]	1.681	1.672	1.642	1.548	1.484	1.475	1.492	1.475	1.460	1.449

1. Ratio of total current assets to total current liabilities.

NOTE. For a description of this series, see "Working Capital of Nonfinancial Corporations" in the July 1978 BULLETIN, pp. 533–37.

All data in this table reflect the most current benchmarks. Complete data are available upon request from the Flow of Funds Section, Division of Research and Statistics.

SOURCE. Federal Trade Commission.

1.51 TOTAL NONFARM BUSINESS EXPENDITURES on New Plant and Equipment

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

Industry	1979	1980	1981[1]	1980			1981			
				Q2	Q3	Q4	Q1	Q2[1]	Q3[1]	Q4[1]
1 **Total nonfarm business**	**270.46**	**295.63**	**321.50**	**294.36**	**296.23**	**299.58**	**312.24**	**316.73**	**322.96**	**332.69**
Manufacturing										
2 Durable goods industries	51.07	58.91	62.92	59.38	58.19	59.77	61.24	63.10	63.07	64.06
3 Nondurable goods industries	47.61	56.90	63.87	56.32	58.21	58.86	63.27	62.40	65.65	64.05
Nonmanufacturing										
4 Mining	11.38	13.51	16.47	12.81	13.86	15.28	16.20	16.80	16.12	16.70
Transportation										
5 Railroad	4.03	4.25	4.43	4.06	3.98	4.54	4.23	4.38	4.22	4.84
6 Air	4.01	4.01	3.60	4.27	4.06	3.77	3.85	3.29	2.84	4.44
7 Other	4.31	3.82	4.12	3.76	4.18	3.39	3.66	4.04	4.00	4.60
Public utilities										
8 Electric	27.65	28.12	28.12	27.91	28.14	27.54	27.69	29.32	29.41	28.84
9 Gas and other	6.31	7.32	8.07	7.12	7.44	7.41	8.36	8.53	7.38	8.16
10 Trade and services	79.26	81.79	87.30	81.07	81.19	82.91	83.43	85.88	86.55	92.68
11 Communication and other[2]	34.83	36.99	41.89	37.66	36.97	36.11	40.32	39.02	43.70	44.31

1. Anticipated by business.
2. "Other" consists of construction; social services and membership organizations; and forestry, fisheries, and agricultural services.

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

1.52 DOMESTIC FINANCE COMPANIES Assets and Liabilities

Billions of dollars, end of period

Account	1975	1976	1977	1978	1979	1980			1981	
						Q2	Q3	Q4	Q1	Q2
Assets										
Accounts receivable, gross										
1 Consumer	36.0	38.6	44.0	52.6	65.7	70.2	71.7	73.6	76.1	79.0
2 Business	39.3	44.7	55.2	63.3	70.3	70.3	66.9	72.3	72.7	78.2
3 Total	75.3	83.4	99.2	116.0	136.0	140.4	138.6	145.9	148.7	157.2
4 LESS: Reserves for unearned income and losses	9.4	10.5	12.7	15.6	20.0	21.4	22.3	23.3	24.3	25.7
5 Accounts receivable, net	65.9	72.9	86.5	100.4	116.0	119.0	116.3	122.6	124.5	131.4
6 Cash and bank deposits	2.9	2.6	2.6	3.5						
7 Securities	1.0	1.1	.9	1.3	24.9[1]	26.1	28.3	27.5	30.8	31.6
8 All other	11.8	12.6	14.3	17.3						
9 **Total assets**	**81.6**	**89.2**	**104.3**	**122.4**	**140.9**	**145.1**	**144.7**	**150.1**	**155.3**	**163.0**
Liabilities										
10 Bank loans	8.0	6.3	5.9	6.5	8.5	10.1	10.1	13.2	13.1	14.4
11 Commercial paper	22.2	23.7	29.6	34.5	43.3	40.7	40.5	43.4	44.2	49.0
Debt										
12 Short-term, n.e.c.	4.5	5.4	6.2	8.1	8.2	7.9	7.7	7.5	8.2	8.5
13 Long-term, n.e.c.	27.6	32.3	36.0	43.6	46.7	50.5	52.0	52.4	51.6	52.6
14 Other	6.8	8.1	11.5	12.6	14.2	16.0	14.6	14.3	17.3	17.0
15 Capital, surplus, and undivided profits	12.5	13.4	15.1	17.2	19.9	19.9	19.8	19.4	20.9	21.5
16 **Total liabilities and capital**	**81.6**	**89.2**	**104.3**	**122.4**	**140.9**	**145.1**	**144.7**	**150.1**	**155.3**	**163.0**

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

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

1.53 DOMESTIC FINANCE COMPANIES Business Credit

Millions of dollars, seasonally adjusted except as noted

Type	Accounts receivable outstanding June 30, 1981[1]	Changes in accounts receivable			Extensions			Repayments		
		1981			1981			1981		
		Apr.	May	June	Apr.	May	June	Apr.	May	June
1 **Total**	**78,232**	**1,409**	**1,813**	**1,850**	**18,133**	**18,983**	**19,502**	**16,724**	**17,170**	**17,652**
2 Retail automotive (commercial vehicles)	11,397	−213	−152	−217	790	830	734	1,003	982	951
3 Wholesale automotive	13,639	890	682	1,085	5,865	5,426	6,267	4,975	4,744	5,182
4 Retail paper on business, industrial and farm equipment	25,148	56	608	456	1,384	1,595	1,774	1,328	987	1,318
5 Loans on commercial accounts receivable and factored commercial accounts receivable	8,683	139	488	180	7,735	8,696	8,267	7,596	8,208	8,087
6 All other business credit	19,365	537	187	346	2,359	2,436	2,460	1,822	2,249	2,114

1. Not seasonally adjusted.

1.54 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

Item	1978	1979	1980	1981 Jan.	Feb.	Mar.	Apr.	May	June	July
Terms and yields in primary and secondary markets										
PRIMARY MARKETS										
Conventional mortgages on new homes										
Terms[1]										
1 Purchase price (thousands of dollars)	62.6	74.4	83.4	87.0	90.3	90.9	88.5	88.9	94.1[r]	97.0
2 Amount of loan (thousands of dollars)	45.9	53.3	59.2	63.0	65.6	64.5	64.1	65.5	66.8	67.7
3 Loan/price ratio (percent)	75.3	73.9	73.2	75.6	75.6	73.9	74.7	76.7	72.6	73.9
4 Maturity (years)	28.0	28.5	28.2	29.1	29.0	28.7	28.6	28.5	27.5	28.3
5 Fees and charges (percent of loan amount)[2]	1.39	1.66	2.09	2.40	2.59	2.64	2.61	2.60	2.50	2.73
6 Contract rate (percent per annum)	9.30	10.48	12.25	12.80	13.02	13.48	13.62	13.56	14.12	14.14
Yield (percent per annum)										
7 FHLBB series[3]	9.54	10.77	12.65	13.26	13.54	14.02	14.15	14.10	14.67	14.72
8 HUD series[4]	9.68	11.15	13.95	14.95	15.10	15.25	15.70	16.35	16.40	16.70
SECONDARY MARKETS										
Yield (percent per annum)										
9 FHA mortgages (HUD series)[5]	9.70	10.87	13.42	14.23	14.79	15.04	15.91	16.03	16.31	16.76
10 GNMA securities[6]	8.98	10.22	12.55	13.50	12.63[c]	14.22	14.69	15.31	15.02	15.76
FNMA auctions[7]										
11 Government-underwritten loans	9.77	11.17	14.11	14.87	15.24	15.64[c]	16.54	16.93[r]	16.17	16.65
12 Conventional loans	10.01	11.77	14.43	14.95	15.05	15.29	15.66	16.44	16.30	16.44
Activity in secondary markets										
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
13 Total	43,311	51,091	57,327	57,390	57,434	57,362	57,436	57,586	57,657	57,978
14 FHA-insured	21,243	24,489	38,969[8]	38,955	38,972	38,878	38,919	39,030	38,988	39,108
15 VA-guaranteed	10,544	10,496								
16 Conventional	11,524	16,106	18,358	18,435	18,462	18,484	18,517	18,557	18,669[r]	18,870
Mortgage transactions (during period)										
17 Purchases	12,303	10,805	8,100	185	161	87	206	283	247	627
18 Sales	9	0	0	0	0	0	1[r]	0	0	0
Mortgage commitments[9]										
19 Contracted (during period)	18,959	10,179	8,044	241	244	319[c]	383	802	1,110	1,662
20 Outstanding (end of period)	9,185	6,409	3,278	3,063	2,683	2,173	2,031	2,328	3,103	4,039
Auction of 4-month commitments to buy										
Government-underwritten loans										
21 Offered	12,978	8,860	8,605	210.7[c]	154.2[c]	169.0[c]	139.1	204.8[c]	237.6	331.9
22 Accepted	6,747	3,920	4,002	110.8[c]	87.7[c]	69.0[c]	114.5	179.1	127.1[r]	290.4
Conventional loans										
23 Offered	9,933	4,495	3,639	32.0	108.6	104.0[c]	126.9	281.3	307.1	306.6
24 Accepted	5,110	2,343	1,748	30.3	79.1	62.0	92.0	155.9[r]	224.0[r]	238.2
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[10]										
25 Total	3,064	4,035	5,067	5,039	5,107	5,161	5,176	5,223	5,257	5,250
26 FHA/VA	1,243	1,102	1,033	1,029	1,025	1,021	1,017	1,013	1,009	1,005
27 Conventional	1,165	1,957	2,840[c]	2,825	2,883	2,931	2,952	2,988	3,016	3,017
Mortgage transactions (during period)										
28 Purchases	6,525	5,717	3,723	192[c]	179[c]	148	125	480	139	242
29 Sales	6,211	4,544	2,527	168	94	127	97	422	94	238
Mortgage commitments[11]										
30 Contracted (during period)	7,451	5,542	3,859	203	90[c]	475[c]	118[c]	130[r]	293[r]	866
31 Outstanding (end of period)	1,410	797	447	487	394	699	678	322	1,018	824

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups. Compiled by the Federal Home Loan Bank Board in cooperation with the Federal Deposit Insurance Corporation.
2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) in order to obtain a loan.
3. Average effective interest rates on loans closed, assuming prepayment at the end of 10 years.
4. Average contract rates on new commitments for conventional first mortgages, rounded to the nearest 5 basis points; from Department of Housing and Urban Development.
5. Average gross yields on 30-year, minimum-downpayment, Federal Housing Administration-insured first mortgages for immediate delivery in the private secondary market. Any gaps in data are due to periods of adjustment to changes in maximum permissible contract rates.
6. Average net yields to investors on Government National Mortgage Association guaranteed, mortgage-backed, fully modified pass-through securities, assuming prepayment in 12 years on pools of 30-year FHA/VA mortgages carrying the prevailing ceiling rate. Monthly figures are unweighted averages of Monday quotations for the month.
7. Average gross yields (before deduction of 38 basis points for mortgage servicing) on accepted bids in Federal National Mortgage Association's auctions of 4-month commitments to purchase home mortgages, assuming prepayment in 12 years for 30-year mortgages. No adjustments are made for FNMA commitment fees or stock related requirements. Monthly figures are unweighted averages for auctions conducted within the month.
8. Beginning March 1980, FHA-insured and VA-guaranteed mortgage holdings in lines 14 and 15 are combined.
9. Includes some multifamily and nonprofit hospital loan commitments in addition to 1- to 4-family loan commitments accepted in FNMA's free market auction system, and through the FNMA-GNMA tandem plans.
10. Includes participation as well as whole loans.
11. Includes conventional and government-underwritten loans.

1.55 MORTGAGE DEBT OUTSTANDING

Millions of dollars, end of period

Type of holder, and type of property	1978	1979	1980	1980			1981	
				Q2	Q3	Q4	Q1 r	Q2
1 **All holders**	**1,169,412**	**1,326,750**	**1,451,840**	**1,380,928**	**1,414,881**	**1,451,841 r**	**1,473,354**	**1,503,308**
2 1- to 4-family	765,217	878,931	960,422	910,286	935,393	960,408 r	973,144	992,146
3 Multifamily	121,138	128,852	136,580	132,194	134,193	136,601 r	138,092	140,276
4 Commercial	211,851	236,451	258,338	247,444	251,651	258,332 r	262,250	266,751
5 Farm	71,206	82,516	96,500	91,004	93,644	96,500	99,868	104,135
6 Major financial institutions	848,177	938,567	998,386	958,750	977,281	998,372 r	1,008,123	1,023,741
7 Commercial banks[1]	214,045	245,187	264,602	253,103	258,003	264,602	268,102	274,503
8 1- to 4-family	129,167	149,460	160,746	153,753	156,737	160,746	162,872	166,761
9 Multifamily	10,266	11,180	12,304	11,764	11,997	12,304	12,467	12,764
10 Commercial	66,115	75,957	82,688	79,110	80,626	82,688	83,782	85,782
11 Farm	8,497	8,590	8,864	8,476	8,643	8,864	8,981	9,196
12 Mutual savings banks	95,157	98,908	99,827	99,150	99,8306	99,813 r	99,719	99,670
13 1- to 4-family	62,252	64,706	65,307	64,864	64,966	65,297 r	65,236	65,204
14 Multifamily	16,529	17,340	17,180	17,223	17,249	17,338 r	17,321	17,313
15 Commercial	16,319	16,963	17,120	17,004	17,031	17,118 r	17,102	17,093
16 Farm	57	59	60	59	60	60	60	60
17 Savings and loan associations	432,808	475,688	502,812	481,042	491,895	502,812	507,152	514,568
18 1- to 4-family	356,114	394,345	419,446	399,746	409,896	419,446	423,066	429,253
19 Multifamily	36,053	37,579	38,113	37,329	37,728	38,113	38,442	39,004
20 Commercial	40,461	43,764	45,253	43,967	44,271	45,253	45,644	46,311
21 Life insurance companies	106,167	118,784	131,145	125,455	128,077	131,145	133,150	135,000
22 1- to 4-family	14,436	16,193	17,911	17,796	17,996	17,911	17,815	18,076
23 Multifamily	19,000	19,274	19,614	19,284	19,357	19,614	19,678	19,957
24 Commercial	62,232	71,137	80,776	75,693	77,995	80,776	82,714	83,887
25 Farm	10,499	12,180	12,844	12,682	12,729	12,844	12,943	13,080
26 Federal and related agencies	81,739	97,084	114,300	108,539	110,526	114,300	116,243	119,476
27 Government National Mortgage Association	3,509	3,852	4,642	4,466	4,389	4,642	4,826	4,976
28 1- to 4-family	877	763	704	736	719	704	696	720
29 Multifamily	2,632	3,089	3,938	3,730	3,670	3,938	4,130	4,256
30 Farmers Home Administration	926	1,274	3,492	3,375	3,525	3,492	2,837	3,037
31 1- to 4-family	288	417	916	1,383	978	916	1,321	1,421
32 Multifamily	320	71	610	636	774	610	528	553
33 Commercial	101	174	411	402	370	411	479	504
34 Farm	217	612	1,555	954	1,403	1,555	509	559
35 Federal Housing and Veterans Administration	5,305	5,555	5,640	5,691	5,600	5,640	5,799	5,830
36 1- to 4-family	1,673	1,955	2,051	2,085	1,986	2,051	2,135	2,158
37 Multifamily	3,632	3,600	3,589	3,606	3,614	3,589	3,664	3,672
38 Federal National Mortgage Association	43,311	51,091	57,327	55,419	55,632	57,327	57,362	57,657
39 1- to 4-family	37,579	45,488	51,775	49,837	50,071	51,775	51,842	52,181
40 Multifamily	5,732	5,603	5,552	5,582	5,561	5,552	5,520	5,476
41 Federal Land Banks	25,624	31,277	38,131	35,574	36,837	38,131	40,258	42,693
42 1- to 4-family	927	1,552	2,099	1,893	1,985	2,099	2,228	2,401
43 Farm	24,697	29,725	36,032	33,681	34,852	36,032	38,030	40,292
44 Federal Home Loan Mortgage Corporation	3,064	4,035	5,068	4,014	4,543	5,068	5,161	5,283
45 1- to 4-family	2,407	3,059	3,873	3,037	3,459	3,873	3,953	4,041
46 Multifamily	657	976	1,195	977	1,084	1,195	1,208	1,242
47 Mortgage pools or trusts[2]	88,633	119,278	142,258	129,647	136,583	142,258	147,246	152,303
48 Government National Mortgage Association	54,347	76,401	93,874	84,282	89,452	93,874	97,184	100,558
49 1- to 4-family	52,732	74,546	91,602	82,208	87,276	91,602	94,810	98,102
50 Multifamily	1,615	1,855	2,272	2,074	2,176	2,272	2,374	2,456
51 Federal Home Loan Mortgage Corporation	11,892	15,180	16,854	16,120	16,659	16,854	17,067	17,650
52 1- to 4-family	9,657	12,149	13,471	12,886	13,318	13,471	13,641	14,100
53 Multifamily	2,235	3,031	3,383	3,234	3,341	3,383	3,426	3,550
54 Farmers Home Administration	22,394	27,697	31,530	29,245	30,472	31,530	32,995	34,095
55 1- to 4-family	13,400	14,884	16,683	15,224	16,226	16,683	16,640	16,965
56 Multifamily	1,116	2,163	2,612	2,159	2,235	2,612	2,853	3,078
57 Commercial	3,560	4,328	5,271	4,763	5,059	5,271	5,382	5,632
58 Farm	4,318	6,322	6,964	7,099	6,952	6,964	8,120	8,420
59 Individual and others[3]	150,863	171,821	196,896	183,992	190,491	196,911 r	201,742	207,788
60 1- to 4-family	83,708	99,414	113,838	104,838	109,780	113,834 r	116,889	120,763
61 Multifamily	21,351	23,251	26,058	24,596	25,407	26,081 r	26,481	26,955
62 Commercial	22,883	24,128	26,819	26,505	26,299	26,815	27,147	27,542
63 Farm	22,921	25,028	30,181	28,053	29,005	30,181	31,225	32,528

1. Includes loans held by nondeposit trust companies but not bank trust departments.
2. Outstanding principal balances of mortgages backing securities insured or guaranteed by the agency indicated.
3. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and U.S. agencies for which amounts are small or separate data are not readily available.

NOTE. Based on data from various institutional and governmental sources, with some quarters estimated in part by the Federal Reserve in conjunction with the Federal Home Loan Bank Board and the Department of Commerce. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations when required, are estimated mainly by the Federal Reserve. Multifamily debt refers to loans on structures of five or more units.

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

Millions of dollars

Holder, and type of credit	1978	1979	1980	1981						
				Jan.	Feb.	Mar.	Apr.	May	June	July
	Amounts outstanding (end of period)									
1 **Total**	**273,645**	**312,024**	**313,435**	**310,554**	**309,188**	**310,766**	**313,419**	**315,465**	**318,459**	**320,886**
By major holder										
2 Commercial banks	136,016	154,177	145,765	143,749	142,030	141,897	142,070	142,143	143,310	144,020
3 Finance companies	54,298	68,318	76,756	77,131	78,090	79,490	81,033	81,794	82,723	83,924
4 Credit unions	44,334	46,517	44,041	43,601	43,776	44,212	44,390	45,055	45,686	46,096
5 Retailers[2]	25,987	28,119	29,410	28,300	27,329	26,965	27,227	27,319	27,412	27,469
6 Savings and loans	7,097	8,424	9,911	10,023	10,173	10,458	10,792	11,148	11,115	10,959
7 Gasoline companies	3,220	3,729	4,717	4,929	4,958	4,898	5,046	5,157	5,364	5,597
8 Mutual savings banks	2,693	2,740	2,835	2,821	2,832	2,846	2,861	2,849	2,849	2,821
By major type of credit										
9 Automobile	101,647	116,362	116,327	115,262	115,677	117,517	118,479	118,932	119,685	121,002
10 Commercial banks	60,510	67,367	61,025	59,608	59,061	59,378	59,252	59,169	59,192	59,434
11 Indirect paper	33,850	38,338	34,857	33,947	33,667	34,016	33,931	33,913	33,996	34,270
12 Direct loans	26,660	29,029	26,168	25,661	25,394	25,362	25,321	25,256	25,196	25,164
13 Credit unions	21,200	22,244	21,060	20,850	20,933	21,142	21,227	21,545	21,847	22,044
14 Finance companies	19,937	26,751	34,242	34,804	35,683	36,997	38,000	38,218	38,646	39,525
15 Revolving	48,309	56,937	59,862	58,985	57,566	56,831	57,322	57,524	58,470	58,976
16 Commercial banks	24,341	29,862	30,001	29,952	29,412	29,051	29,127	29,096	29,722	29,923
17 Retailers	20,748	23,346	25,144	24,104	23,196	22,882	23,149	23,271	23,384	23,456
18 Gasoline companies	3,220	3,729	4,717	4,929	4,958	4,898	5,046	5,157	5,364	5,597
19 Mobile home	15,235	16,838	17,327	17,244	17,189	17,273	17,422	17,626	17,724	17,784
20 Commercial banks	9,545	10,647	10,376	10,271	10,174	10,153	10,142	10,159	10,179	10,192
21 Finance companies	3,152	3,390	3,745	3,741	3,740	3,762	3,828	3,909	3,990	4,076
22 Savings and loans	2,067	2,307	2,737	2,768	2,809	2,888	2,980	3,079	3,069	3,026
23 Credit unions	471	494	469	464	466	470	472	479	486	490
24 Other	108,454	121,887	119,919	119,063	118,756	119,145	120,196	121,383	122,580	123,124
25 Commercial banks	41,620	46,301	44,363	43,918	43,383	43,315	43,549	43,719	44,217	44,471
26 Finance companies	31,209	38,177	38,769	38,586	38,667	38,731	39,205	39,667	40,087	40,323
27 Credit unions	22,663	23,779	22,512	22,287	22,377	22,600	22,691	23,031	23,353	23,563
28 Retailers	5,239	4,773	4,266	4,196	4,133	4,083	4,078	4,048	4,028	4,013
29 Savings and loans	5,030	6,117	7,174	7,255	7,364	7,570	7,812	8,069	8,046	7,933
30 Mutual savings banks	2,693	2,740	2,835	2,821	2,832	2,846	2,861	2,849	2,849	2,821
	Net change (during period)[3]									
31 **Total**	**43,079**	**38,381**	**1,410**	**869**	**1,996**	**3,108**	**2,331**	**1,346**	**1,930**	**1,954**
By major holder										
32 Commercial banks	23,641	18,161	−8,412	−1,357	−544	612	−345	−14	614	432
33 Finance companies	9,430	14,020	8,438	1,113	1,530	1,539	1,253	409	570	948
34 Credit unions	6,729	2,185	−2,475	288	444	287	272	391	219	532
35 Retailers[2]	2,497	2,132	1,291	409	103	253	531	−3	416	265
36 Savings and loans	7	1,327	1,485	232	254	418	421	519	45	−175
37 Gasoline companies	257	509	988	106	209	−6	141	67	78	4
38 Mutual savings banks	518	47	95	78	0	5	58	−23	−12	−52
By major type of credit										
39 Automobile	18,736	14,715	−35	−63	979	1,682	428	−195	57	1,208
40 Commercial banks	10,933	6,857	−6,342	−1,253	−346	229	−461	−208	−214	199
41 Indirect paper	6,471	4,488	−3,481	−839	−229	268	−256	−83	−44	274
42 Direct loans	4,462	2,369	−2,861	−414	−117	−39	−205	−125	−170	−75
43 Credit unions	3,101	1,044	−1,184	206	211	132	142	160	106	263
44 Finance companies	4,702	6,814	7,491	984	1,114	1,321	747	−147	165	746
45 Revolving	9,035	8,628	2,925	557	441	587	838	350	1,018	477
46 Commercial banks	5,967	5,521	139	59	166	346	153	230	580	156
47 Retailers	2,811	2,598	1,798	392	66	247	544	53	360	317
48 Gasoline companies	257	509	988	106	209	−6	141	67	78	4
49 Mobile home	286	1,603	488	−24	−47	88	145	243	89	67
50 Commercial banks	419	1,102	−271	−85	−102	−35	−15	7	−12	20
51 Finance companies	74	238	355	15	18	25	58	78	85	81
52 Savings and loans	−276	240	430	46	31	97	99	152	14	−44
53 Credit unions	69	23	−25	0	6	1	3	6	2	10
54 Other	15,022	13,435	−1,968	399	623	751	920	948	766	202
55 Commercial banks	6,322	4,681	−1,938	−78	−262	72	−22	−43	260	57
56 Finance companies	4,654	6,968	592	114	398	193	448	478	320	121
57 Credit unions	3,559	1,118	−1,266	82	227	154	127	225	111	259
58 Retailers	−314	−466	−507	17	37	6	−13	−56	56	−52
59 Savings and loans	283	1,087	1,056	186	223	321	322	367	31	−131
60 Mutual savings banks	518	47	95	78	0	5	58	−23	−12	−52

1. The Board's series cover most short- and intermediate-term credit extended to individuals through regular business channels, usually to finance the purchase of consumer goods and services or to refinance debts incurred for such purposes, and scheduled to be repaid (or with the option of repayment) in two or more installments.

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

3. Net change equals extensions minus liquidations (repayments, charge-offs and other credit); figures for all months are seasonally adjusted.

▲Total consumer noninstallment credit outstanding—credit scheduled to be repaid in a lump sum, including single-payment loans, charge accounts, and service credit—amounted to $64.3 billion at the end of 1978, $71.3 billion at the end of 1979, and $72.2 billion at the end of 1980.

1.57 CONSUMER INSTALLMENT CREDIT Extensions and Liquidations

Millions of dollars; monthly data are seasonally adjusted.

Holder, and type of credit	1978	1979	1980	1981 Jan.	Feb.	Mar.	Apr.	May	June	July
				Extensions						
1 **Total**	**297,668**	**324,777**	**305,887**	**27,059**	**28,706**	**29,822**	**28,878**	**28,149**	**29,005**	**28,750**
By major holder										
2 Commercial banks	142,433	154,733	133,605	10,397	11,648	12,676	11,986	12,055	12,483	12,433
3 Finance companies	50,505	61,518	60,801	5,904	6,193	5,911	5,218	4,937	5,251	5,439
4 Credit unions	38,111	34,926	29,594	2,994	3,167	3,153	3,181	3,212	3,137	3,299
5 Retailers[1]	44,571	47,676	50,959	4,673	4,500	4,685	5,002	4,486	5,018	4,826
6 Savings and loans	3,724	5,901	6,621	715	751	1,038	985	1,068	649	383
7 Gasoline companies	16,017	18,005	22,402	2,130	2,284	2,180	2,272	2,243	2,296	2,252
8 Mutual savings banks	2,307	2,018	1,905	246	163	179	234	148	171	118
By major type of credit										
9 Automobile	87,981	93,901	83,002	7,237	8,333	8,700	7,205	7,320	7,442	8,178
10 Commercial banks	52,969	53,554	40,657	2,598	3,560	4,117	3,438	3,627	3,652	3,874
11 Indirect paper	29,342	29,623	22,269	1,230	1,944	2,365	1,929	2,071	2,126	2,349
12 Direct loans	23,627	23,931	18,388	1,368	1,616	1,752	1,509	1,556	1,526	1,525
13 Credit unions	18,539	17,397	15,294	1,592[c]	1,613	1,586	1,589	1,608	1,553	1,663
14 Finance companies	16,473	22,950	27,051	3,047	3,160	2,997	2,178	2,085	2,237	2,641
15 Revolving	105,125	120,174	129,580	11,483	11,867	12,071	12,352	11,904	12,668	12,190
16 Commercial banks	51,333	61,048	61,847	5,185	5,602	5,695	5,561	5,613	5,905	5,557
17 Retailers	37,775	41,121	45,331	4,168	3,981	4,196	4,519	4,048	4,467	4,381
18 Gasoline companies	16,017	18,005	22,402	2,130	2,284	2,180	2,272	2,243	2,296	2,252
19 Mobile home	5,412	6,471	5,098	383	409	641	551	609	488	451
20 Commercial banks	3,697	4,542	2,942	171	185	259	251	250	259	282
21 Finance companies	886	797	898	81	88	88	100	112	122	116
22 Savings and loans	609	948	1,146	119	118	269	184	230	93	30
23 Credit unions	220	184	113	12	18	25	16	17	14	23
24 Other	99,150	104,231	88,207	7,956	8,097	8,410	8,770	8,316	8,407	7,931
25 Commercial banks	34,434	35,589	28,159	2,443	2,301	2,605	2,736	2,565	2,667	2,720
26 Finance companies	33,146	37,771	32,852	2,776	2,945	2,826	2,940	2,740	2,892	2,682
27 Credit unions	19,352	17,345	14,187	1,390	1,536	1,542	1,576	1,587	1,570	1,613
28 Retailers	6,796	6,555	5,628	505	519	489	483	438	551	445
29 Savings and loans	3,115	4,953	5,476	596	633	769	801	838	556	353
30 Mutual savings banks	2,307	2,018	1,905	246	163	179	234	148	171	118
				Liquidations						
31 **Total**	**254,589**	**286,396**	**304,477**	**26,190**	**26,710**	**26,714**	**26,547**	**26,803**	**27,075**	**26,796**
By major holder										
32 Commercial banks	118,792	136,572	142,017	11,754	12,192	12,064	12,331	12,069	11,869	12,001
33 Finance companies	41,075	47,498	52,363	4,791	4,663	4,372	3,965	4,528	4,681	4,491
34 Credit unions	31,382	32,741	32,069	2,706	2,723	2,866	2,909	2,821	2,918	2767
35 Retailers[1]	42,074	45,544	49,668	4,264	4,397	4,432	4,471	4,489	4,602	4561
36 Savings and loans	3,717	4,574	5,136	483	497	620	564	549	604	558
37 Gasoline companies	15,760	17,496	21,414	2,024	2,075	2,186	2,131	2,176	2,218	2,248
38 Mutual savings banks	1,789	1,971	1,810	168	163	174	176	171	183	170
By major type of credit										
39 Automobile	69,245	79,186	83,037	7,300	7,354	7,018	6,777	7,515	7,385	6,970
40 Commercial banks	42,036	46,697	46,999	3,851	3,906	3,888	3,899	3,835	3,866	3,675
41 Indirect paper	22,871	25,135	25,750	2,069	2,173	2,097	2,185	2,154	2,170	2,075
42 Direct loans	19,165	21,562	21,249	1,782	1,733	1,791	1,714	1,681	1,696	1,600
43 Credit unions	15,438	16,353	16,478	1,386	1,402	1,454	1,447	1,448	1,447	1,400
44 Finance companies	11,771	16,136	19,560	2,063	2,046	1,676	1,431	2,232	2,072	1,895
45 Revolving	96,090	111,546	126,655	10,926	11,426	11,484	11,514	11,554	11,650	11,713
46 Commercial banks	45,366	55,527	61,708	5,126	5,436	5,349	5,408	5,383	5,325	5,401
47 Retailers	34,964	38,523	43,533	3,776	3,915	3,949	3,975	3,995	4,107	4,064
48 Gasoline companies	15,760	17,496	21,414	2,024	2,075	2,186	2,131	2,176	2,218	2,248
49 Mobile home	5,126	4,868	4,610	407	456	553	406	366	399	384
50 Commercial banks	3,278	3,440	3,213	256	287	294	266	243	271	262
51 Finance companies	812	559	543	66	70	63	42	34	37	35
52 Savings and loans	885	708	716	73	87	172	85	78	79	74
53 Credit unions	151	161	138	12	12	24	13	11	12	13
54 Other	84,128	90,796	90,175	7,557	7,474	7,659	7,850	7,368	7,641	7,729
55 Commercial banks	28,112	30,908	30,097	2,521	2,563	2,533	2,758	2,608	2,407	2,663
56 Finance companies	28,492	30,803	32,260	2,662	2,547	2,633	2,492	2,262	2,572	2,651
57 Credit unions	15,793	16,227	15,453	1,308	1,309	1,388	1,449	1,362	1,459	1,354
58 Retailers	7,110	7,021	6,135	488	482	483	496	494	495	497
59 Savings and loans	2,832	3,866	4,420	410	410	448	479	471	525	484
60 Mutual savings banks	1,789	1,971	1,810	168	163	174	176	171	183	170

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

1.58 FUNDS RAISED IN U.S. CREDIT MARKETS

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

Transaction category, sector	1975	1976	1977	1978	1979	1980	1978 H1	1978 H2	1979 H1	1979 H2	1980 H1	1980 H2
	Nonfinancial sectors											
1 **Total funds raised**	**210.8**	**271.9**	**338.5**	**400.4**	**394.9**	**365.4**	**384.8**	**416.0**	**380.5**	**408.2**	**325.8**	**404.9**
2 Excluding equities	200.7	261.0	335.3	398.3	390.6	353.9	387.4	409.2	377.7	402.3	318.0	389.7
By sector and instrument												
3 U.S. government	85.4	69.0	56.8	53.7	37.4	79.2	61.4	46.0	28.6	46.1	64.7	93.7
4 Treasury securities	85.8	69.1	57.6	55.1	38.8	79.8	62.3	47.9	30.9	46.6	65.3	94.3
5 Agency issues and mortgages	−.4	−.1	−.9	−1.4	−1.4	−.6	−.9	−1.9	−2.3	−.5	−.6	−.6
6 All other nonfinancial sectors	125.4	202.8	281.7	346.7	357.6	286.2	323.4	370.0	351.9	362.1	261.1	311.2
7 Corporate equities	10.1	10.8	3.1	2.1	4.3	11.5	−2.6	6.8	2.8	5.9	7.8	15.3
8 Debt instruments	115.3	192.0	278.6	344.6	353.2	274.7	326.0	363.2	349.1	356.2	253.4	295.9
9 Private domestic nonfinancial sectors	112.1	182.0	267.8	314.4	336.4	256.7	302.8	326.1	338.6	333.0	231.9	281.5
10 Corporate equities	9.9	10.5	2.7	2.6	3.5	9.5	−1.8	7.0	2.8	4.1	6.0	13.0
11 Debt instruments	102.2	171.5	265.1	311.8	333.0	247.2	304.6	319.1	335.8	328.9	225.9	268.5
12 Debt capital instruments	98.4	123.5	175.6	196.6	199.9	179.7	188.3	205.0	198.8	201.1	171.9	187.4
13 State and local obligations	16.1	15.7	23.7	28.3	18.9	25.0	27.8	28.7	16.0	21.8	18.5	31.6
14 Corporate bonds	27.2	22.8	21.0	20.1	21.2	27.9	20.6	19.6	22.4	19.9	33.6	22.3
Mortgages												
15 Home mortgages	39.5	63.6	96.3	104.6	109.1	81.5	100.1	109.1	109.8	108.5	70.7	92.8
16 Multifamily residential	*	1.8	7.4	10.2	8.9	8.7	9.3	11.2	8.1	9.7	8.1	9.0
17 Commercial	11.0	13.4	18.4	23.3	25.7	21.6	21.2	25.4	26.0	25.4	25.5	19.3
18 Farm	4.6	6.1	8.8	10.2	16.2	14.0	9.3	11.1	16.6	15.9	15.5	12.4
19 Other debt instruments	3.8	48.0	89.5	115.2	133.0	67.2	116.3	114.1	137.0	127.8	54.0	81.1
20 Consumer credit	9.7	25.6	40.6	50.6	44.2	3.1	50.1	51.0	48.3	39.0	−4.3	8.9
21 Bank loans n.e.c.	−12.3	4.0	27.0	37.3	50.6	37.9	43.1	31.4	48.2	52.9	9.7	65.0
22 Open market paper	−2.6	4.0	2.9	5.2	10.9	5.8	5.3	5.1	12.0	9.7	29.7	−18.1
23 Other	9.0	14.4	19.0	22.2	27.3	20.4	17.8	26.5	28.4	26.2	18.9	25.2
24 By borrowing sector	112.1	182.0	267.8	314.4	336.4	254.2	302.8	326.1	338.6	333.0	231.9	281.5
25 State and local governments	13.7	15.2	20.4	23.6	15.5	20.7	21.0	26.1	13.0	18.0	16.6	30.4
26 Households	49.7	90.5	139.9	162.6	164.9	100.8	156.1	169.1	167.6	161.2	88.7	113.7
27 Farm	8.8	10.9	14.7	18.1	25.8	19.0	15.3	20.8	23.5	28.1	20.9	14.7
28 Nonfarm noncorporate	2.0	4.7	12.9	15.4	15.9	12.5	16.4	14.4	15.5	15.9	10.3	15.5
29 Corporate	37.9	60.7	79.9	94.8	114.3	101.1	93.9	95.7	118.9	109.7	95.4	107.2
30 Foreign	13.3	20.8	13.9	32.3	21.2	29.9	20.6	43.9	13.3	29.1	29.3	29.7
31 Corporate equities	.2	.3	.4	−.5	.9	2.2	−.8	−.2	*	1.7	1.8	2.3
32 Debt instruments	13.2	20.5	13.5	32.8	20.3	27.7	21.4	44.1	13.3	27.3	27.5	27.4
33 Bonds	6.2	8.6	5.1	4.0	3.9	.8	5.0	3.0	3.0	4.7	2.0	−.4
34 Bank loans n.e.c.	3.9	6.8	3.1	18.3	2.3	11.8	9.3	27.3	1.0	3.5	4.4	18.7
35 Open market paper	.3	1.9	2.4	6.6	11.2	10.1	3.6	9.6	6.1	16.3	15.7	4.5
36 U.S. government loans	2.8	3.3	3.0	3.9	3.0	5.0	3.6	4.2	3.1	2.8	5.4	4.6
	Financial sectors											
37 **Total funds raised**	**12.7**	**24.1**	**54.0**	**81.4**	**88.5**	**70.8**	**80.7**	**82.1**	**86.3**	**90.7**	**53.7**	**84.2**
By instrument												
38 U.S. government related	13.5	18.6	26.3	41.4	52.4	47.5	38.5	44.3	45.8	59.0	45.8	48.9
39 Sponsored credit agency securities	2.3	3.3	7.0	23.1	24.3	24.3	21.9	24.3	21.5	27.0	25.1	23.7
40 Mortgage pool securities	10.3	15.7	20.5	18.3	28.1	23.2	16.6	20.1	24.2	32.0	20.7	25.2
41 Loans from U.S. government	.9	−.4	−1.2	-	-	-	-	-	-	-	-	-
42 Private financial sectors	−.8	5.5	27.7	40.0	36.1	23.3	42.2	37.8	40.5	31.7	7.9	35.3
43 Corporate equities	.6	1.0	.9	1.7	2.3	3.4	2.2	1.1	2.0	2.5	2.6	4.3
44 Debt instruments	−1.4	4.4	26.9	38.3	33.8	19.8	40.0	36.7	38.4	29.2	5.3	31.0
45 Corporate bonds	2.9	5.8	10.1	7.5	7.8	7.2	8.5	6.4	8.7	7.0	10.5	3.5
46 Mortgages	2.3	2.1	3.1	.9	−1.2	−.9	2.1	−.3	−.5	−1.9	−6.8	4.8
47 Bank loans n.e.c.	−3.7	−3.7	−.3	2.8	−.4	1.0	2.5	3.1	−.7	−.2	1.0	−1.9
48 Open market paper and RPs	1.1	2.2	9.6	14.6	18.4	5.4	13.5	15.7	23.0	13.8	−3.6	14.5
49 Loans from Federal Home Loan Banks	−4.0	−2.0	4.3	12.5	9.2	7.1	13.2	11.8	7.8	10.5	4.1	10.2
By sector												
50 Sponsored credit agencies	3.2	2.9	5.8	23.1	24.3	24.4	21.9	24.3	21.5	27.0	25.1	23.7
51 Mortgage pools	10.3	15.7	20.5	18.3	28.1	23.2	16.6	20.1	24.2	32.0	20.7	25.2
52 Private financial sectors	−.8	5.5	27.7	40.0	36.1	23.3	42.2	37.8	40.5	31.7	7.9	35.3
53 Commercial banks	1.2	2.3	1.1	1.3	1.6	.6	1.5	1.1	1.3	1.8	.8	.3
54 Bank affiliates	.3	−.8	1.3	6.7	4.5	5.6	5.8	7.6	6.2	2.9	4.5	6.6
55 Savings and loan associations	−2.3	.1	9.9	14.3	11.4	6.4	16.4	12.2	9.9	12.9	−3.1	17.0
56 Other insurance companies	1.0	.9	.9	1.1	1.0	.8	1.0	1.1	1.0	.9	.8	.7
57 Finance companies	.5	6.4	17.6	18.6	18.9	8.8	18.9	18.2	23.5	14.3	5.5	10.0
58 REITs	−1.4	−2.4	−2.2	−1.0	−.4	−.9	−1.0	−1.0	−.6	−.1	−1.4	−2.0
59 Open-end investment companies	−.1	−1.0	−.9	−1.0	−1.0	2.0	−.5	−1.5	−1.0	−.9	.9	2.6
	All sectors											
60 **Total funds raised, by instrument**	**223.6**	**295.9**	**392.5**	**481.8**	**483.4**	**434.1**	**465.5**	**498.1**	**466.7**	**498.9**	**379.5**	**489.2**
61 Investment company shares	−.1	−1.0	−.9	−1.0	−1.0	2.0	−.5	−1.5	−1.0	−.9	.9	2.6
62 Other corporate equities	10.8	12.9	4.9	4.7	7.6	15.0	.1	9.4	5.8	9.3	9.5	17.0
63 Debt instruments	212.9	284.1	388.5	478.1	476.8	417.1	465.9	490.2	461.9	490.5	369.1	469.6
64 U.S. government securities	98.2	88.1	84.3	95.2	89.9	126.8	100.0	90.4	74.5	105.2	110.6	142.8
65 State and local obligations	16.1	15.7	23.7	28.3	18.9	22.2	27.8	28.7	16.0	21.8	18.5	31.6
66 Corporate and foreign bonds	36.4	37.2	36.1	31.6	32.9	35.6	34.2	29.1	34.1	31.5	46.1	25.4
67 Mortgages	57.2	87.0	133.9	149.1	158.6	124.8	141.9	156.3	159.8	157.4	113.0	138.2
68 Consumer credit	9.7	25.6	40.6	50.6	44.2	3.1	50.1	51.0	48.3	39.0	−4.3	8.9
69 Bank loans n.e.c.	−12.2	7.0	29.8	58.4	52.5	50.7	54.9	61.8	48.6	56.2	15.1	81.7
70 Open market paper and RPs	−1.2	8.1	15.0	26.4	40.5	21.4	22.4	30.4	41.1	39.8	41.9	.9
71 Other loans	8.7	15.3	25.2	38.6	39.5	32.6	34.6	42.5	39.4	39.5	28.4	40.0

1.59 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

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

Transaction category, or sector	1975	1976	1977	1978	1979	1980	1978		1979		1980	
							H1	H2	H1	H2	H1	H2
1 Total funds advanced in credit markets to nonfinancial sectors	**200.7**	**261.0**	**335.3**	**398.3**	**390.6**	**349.8**	**387.4**	**409.2**	**377.7**	**402.3**	**318.0**	**389.7**
By public agencies and foreign												
2 Total net advances	44.6	54.3	85.1	109.7	80.1	95.8	102.8	116.6	47.6	112.5	101.5	90.4
3 U.S. government securities	22.5	26.8	40.2	43.9	2.0	22.3	43.7	44.0	−22.1	26.2	24.7	21.3
4 Residential mortgages	16.2	12.8	20.4	26.5	36.1	32.0	22.2	30.7	32.6	39.6	33.4	30.7
5 FHLB advances to savings and loans	−4.0	−2.0	4.3	12.5	9.2	7.1	13.2	11.8	7.8	10.5	4.1	10.2
6 Other loans and securities	9.8	16.6	20.2	26.9	32.8	34.5	23.7	30.1	29.2	36.3	39.3	28.3
Total advanced, by sector												
7 U.S. government	15.1	8.9	11.8	20.4	22.5	26.0	19.4	21.4	23.8	21.3	29.5	21.6
8 Sponsored credit agencies	14.8	20.3	26.8	44.6	57.5	48.6	39.4	49.8	49.9	65.2	43.6	52.9
9 Monetary authorities	8.5	9.8	7.1	7.0	7.7	4.5	13.4	.5	.9	14.5	14.6	−5.6
10 Foreign	6.1	15.2	39.4	37.7	−7.7	16.7	30.6	44.9	−27.0	11.7	13.8	21.5
11 Agency borrowing not included in line 1	13.5	18.6	26.3	41.4	52.4	47.5	38.5	44.3	45.8	59.0	45.8	48.9
Private domestic funds advanced												
12 Total net advances	169.7	225.4	276.5	330.0	362.9	301.5	323.2	336.9	375.9	348.8	262.4	348.2
13 U.S. government securities	75.7	61.3	44.1	51.3	87.9	104.6	56.3	46.4	96.6	79.1	85.9	121.5
14 State and local obligations	16.1	15.7	23.7	28.3	18.9	22.2	27.8	28.7	16.0	21.8	18.5	31.6
15 Corporate and foreign bonds	32.8	30.5	22.5	22.5	25.6	25.5	24.1	20.9	26.9	24.3	32.6	19.5
16 Residential mortgages	23.2	52.6	83.3	88.2	81.8	58.1	87.1	89.5	85.1	78.5	45.2	71.0
17 Other mortgages and loans	17.9	63.3	107.3	152.2	157.9	98.2	141.1	163.3	159.1	155.6	84.2	114.7
18 LESS: Federal Home Loan Bank advances	−4.0	−2.0	4.3	12.5	9.2	7.1	13.2	11.8	7.8	10.5	4.1	10.2
Private financial intermediation												
19 Credit market funds advanced by private financial institutions	122.5	190.1	257.0	296.9	292.5	265.6	301.7	292.0	307.5	277.4	230.7	293.0
20 Commercial banking	29.4	59.6	87.6	128.7	121.1	103.5	132.5	125.0	124.6	117.6	57.0	142.4
21 Savings institutions	53.5	70.8	82.0	75.9	56.3	57.6	75.8	75.9	57.7	54.9	32.1	81.1
22 Insurance and pension funds	40.6	49.9	67.9	73.5	70.4	76.4	76.9	70.2	75.4	65.5	86.4	68.0
23 Other finance	−1.0	9.8	19.6	18.7	44.7	28.1	16.6	20.9	49.8	39.6	55.2	1.5
24 Sources of funds	122.5	190.1	257.0	296.9	292.5	265.6	301.7	292.0	307.5	277.4	230.7	293.0
25 Private domestic deposits	92.0	124.6	141.2	142.5	136.7	163.9	138.3	146.7	121.7	151.6	148.3	183.0
26 Credit market borrowing	−1.4	4.4	26.9	38.3	33.8	19.8	40.0	36.7	38.4	29.2	5.3	31.0
27 Other sources	32.0	61.0	89.0	116.0	122.0	81.9	123.5	108.6	147.3	96.6	77.2	79.0
28 Foreign funds	−8.7	−4.6	1.2	6.3	26.3	−20.0	5.7	6.9	49.4	3.2	−18.1	−28.1
29 Treasury balances	−1.7	−.1	4.3	6.8	.4	−2.0	1.9	11.6	5.1	−4.3	−2.5	−2.6
30 Insurance and pension reserves	29.7	34.5	49.4	62.7	49.0	58.5	66.2	59.2	53.9	44.0	62.4	55.6
31 Other, net	12.7	31.2	34.1	40.3	46.3	45.4	49.6	31.0	38.9	53.7	35.4	54.1
Private domestic nonfinancial investors												
32 Direct lending in credit markets	45.8	39.7	46.3	71.5	104.2	55.7	61.4	81.6	106.8	100.5	36.9	86.1
33 U.S. government securities	24.1	16.1	23.0	33.2	57.8	30.7	32.1	34.4	64.1	51.5	15.5	48.8
34 State and local obligations	8.4	3.8	2.6	4.5	−2.5	−1.8	7.0	2.0	−2.3	−2.7	−1.6	7.9
35 Corporate and foreign bonds	8.4	5.8	−3.3	−1.4	11.1	5.4	−3.7	1.0	7.8	14.2	5.2	5.3
36 Commercial paper	−1.3	1.9	9.5	16.3	10.7	−2.4	8.2	24.4	12.5	9.0	−5.7	−2.9
37 Other	6.2	12.0	14.5	18.8	27.1	23.9	17.8	19.8	24.7	28.5	23.6	27.0
38 Deposits and currency	98.1	131.9	149.5	151.8	144.7	173.5	148.7	154.8	131.1	158.1	157.3	194.6
39 Security RPs	.2	2.3	2.2	7.5	6.6	4.7	9.8	5.1	18.5	−5.3	5.3	7.4
40 Money market fund shares	1.3	*	.2	6.9	34.4	29.2	6.1	7.7	30.2	38.6	61.9	−3.4
41 Time and savings accounts	84.0	113.5	121.0	115.2	84.7	131.8	110.7	119.8	71.4	97.9	92.3	178.9
42 Large at commercial banks	−15.8	−13.2	23.0	45.9	.4	12.7	33.9	57.9	−25.3	26.0	−12.0	72.6
43 Other at commercial banks	40.3	57.6	29.0	8.2	39.3	62.9	18.4	−1.9	41.3	37.3	60.8	37.7
44 At savings institutions	59.4	69.1	69.0	61.1	45.1	56.2	58.5	63.8	55.4	34.7	43.5	68.7
45 Money	12.6	16.1	26.1	22.2	18.9	7.8	22.1	22.3	10.9	26.8	−2.2	11.8
46 Demand deposits	6.4	8.8	17.8	12.9	11.0	−1.8	11.6	14.2	1.6	20.3	−11.3	.2
47 Currency	6.2	7.3	8.3	9.3	7.9	9.6	10.5	8.1	9.3	6.5	9.0	11.6
48 Total of credit market instruments, deposits and currency	**143.9**	**171.6**	**195.8**	**223.3**	**248.9**	**229.1**	**210.1**	**236.4**	**237.9**	**258.7**	**194.2**	**280.8**
49 Public support rate (in percent)	22.2	20.8	25.4	27.5	20.5	27.4	26.5	28.5	12.6	28.0	31.9	23.2
50 Private financial intermediation (in percent)	72.2	84.3	93.0	90.0	80.6	88.1	93.4	86.7	81.8	79.5	87.9	84.2
51 Total foreign funds	−2.6	10.6	40.5	44.0	18.6	−3.3	36.3	51.8	22.4	14.9	−4.3	−6.6
MEMO: Corporate equities not included above												
52 Total net issues	**10.7**	**11.9**	**4.0**	**3.7**	**6.6**	**17.0**	**−.4**	**7.9**	**4.8**	**8.4**	**10.4**	**19.6**
53 Mutual fund shares	−.1	−1.0	−.9	−1.0	−1.0	−2.0	−.5	−1.5	−1.0	−.9	.9	2.6
54 Other equities	10.8	12.9	4.9	4.7	7.6	15.0	.1	9.4	5.8	9.3	9.5	17.0
55 Acquisitions by financial institutions	9.6	12.3	7.4	7.6	15.7	18.7	.4	14.7	12.5	18.9	10.5	25.1
56 Other net purchases	1.1	−.4	−3.4	−3.8	−9.1	−1.7	−.8	−6.8	−7.7	−10.5	−.1	−5.5

NOTES BY LINE NUMBER.
1. Line 2 of table 1.58.
2. Sum of lines 3–6 or 7–10.
6. Includes farm and commercial mortgages.
11. Credit market funds raised by federally sponsored credit agencies, and net issues of federally related mortgage pool securities. Included below in lines 3, 13, and 33.
12. Line 1 less line 2 plus line 11. Also line 19 less line 26 plus line 32. Also sum of lines 27, 32, 39, 40, 41, and 46.
17. Includes farm and commercial mortgages.
25. Sum of lines 39, 40, 41, and 46.
26. Excludes equity issues and investment company shares. Includes line 18.
28. Foreign deposits at commercial banks, bank borrowings from foreign branches, and liabilities of foreign banking agencies to foreign affiliates.
29. Demand deposits at commercial banks.
30. Excludes net investment of these reserves in corporate equities.
31. Mainly retained earnings and net miscellaneous liabilities.
32. Line 12 less line 19 plus line 26.
33–37. Lines 13–17 less amounts acquired by private finance. Line 37 includes mortgages.
47. Mainly an offset to line 9.
48. Lines 32 plus 38, or line 12 less line 27 plus 45.
49. Line 2/line 1.
50. Line 19/line 12.
51. Sum of lines 10 and 28.
52, 54. Includes issues by financial institutions.

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

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

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

Measure	1978	1979	1980	1980	1981							
				Dec.	Jan.	Feb.	Mar.	Apr.	May r	June r	July	Aug.
1 **Industrial production**[1]	**146.1**	**152.5**	**147.0r**	**150.4r**	**151.4r**	**151.8r**	**152.1r**	**151.9r**	**152.7**	**152.9r**	**153.4**	**152.8**
Market groupings												
2 Products, total	144.8	150.0	146.7r	149.4r	149.9r	150.2r	150.7r	151.3r	152.3	152.2	152.4	151.9
3 Final, total	135.9	147.2	145.3r	147.8r	147.8r	148.2r	149.0r	149.9r	151.3	151.5	151.6	151.1
4 Consumer goods	149.1	150.8	145.4r	147.1r	146.9r	147.6r	148.3r	148.9r	150.7	150.4	150.0	148.5
5 Equipment	132.8	142.2	145.2r	148.8r	149.1r	148.7r	150.0r	151.4r	152.1	153.0	153.9	154.6
6 Intermediate	154.1	160.5	151.9	155.4r	157.5r	157.7r	157.1r	156.3r	156.1	155.0	155.3	155.1
7 Materials	148.3	156.4	147.6r	152.2r	153.8	154.3r	154.4	152.9r	153.4	154.0	155.0	154.3
Industry groupings												
8 Manufacturing	146.7	153.6	146.7r	150.4r	151.1	151.2r	151.6r	152.0r	152.8	152.5	153.0	152.5
Capacity utilization (percent)[1,2]												
9 Manufacturing	84.4	85.7	79.1r	79.8r	80.0	79.8	79.8r	79.8r	80.0	79.7	79.8	79.2
10 Industrial materials industries	85.6	87.4	80.0r	81.4r	82.1r	82.3r	82.1r	81.1r	81.2	81.4	81.7	81.2
11 Construction contracts (1972 = 100)[3]	174.1	185.6	161.8	193.0	185.0	177.0	183.0	172.0	160.0	170.0	n.a.	n.a.
12 Nonagricultural employment, total[4]	131.8	136.5	137.6	138.2	138.4	138.7	138.8	139.0	139.1	139.2	139.8	139.9
13 Goods-producing, total	109.8	113.5	110.3	110.0	110.0	110.0	110.1	110.3	110.3	110.8	111.3	111.2
14 Manufacturing, total	105.4	108.2	104.4	103.7	103.7	103.8	103.8	104.6	105.0	104.1	105.7	105.5
15 Manufacturing, production-worker	103.0	105.3	99.4	98.3	98.2	98.2	98.4	99.2	99.6	99.6	100.2	100.1
16 Service-producing	143.8	149.1	152.6	153.7	154.0	154.4	154.5	154.7	155.0	154.8	155.4	155.5
17 Personal income, total	273.3	308.5	342.9	361.4	365.2	368.0	371.5	373.6	375.9	378.5	384.4	n.a.
18 Wages and salary disbursements	258.8	289.5	314.7	330.5	335.6	337.9	340.2	341.8	343.6	344.7	347.1	n.a.
19 Manufacturing	223.1	248.6	261.5	275.8	280.1	281.3	382.9	286.1	289.2	289.6	291.2	n.a.
20 Disposable personal income[5]	267.0	299.6	332.5	349.2	352.5	355.3	358.7	360.6	362.4	364.5	370.3	n.a.
21 Retail sales[6]	253.8	281.6	303.8	318.8	326.6	331.7	334.8	328.1	326.7	333.9	332.9	335.1
Prices[7]												
22 Consumer	195.4	217.4	246.8	258.4	260.5	263.2	265.1	226.8	269.0	271.3	274.4	n.a.
23 Producer finished goods	194.6	216.1	246.9	257.2	260.4	262.4	265.3	267.7	268.9	269.9	271.3	271.2

1. The industrial production and capacity utilization series have been revised back to January 1979.
2. Ratios of indexes of production to indexes of capacity. Based on data from Federal Reserve, McGraw-Hill Economics Department, and Department of Commerce.
3. Index of dollar value of total construction contracts, including residential, nonresidential, and heavy engineering, from McGraw-Hill Information Systems Company, F. W. Dodge Division.
4. Based on data in *Employment and Earnings* (U.S. Department of Labor). Series covers employees only, excluding personnel in the Armed Forces.
5. Based on data in *Survey of Current Business* (U.S. Department of Commerce).
6. Based on Bureau of Census data published in *Survey of Current Business*.
7. Data without seasonal adjustment, as published in *Monthly Labor Review*. Seasonally adjusted data for changes in the price indexes may be obtained from the Bureau of Labor Statistics, U.S. Department of Labor.

NOTE. Basic data (not index numbers) for series mentioned in notes 4, 5, and 6, and indexes for series mentioned in notes 3 and 7 may also be found in the *Survey of Current Business*.

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

2.11 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION

Seasonally adjusted

Series	1980		1981		1980		1981		1980		1981	
	Q3r	Q4r	Q1r	Q2r	Q3r	Q4r	Q1r	Q2r	Q3r	Q4r	Q1r	Q2r
	Output (1967 = 100)				Capacity (percent of 1967 output)				Utilization rate (percent)			
1 **Manufacturing**	**141.5**	**148.6**	**151.3**	**152.4**	**186.4**	**187.9**	**189.4**	**190.9**	**75.9**	**79.1**	**79.9**	**79.8**
2 Primary processing	139.7	152.7	157.5	156.6	191.2	192.5	193.8	195.0	73.1	79.3	81.3	80.3
3 Advanced processing	142.3	146.2	148.1	150.2	183.8	185.5	187.1	188.7	77.4	78.8	79.1	79.6
4 **Materials**	**139.2**	**149.4**	**154.2**	**153.4**	**185.1**	**186.4**	**187.6**	**188.9**	**75.2**	**80.1**	**82.2**	**81.2**
5 Durable goods	131.4	144.3	150.9	152.3	189.5	190.6	191.8	192.9	69.3	75.7	78.7	78.9
6 Metal materials	87.3	109.4	117.5	112.7	141.22	141.3	141.5	141.7	61.8	77.4	83.0	79.5
7 Nondurable goods	163.2	176.3	179.2	178.7	203.4	205.3	207.3	209.2	80.2	85.9	86.5	85.4
8 Textile, paper, and chemical	167.0	183.7	186.7	186.3	212.6	214.9	217.1	219.4	78.5	85.5	86.0	84.9
9 Textile	113.2	113.7	114.8	114.6	139.4	139.7	140.1	140.6	81.2	81.4	81.9	81.5
10 Paper	143.6	149.7	151.4	151.0	157.2	158.5	159.7	160.7	91.3	94.5	94.8	93.9
11 Chemical	200.0	228.2	232.7	232.2	267.1	270.5	274.1	277.5	74.9	84.3	84.9	83.7
12 Energy materials	128.4	128.2	130.9	125.0	152.3	152.8	153.5	154.2	84.4	83.9	85.3	81.0

2.11 Continued

Series	Previous cycle[1]		Latest cycle[2]		1980	1980	1981						
	High	Low	High	Low	July	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
	Capacity utilization rate (percent)												
13 Manufacturing	88.0	69.0	87.2	74.9	74.9	79.8	80.0	79.8	79.8	79.8	80.0	79.7	79.8
14 Primary processing	93.8	68.2	90.1	71.0	71.0	80.9	81.5	81.5	80.8	80.7	80.6	79.6	79.8
15 Advanced processing	85.5	69.4	86.2	77.2	77.2	79.2	79.2	79.0	79.2	79.4	79.8	79.6	79.7
16 Materials	92.6	69.4	88.8	73.8	73.8	81.4	82.1	82.3	82.1	81.1	81.2	81.4	81.7
17 Durable goods	91.5	63.6	88.4	68.2	68.2	77.1	78.4	78.5	79.2	78.8	79.2	78.8	79.1
18 Metal materials	98.3	68.6	96.0	59.6	59.6	80.3	81.9	83.2	83.9	79.9	80.3	78.4	78.2
19 Nondurable goods	94.5	67.2	91.6	77.5	77.5	87.2	87.3	86.8	85.4	85.9	85.6	84.7	84.1
20 Textile, paper, and chemical	95.1	65.3	92.2	75.3	75.3	87.1	86.7	86.3	85.0	85.5	85.4	84.0	83.4
21 Textile	92.6	57.9	90.6	80.9	80.9	80.2	82.0	82.2	81.5	81.9	81.7	80.8	81.2
22 Paper	99.4	72.4	97.7	89.3	89.3	95.0	94.5	94.5	95.3	94.9	93.9	93.0	92.3
23 Chemical	95.5	64.2	91.3	70.7	70.7	86.8	86.0	85.3	83.4	84.1	84.3	82.7	81.8
24 Energy materials	94.6	84.8	88.3	82.7	84.4	84.6	84.9	85.8	85.2	79.9	79.8	83.4	85.7

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

2.12 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

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

Category	1978	1979	1980	1981						
				Feb.	Mar.	Apr.	May	June	July	Aug.
HOUSEHOLD SURVEY DATA										
1 Noninstitutional population[1]	**161,058**	**163,620**	**166,246**	**167,747**	**167,902**	**168,071**	**168,272**	**168,480**	**168,685**	**168,855**
2 Labor force (including Armed Forces)[1]	102,537	104,996	106,821	107,802	108,305	108,851	109,533	108,307	108,603	108,762
3 Civilian labor force	100,420	102,908	104,719	105,681	106,177	106,722	107,406	106,176	106,464	106,602
Employment										
4 Nonagricultural industries[2]	91,031	93,648	93,960	94,646	95,136	95,513	95,882	95,127	95,704	95,574
5 Agriculture	3,342	3,297	3,310	3,281	3,276	3,463	3,353	3,265	3,258	3,370
Unemployment										
6 Number	6,047	5,963	7,448	7,754	7,764	7,746	8,171	7,784	7,502	7,657
7 Rate (percent of civilian labor force)	6.0	5.8	7.1	7.3	7.3	7.3	7.6	7.3	7.0	7.2
8 Not in labor force	58,521	58,623	59,425	59,946	59,598	59,219	58,739	60,173	60,082	60,093
ESTABLISHMENT SURVEY DATA										
9 Nonagricultural payroll employment[3]	**86,697**	**89,823**	**90,564**	**91,258**	**91,347**	**91,458**	**91,564**	**91,615[r]**	**91,966[r]**	**92,027**
10 Manufacturing	20,505	21,040	20,300	20,177	20,171	20,332	20,414	20,424[r]	20,547[r]	20,515
11 Mining	851	958	1,020	1,091	1,098	950	957	1,110[r]	1,131[r]	1,149
12 Contract construction	4,229	4,463	4,399	4,389	4,416	4,418	4,334	4,284[r]	4,269[r]	4,265
13 Transportation and public utilities	4,923	5,136	5,143	5,135	5,139	5,161	5,148	5,149[r]	5,161[r]	5,179
14 Trade	19,542	20,192	20,386	20,600	20,635	20,636	20,714	20,717[r]	20,794[r]	20,863
15 Finance	4,724	4,975	5,168	5,283	5,293	5,316	5,326	5,331[r]	5,346[r]	5,355
16 Service	16,252	17,112	17,901	18,343	18,371	18,475	18,540	18,560[r]	18,653[r]	18,688
17 Government	15,672	15,947	16,249	16,240	16,204	16,170	16,131	16,040[r]	16,065[r]	16,013

1. Persons 16 years of age and over. Monthly figures, which are based on sample data, relate to the calendar week that contains the 12th day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures. Based on data from *Employment and Earnings* (U.S. Department of Labor).
2. Includes self-employed, unpaid family, and domestic service workers.
3. Data include all full- and part-time employees who worked during, or received pay for, the pay period that includes the 12th day of the month, and exclude proprietors, self-employed persons, domestic servants, unpaid family workers, and members of the Armed Forces. Data are adjusted to the March 1979 benchmark and only seasonally adjusted data are available at this time. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value

Monthly data are seasonally adjusted.

Grouping	1967 proportion	1980 average	1980 Aug.r	Sept.r	Oct.r	Nov.r	Dec.r	1981 Jan.r	Feb.r	Mar.r	Apr.r	May r	June	July p	Aug.e
			Index (1967 = 100)												
MAJOR MARKET															
1 **Total index**	**100.00**	**147.0**	**142.2**	**144.4**	**146.6**	**149.2**	**150.4**	**151.4**	**151.8**	**152.1**	**151.9**	**152.7**	**152.9**	**153.4**	**152.8**
2 Products	60.71	146.7	144.5	145.6	147.1	148.7	149.4	149.9	150.2	150.7	151.3	152.3	152.2	152.4	151.9
3 Final products	47.82	145.3	143.3	144.1	145.7	147.4	147.8	147.8	148.2	149.0	149.9	151.3	151.5	151.6	151.1
4 Consumer goods	27.68	145.4	142.9	144.5	146.3	148.1	147.1	146.9	147.8	148.3	148.9	150.7	150.4	150.0	148.5
5 Equipment	20.14	145.2	143.7	143.6	144.8	146.5	148.8	149.1	148.7	150.0	151.4	152.1	153.0	153.9	154.6
6 Intermediate products	12.89	151.9	148.9	151.2	152.4	153.4	155.4	157.5	157.7	157.1	156.3	156.1	155.0	155.3	155.1
7 Materials	39.29	147.6	138.8	142.5	145.9	150.1	152.2	153.8	154.3	154.4	152.9	153.4	154.0	155.0	154.3
Consumer goods															
8 Durable consumer goods	7.89	136.7	128.3	133.5	139.0	143.4	141.3	140.1	141.2	143.6	144.3	147.3	148.0	146.8	141.4
9 Automotive products	2.83	132.8	120.7	131.2	140.9	146.1	139.0	130.4	133.9	139.2	142.9	151.8	153.0	147.8	137.3
10 Autos and utility vehicles	2.03	110.1	93.1	106.5	119.2	125.4	116.2	102.7	108.5	116.1	120.2	129.1	131.4	123.0	108.7
11 Autos	1.90	103.6	90.1	98.9	109.7	115.4	105.9	93.3	101.1	107.8	113.2	120.0	122.2	118.1	104.9
12 Auto parts and allied goods	80	190.4	190.9	193.9	196.1	198.6	197.0	200.8	198.4	197.5	200.8	209.5	208.0	210.9	210.0
13 Home goods	5.06	138.9	132.6	134.7	137.8	141.8	142.6	145.6	145.2	146.1	145.0	144.8	145.1	146.3	143.7
14 Appliances, A/C, and TV	1.40	117.3	113.5	115.8	122.2	128.4	126.4	132.2	125.8	129.1	121.2	121.4	119.5	123.6	116.1
15 Appliances and TV	1.33	119.5	114.2	117.1	124.5	131.0	128.7	134.1	128.2	131.2	122.6	122.3	120.9	124.7	......
16 Carpeting and furniture	1.07	155.2	142.1	147.8	150.2	154.1	157.3	156.2	160.4	160.2	165.2	163.1	166.3	166.1	......
17 Miscellaneous home goods	2.59	143.8	139.0	139.6	141.2	144.0	145.4	148.4	149.5	149.4	149.7	149.9	150.3	150.4	149.8
18 Nondurable consumer goods	19.79	148.9	148.7	148.9	149.3	150.0	149.3	149.6	150.5	150.1	150.7	152.1	151.4	151.2	151.4
19 Clothing	4.29	126.0	125.6	123.5	122.5	125.5	121.0	121.2	120.9	118.9	120.6	122.1	120.7	......	......
20 Consumer staples	15.50	155.2	155.2	156.0	156.7	156.7	157.2	157.5	158.6	158.8	159.0	160.3	159.9	159.8	160.0
21 Consumer foods and tobacco	8.33	147.4	146.3	147.5	148.9	149.1	149.0	149.3	150.5	150.5	150.2	151.3	149.9	150.0	......
22 Nonfood staples	7.17	164.3	165.4	165.8	165.8	165.6	166.6	167.0	168.1	168.4	169.3	170.8	171.4	171.3	172.1
23 Consumer chemical products	2.63	208.9	210.3	211.1	211.1	211.0	213.8	213.0	219.3	220.0	224.1	225.1	224.4	225.5	......
24 Consumer paper products	1.92	123.1	122.6	122.2	125.8	128.3	127.7	127.9	129.0	128.7	127.4	127.7	129.7	128.7	......
25 Consumer energy products	2.62	149.8	151.8	152.2	149.6	147.3	147.8	149.4	145.4	143.7	144.9	147.9	148.9	148.1	......
26 Residential utilities	1.45	167.9	173.8	173.8	169.6	166.0	166.2	167.5	161.3	161.1	162.9	168.9	170.4	......	......
Equipment															
27 Business	12.63	173.2	171.1	170.7	171.9	173.9	177.1	177.7	177.5	179.3	181.0	182.0	183.5	184.5	185.4
28 Industrial	6.77	156.5	155.4	154.0	153.5	155.3	159.1	161.5	163.4	164.6	165.9	167.0	168.9	169.4	170.3
29 Building and mining	1.44	239.9	243.8	242.5	242.8	247.9	253.3	264.0	270.4	276.6	281.7	286.4	288.6	290.8	292.4
30 Manufacturing	3.85	128.2	125.5	124.0	123.1	124.3	128.5	127.7	128.4	128.6	128.5	128.4	130.6	130.9	131.5
31 Power	1.47	148.9	147.0	145.9	145.4	145.3	146.5	149.1	149.9	149.3	149.9	150.8	151.5	151.1	152.0
32 Commercial transit, farm	5.86	192.4	189.2	189.9	193.1	195.4	198.0	196.6	193.7	196.2	198.6	199.4	200.4	202.0	202.8
33 Commercial	3.26	237.8	235.6	237.6	242.0	244.8	248.5	249.3	250.4	252.7	254.5	258.0	259.9	263.1	265.6
34 Transit	1.93	139.9	137.6	134.6	135.6	137.5	139.0	133.1	124.8	127.8	131.5	130.0	129.7	128.7	126.9
35 Farm	67	123.1	112.3	116.8	120.9	121.9	122.4	122.9	116.4	118.5	119.7	113.9	114.9	115.5	......
36 Defense and space	7.51	98.2	97.7	98.1	99.2	100.3	101.0	100.9	100.5	100.7	101.5	102.0	101.7	102.4	102.9
Intermediate products															
37 Construction supplies	6.42	140.9	134.1	138.5	140.6	142.6	145.2	148.4	148.9	149.0	147.9	146.5	143.6	143.2	142.9
38 Business supplies	6.47	162.8	163.6	163.7	164.1	164.2	165.5	166.6	166.4	165.1	164.7	165.6	166.3	167.3	......
39 Commercial energy products	1.14	172.3	173.4	174.0	173.2	174.0	175.4	175.5	174.0	174.7	175.2	179.0	178.0	177.8	......
Materials															
40 Durable goods materials	20.35	143.0	131.3	133.9	139.5	146.1	147.4	150.0	150.6	152.2	151.8	152.8	152.3	153.1	152.5
41 Durable consumer parts	4.58	107.8	96.8	102.8	108.3	113.1	113.8	114.7	114.3	118.4	119.7	121.1	123.0	123.1	120.9
42 Equipment parts	5.44	187.2	176.3	176.6	179.1	184.2	186.1	189.7	188.9	191.1	192.8	194.0	193.1	194.5	195.1
43 Durable materials n.e.c.	10.34	135.3	122.8	125.2	132.4	140.6	142.0	144.7	146.6	146.7	144.3	145.1	143.8	144.5	144.2
44 Basic metal materials	5.57	105.3	89.9	91.4	100.7	114.7	114.3	116.6	118.6	118.3	113.8	114.3	112.3	112.5	......
45 Nondurable goods materials	10.47	171.5	161.3	171.3	174.3	175.1	179.6	180.2	179.9	177.5	179.3	179.0	177.9	177.0	177.1
46 Textile, paper, and chemical materials	7.62	177.7	164.8	176.5	180.8	182.4	187.6	187.6	187.3	185.1	186.8	187.3	184.8	184.1	184.5
47 Textile materials	1.85	117.4	112.7	114.3	113.7	115.2	112.2	114.8	115.1	114.4	115.1	114.9	113.7	114.4	......
48 Paper materials	1.62	145.6	142.6	148.0	148.6	149.5	151.1	150.5	151.0	152.6	152.2	150.9	149.8	149.0	......
49 Chemical materials	4.15	217.2	196.7	215.3	223.4	225.2	235.9	234.7	233.8	229.5	232.4	233.9	230.4	228.9	......
50 Containers, nondurable	1.70	165.9	160.0	169.7	168.9	166.5	169.9	173.0	172.3	168.7	172.0	167.8	172.1	171.0	......
51 Nondurable materials n.e.c.	1.14	138.2	139.7	139.0	138.4	139.2	139.7	141.0	141.8	139.6	139.7	140.5	140.0	138.9	......
52 Energy materials	8.48	129.3	129.3	127.6	126.2	128.9	129.6	130.2	131.6	130.9	123.1	123.0	128.8	132.5	130.3
53 Primary energy	4.65	115.2	115.4	114.1	113.9	114.4	116.0	115.8	118.2	116.9	104.2	104.4	113.1	119.5	......
54 Converted fuel materials	3.82	146.5	146.2	144.2	141.3	146.5	146.1	147.8	148.0	148.1	146.1	145.5	147.9	148.3	......
Supplementary groups															
55 Home goods and clothing	9.35	133.0	129.4	129.6	130.8	134.3	132.7	134.4	134.1	133.6	133.8	134.4	133.9	134.3	133.0
56 Energy, total	12.23	137.7	138.2	137.2	135.6	137.0	137.7	138.5	138.5	137.7	132.6	133.5	137.7	140.1	138.9
57 Products	3.76	156.6	158.3	158.8	156.8	155.4	156.1	157.3	154.0	153.1	154.1	157.3	157.7	157.1	......
58 Materials	8.48	129.3	129.3	127.6	126.2	128.9	129.6	130.2	131.6	130.9	123.1	123.0	128.8	132.5	130.3

2.13 Continued

Grouping	SIC code	1967 proportion	1980 avg.	1980 Aug.[r]	1980 Sept.[r]	1980 Oct.[r]	1980 Nov.[r]	1980 Dec.[r]	1981 Jan.[r]	1981 Feb.[r]	1981 Mar.[r]	1981 Apr.[r]	1981 May[r]	1981 June[r]	1981 July[p]	1981 Aug.[e]
				Index (1967 = 100)												
MAJOR INDUSTRY																
1 Mining and utilities	......	12.05	149.5	149.9	149.5	148.9	151.5	152.4	153.3	154.1	154.8	150.5	152.1	155.8	157.8	157.1
2 Mining	......	6.36	132.7	129.6	130.7	132.1	135.1	138.6	140.4	143.1	143.2	135.2	135.4	141.0	145.6	145.2
3 Utilities	......	5.69	168.3	172.6	170.6	167.7	169.9	167.9	167.6	166.4	167.8	167.6	170.7	172.5	171.3	170.3
4 Electric	......	3.88	189.7	196.6	193.7	189.6	192.6	189.5	189.3	187.1	188.9	188.6	192.9	195.4	193.0	191.9
5 Manufacturing	......	87.95	146.7	141.2	143.9	146.5	148.9	150.4	151.1	151.2	151.6	152.0	152.8	152.5	153.0	152.5
6 Nondurable	......	35.97	161.2	157.6	161.0	162.1	163.0	165.0	165.6	166.2	165.3	165.9	166.4	166.0	166.9	167.0
7 Durable	......	51.98	136.7	129.9	132.1	135.7	139.2	140.3	141.0	140.8	142.1	142.5	143.5	143.1	143.5	142.4
Mining																
8 Metal	10	.51	109.2	71.2	72.8	90.8	107.2	122.2	125.5	134.1	131.1	123.1	125.0	120.2	116.0	......
9 Coal	11.12	.69	146.7	153.0	149.1	149.7	151.7	153.5	147.5	159.0	151.2	75.9	77.0	122.9	168.5	163.9
10 Oil and gas extraction	13	4.40	133.3	133.4	134.7	134.5	136.1	138.4	141.4	142.2	144.1	146.1	146.2	147.6	147.6	148.0
11 Stone and earth minerals	14	.75	132.8	125.3	129.7	129.8	132.7	137.4	138.4	140.0	138.8	133.7	132.2	132.7	133.3	......
Nondurable manufactures																
12 Foods	20	8.75	149.6	148.7	149.9	151.1	151.6	151.0	151.9	152.5	152.4	151.9	152.2	150.8	151.6	......
13 Tobacco products	21	.67	119.9	118.7	119.7	123.6	123.5	118.8	123.5	125.4	125.7	122.2	122.3	120.1	......	......
14 Textile mill products	22	2.68	138.6	134.8	133.2	134.3	136.4	135.6	138.4	139.3	136.2	138.9	138.8	138.5	137.7	......
15 Apparel products	23	3.31	127.0	125.5	123.5	121.7	125.7	122.7	123.8	121.6	120.2	121.6	122.6	121.1	......	......
16 Paper and products	26	3.21	151.1	146.8	153.6	153.4	154.3	157.0	156.5	156.0	157.6	157.0	155.9	153.4	154.9	155.2
17 Printing and publishing	27	4.72	139.6	141.7	140.9	142.5	142.1	143.0	143.9	144.8	142.7	141.6	141.3	143.3	144.4	144.8
18 Chemicals and products	28	7.74	207.1	198.2	208.2	209.4	211.7	220.5	218.9	219.8	218.5	219.8	220.6	219.7	221.2	......
19 Petroleum products	29	1.79	132.9	124.4	129.0	128.0	128.6	131.3	133.1	131.5	130.3	130.0	129.8	129.3	129.0	131.2
20 Rubber and plastic products	30	2.24	235.7	243.3	254.5	258.8	258.9	262.3	264.0	270.2	269.5	275.2	280.3	285.8	286.4	......
21 Leather and products	31	.86	70.1	67.9	67.5	70.1	71.0	67.9	68.9	68.3	68.8	68.9	69.8	68.9	69.4	......
Durable manufactures																
22 Ordnance, private and government	19.91	3.64	78.5	78.1	78.9	79.4	79.7	79.6	78.6	78.4	78.5	79.8	80.9	80.9	81.0	82.2
23 Lumber and products	24	1.64	119.3	120.2	121.6	121.4	123.7	123.6	127.4	126.2	125.6	126.3	126.2	122.5	121.3	......
24 Furniture and fixtures	25	1.37	150.0	140.8	144.5	146.7	147.6	148.6	150.0	154.3	155.6	158.7	158.9	161.0	161.6	......
25 Clay, glass, stone products	32	2.74	147.5	137.1	143.8	146.2	148.8	153.0	156.8	156.4	154.6	154.3	151.7	148.1	148.0	......
26 Primary metals	33	6.57	102.3	86.9	90.6	99.6	113.2	111.5	114.1	114.5	114.9	110.6	111.9	107.2	108.3	107.5
27 Iron and steel	331.2	4.21	92.4	76.0	80.4	92.0	107.6	103.0	108.7	108.4	108.0	103.4	105.6	98.5	99.7	......
28 Fabricated metal products	34	5.93	134.1	124.8	128.8	131.7	132.3	135.7	135.8	137.6	139.2	139.5	138.4	139.2	139.4	138.4
29 Nonelectrical machinery	35	9.15	162.8	159.6	159.5	160.9	162.9	166.9	167.3	168.3	169.2	169.7	172.1	173.8	176.0	177.2
30 Electrical machinery	36	8.05	172.8	166.8	167.4	169.8	173.0	175.1	177.6	174.9	177.4	178.8	179.9	180.1	181.9	181.3
31 Transportation equipment	37	9.27	116.9	108.5	113.3	118.3	121.8	120.4	117.4	116.1	119.5	121.3	123.7	123.4	120.1	115.0
32 Motor vehicles and parts	371	4.50	119.0	104.1	113.7	123.2	129.2	125.7	120.0	119.9	127.1	130.7	136.4	137.5	131.0	121.0
33 Aerospace and miscellaneous transportation equipment	372–9	4.77	114.9	112.7	112.8	113.7	114.9	115.4	114.9	112.6	112.3	112.4	111.8	110.2	109.8	109.3
34 Instruments	38	2.11	171.1	168.6	168.1	169.6	170.0	171.9	173.9	171.1	170.0	170.0	170.6	171.3	173.6	174.5
35 Miscellaneous manufactures	39	1.51	148.3	145.5	144.6	145.0	147.1	151.0	152.9	154.9	155.4	157.3	157.0	159.6	161.3	159.8
		Gross value (billions of 1972 dollars, annual rates)														
MAJOR MARKET																
36 Products, total	......	**507.4[1]**	**601.9**	**587.3**	**597.1**	**604.0**	**611.8**	**612.4**	**612.9**	**614.5**	**618.0**	**616.2**	**622.2**	**620.7**	**618.6**	**611.8**
37 Final	......	390.9[1]	465.2	453.4	461.1	467.0	473.5	472.6	471.6	472.8	476.4	476.3	482.4	482.0	480.0	473.2
38 Consumer goods	......	277.5[1]	313.3	304.8	311.8	315.8	320.7	317.7	316.8	318.8	320.5	320.0	324.3	323.7	322.3	316.4
39 Equipment	......	113.4[1]	152.0	148.6	149.2	151.2	152.9	154.9	154.8	154.0	155.9	156.3	158.1	158.3	157.8	156.7
40 Intermediate	......	116.6[1]	136.7	133.9	136.0	137.1	138.3	139.8	141.2	141.7	141.7	139.9	139.8	138.7	138.6	138.6

1. 1972 dollar value.

NOTE. Published groupings include some series and subtotals not shown separately. For description and historical data, see *Industrial Production—1976 Revision* (Board of Governors of the Federal Reserve System: Washington, D.C.), December 1977.

2.14 HOUSING AND CONSTRUCTION

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

Item	1978	1979	1980	1980	1981						
				Dec.	Jan.	Feb.	Mar.	Apr.[r]	May[r]	June	July
	Private residential real estate activity (thousands of units)										
NEW UNITS											
1 Permits authorized	1,801	1,552	1,191	1,249	1,214	1,165	1,153	1,186	1,167	963[r]	924
2 1-family	1,183	981	710	753	715	677	678	689	654	567	522
3 2-or-more-family	618	571	481	496	499	488	475	497	513	396	402
4 Started	2,020	1,745	1,292	1,535	1,660	1,215	1,297	1,332	1,158[r]	1,021	1,055
5 1-family	1,433	1,194	852	974	993	791	838	897	764	679	691
6 2-or-more-family	587	551	440	561	667	424	459	435	394	342	364
7 Under construction, end of period[1]	1,310	1,140	896	915	940	938	927[r]	913	897	860	n.a.
8 1-family	765	639	515	535	544	541	533	526	507	485	n.a.
9 2-or-more-family	546	501	382	381	397	397	394[r]	388	389	374	n.a.
10 Completed	1,868	1,855	1,502	1,373	1,252	1,389	1,362[r]	1,519	1,260	1,368	n.a.
11 1-family	1,369	1,286	957	895	903	965	880[r]	964	867	859	n.a.
12 2-or-more-family	498	569	545	478	349	424	482	555	393	509	n.a.
13 Mobile homes shipped	276	277	222	261	233	256	255	265	255	246	n.a.
Merchant builder activity in 1-family units											
14 Number sold	818	709	530	514	523	500	507	451[r]	479[r]	410[r]	420
15 Number for sale, end of period[1]	419	402	340	336	329	334	325	327	324	313	306
Price (thousands of dollars)[2]											
Median											
16 Units sold	55.8	62.7	64.9	67.2	67.9	65.8	67.1	68.4	71.5	69.7[r]	69.8
Average											
17 Units sold	62.7	71.9	76.6	81.5	80.2	80.1	81.2	82.9[r]	83.9	85.9	83.6
EXISTING UNITS (1-family)											
18 Number sold	3,863	3,701	2,881	2,910	2,580	2,560	2,490	2,610	2,500	2,660	2,520
Price of units sold (thous. of dollars)[2]											
19 Median	48.7	55.5	62.1	63.0	64.5	64.1	64.4	65.3	66.3	67.7[r]	67.5
20 Average	55.1	64.0	72.7	74.0	76.1	75.7	76.2	77.3	78.6	79.9	79.1
	Value of new construction[3] (millions of dollars)										
CONSTRUCTION											
21 **Total put in place**	**205,559**	**230,781**	**230,273**	**245,433**	**259,049**	**254,458**	**250,274**	**248,904**	**239,693[r]**	**238,673[r]**	**235,144**
22 Private	159,664	181,690	174,896	187,875	193,877	193,155	189,641	192,465	188,204	186,936	185,088
23 Residential	93,423	99,032	87,260	98,898	100,686	99,684	96,266	98,287	94,233	91,441	87,878
24 Nonresidential, total	66,241	82,658	87,636	88,977	93,191	93,471	93,375	94,178	93,971	95,495	97,210
Buildings											
25 Industrial	10,993	14,953	13,839	14,293	15,339	15,094	15,380	15,505	15,503[r]	16,243[r]	16,336
26 Commercial	25,137[r]	34,381[r]	43,260[r]	45,294[r]	48,459[r]	49,359[r]	49,448[r]	33,394	32,391	32,442	33,687
27 Other	6,739	7,427	8,654	9,268	9,891	9,938	9,588	9,196	8,903	9,735	9,179
28 Public utilities and other	23,372[r]	25,897[r]	21,883[r]	20,122[r]	19,502[r]	19,080[r]	18,959[r]	36,083	37,174	37,075	38,008
29 Public	45,896	49,088[r]	55,371[r]	57,558	65,173	61,302	60,632[r]	56,439	51,489	51,737	50,056
30 Military	1,501	1,648	1,880	1,743	1,810	2,173	1,685	1,915	1,752	1,836	1,776
31 Highway	10,708	11,998	13,784	13,127	19,428[r]	17,832[r]	16,200[r]	15,099[r]	12,419	13,338	12,430
32 Conservation and development	4,457	4,586	5,089	5,383	6,285	6,168	5,565	5,681	4,894	4,912	5,192
33 Other	29,230	30,856[r]	34,618[r]	37,305	37,650	35,129	37,182	33,744	32,424	31,651	30,658

1. Not at annual rates.
2. Not seasonally adjusted.
3. Value of new construction data in recent periods may not be strictly comparable with data in prior periods due to changes by the Bureau of the Census in its estimating techniques. For a description of these changes see *Construction Reports* (C-30-76-5), issued by the Bureau in July 1976.

NOTE. Census Bureau estimates for all series except (a) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (b) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from originating agency. Permit authorizations are those reported to the Census Bureau from 16,000 jurisdictions beginning with 1978.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data, except as noted

Item	12 months to		3 months (at annual rate) to				1 month to					Index level July 1981 (1967 = 100)[1]
	1980 July	1981 July	1980 Sept.	1980 Dec.	1981 Mar.	1981 June	1981 Mar.	1981 Apr.	1981 May	1981 June	1981 July	
CONSUMER PRICES[2]												
1 **All items**	**13.2**	**10.7**	**7.8**	**13.2**	**9.6**	**7.4**	**.6**	**.4**	**.7**	**.7**	**1.2**	**274.4**
2 Commodities	11.2	8.9	13.2	11.0	8.9	2.1	.5	.0	.2	.4	.8	255.0
3 Food	7.6	8.4	19.7	13.1	2.1	−.1	.4	.0	−.2	.2	.8	276.2
4 Commodities less food	12.8	9.2	10.6	9.9	12.3	3.1	.5	.0	.4	.4	.7	242.6
5 Durable	8.9	9.4	15.2	11.8	−.7	9.0	−.1	.3	.9	1.0	1.2	229.6
6 Nondurable	17.7	8.8	5.0	6.2	29.8	−2.0	1.3	−.2	−.2	.1	.1	257.5
7 Services	16.1	13.4	.7	16.8	10.3	15.1	.8	1.0	1.4	1.2	1.8	308.8
8 Rent	9.2	8.2	8.6	9.6	7.0	7.7	.5	.6	.8	.4	.5	207.8
9 Services less rent	17.1	14.1	−.3	17.8	10.9	16.1	.8	1.0	1.5	1.3	2.0	328.1
Other groupings												
10 All items less food	14.4	11.3	5.7	13.2	11.7	9.0	.7	.5	.9	.8	1.3	272.7
11 All items less food and energy	12.4	11.1	5.8	14.4	5.8	11.8	.4	.6	1.1	1.0	1.4	259.0
12 Homeownership	19.9	13.5	−3.5	23.1	3.1	16.9	.3	.7	1.7	1.5	2.1	358.0
PRODUCER PRICES												
13 Finished goods	14.6	8.8	13.5	8.3	13.3r	5.8r	1.2r	.8	.1r	.6	.4	271.3
14 Consumer	15.6	8.4	14.5	7.4	13.6r	4.9r	1.3r	.8	−.1r	.5	.3	272.6
15 Foods	7.5	6.3	31.0	4.3	1.6r	.5r	1.0r	−.1r	−.2r	.5	1.5	256.9
16 Excluding foods	19.8	9.1	7.5	8.9	18.6r	6.6	1.5r	1.1	.0r	.5	−.1	277.1
17 Capital equipment	10.9	10.4	9.9	11.8	12.0r	10.1r	.7	.9	.8r	.7	.7	265.7
18 Intermediate materials[3]	15.4	10.2	7.8	12.9	14.3r	7.4r	1.3r	1.0r	.5r	.3	.5	312.8
Crude materials												
19 Nonfood	18.5	23.9	32.3	27.5	39.7r	6.5r	−.4r	1.3r	.8r	−.5	.8	484.2
20 Food	3.9	1.4	73.9	−4.0	−23.1	8.5	−2.0	1.5	−2.2	2.8	.3	267.0

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

SOURCE. Bureau of Labor Statistics.

2.16 GROSS NATIONAL PRODUCT AND INCOME

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

Account	1978	1979	1980	1980 Q2	1980 Q3	1980 Q4	1981 Q1	1981 Q2 r
GROSS NATIONAL PRODUCT								
1 **Total**	**2,156.1**	**2,413.9**	**2,626.1**	**2,564.8**	**2,637.3**	**2,730.6**	**2,853.0**	**2,881.6**
By source								
2 Personal consumption expenditures	1,348.7	1,510.9	1,672.8	1,626.8	1,682.2	1,751.0	1,810.0	1,831.0
3 Durable goods	199.3	212.3	211.9	194.4	208.8	223.3	238.3	227.0
4 Nondurable goods	529.8	602.2	675.7	664.0	674.2	703.5	726.0	734.6
5 Services	619.6	696.3	785.2	768.4	799.2	824.2	845.8	869.4
6 Gross private domestic investment	375.3	415.8	395.3	390.9	377.1	397.7	437.1	455.8
7 Fixed investment	353.2	398.3	401.2	383.5	393.2	415.1	432.7	434.6
8 Nonresidential	242.0	279.7	296.0	289.8	294.0	302.1	315.9	323.3
9 Structures	78.7	96.3	108.8	108.4	107.3	111.5	117.2	122.7
10 Producers' durable equipment	163.3	183.4	187.1	181.4	186.8	190.7	198.7	200.7
11 Residential structures	111.2	118.6	105.3	93.6	99.2	113.0	116.7	111.3
12 Nonfarm	106.9	113.9	100.3	88.9	94.5	107.6	111.4	106.0
13 Change in business inventories	22.2	17.5	−5.9	7.4	−16.0	−17.4	4.5	21.2
14 Nonfarm	21.8	13.4	−4.7	6.1	−12.3	−14.0	6.8	19.4
15 Net exports of goods and services	−0.6	13.4	23.3	17.1	44.5	23.3	29.2	17.7
16 Exports	219.8	281.3	339.8	333.3	342.4	346.1	367.4	364.5
17 Imports	220.4	267.9	316.5	316.2	297.9	322.7	338.2	346.8
18 Government purchases of goods and services	432.6	473.8	534.7	530.0	533.5	558.6	576.5	577.1
19 Federal	153.4	167.9	198.9	198.7	194.9	212.0	221.6	219.4
20 State and local	279.2	305.9	335.8	331.3	338.6	346.6	354.9	357.7
By major type of product								
21 Final sales, total	2,133.9	2,396.4	2,632.0	2,557.4	2,653.4	2,748.0	2,848.5	2,860.3
22 Goods	946.6	1,055.9	1,130.4	1,106.4	1,129.4	1,169.0	1,247.5	1,252.6
23 Durable	409.8	451.2	458.6	444.6	456.5	476.7	501.4	514.5
24 Nondurable	536.8	604.7	671.9	661.8	672.9	692.2	746.1	738.1
25 Services	976.3	1,097.2	1,229.6	1,205.6	1,249.0	1,285.3	1,317.1	1,344.3
26 Structures	233.2	260.8	266.0	252.8	258.9	276.4	288.4	284.6
27 Change in business inventories	22.2	17.5	−5.9	7.4	−16.0	−17.4	4.5	21.2
28 Durable goods	17.8	11.5	−4.0	3.3	−8.4	.7	−4.2	17.5
29 Nondurable goods	4.4	6.0	−1.8	4.1	−7.7	−18.1	8.6	3.8
30 MEMO: **Total GNP in 1972 dollars**	**1,436.9**	**1,483.0**	**1,480.7**	**1,463.3**	**1,471.9**	**1,485.6**	**1,516.4**	**1,507.4**
NATIONAL INCOME								
31 **Total**	**1,745.4**	**1,963.3**	**2,121.4**	**2,070.0**	**2,122.4**	**2,204.8**	**2,291.1**	**2,316.5**
32 Compensation of employees	1,299.7	1,460.9	1,596.5	1,569.0	1,597.4	1,661.8	1,722.4	1,751.2
33 Wages and salaries	1,105.4	1,235.9	1,343.6	1,320.4	1,342.3	1,397.3	1,442.9	1,466.2
34 Government and government enterprises	219.6	235.9	253.6	250.5	253.9	263.3	267.1	270.3
35 Other	885.7	1,000.0	1,090.0	1,069.9	1,088.4	1,134.0	1,175.7	1,195.9
36 Supplement to wages and salaries	194.3	225.0	252.9	248.6	255.0	264.5	279.5	285.0
37 Employer contributions for social insurance	92.1	106.4	115.8	113.6	116.0	121.0	131.5	133.2
38 Other labor income	102.2	118.6	137.1	135.1	139.1	143.5	148.0	151.8
39 Proprietors' income[1]	117.1	131.6	130.6	124.9	129.7	134.0	132.1	134.1
40 Business and professional[1]	91.0	100.7	107.2	101.6	107.6	111.6	113.2	112.5
41 Farm[1]	26.1	30.8	23.4	23.3	22.1	22.5	18.9	21.7
42 Rental income of persons[2]	27.4	30.5	31.8	31.5	32.0	32.4	32.7	33.3
43 Corporate profits[1]	199.0	196.8	182.7	169.3	177.9	183.3	203.0	187.0
44 Profits before tax[3]	223.3	255.4	245.5	217.9	237.6	249.5	257.0 r	224.9
45 Inventory valuation adjustment	−24.3	−42.6	−45.7	−31.1	−41.7	−48.4	−39.2	−23.2
46 Capital consumption adjustment	−13.5	−15.9	−17.2	−17.6	−17.9	−17.8	−14.7 r	−14.7
47 Net interest	115.8	143.4	179.8	175.3	185.3	193.3	200.8	210.8

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

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

2.17 PERSONAL INCOME AND SAVING

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

Account	1978	1979	1980	1980			1981	
				Q2	Q3	Q4	Q1	Q2[r]
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**1,721.8**	**1,943.8**	**2,160.2**	**2,114.5**	**2,182.1**	**2,256.2**	**2,319.8**	**2,368.9**
2 Wage and salary disbursements	1,105.2	1,236.1	1,343.7	1,320.4	1,341.8	1,397.8	1,442.9	1,466.2
3 Commodity-producing industries	389.1	437.9	465.4	456.0	460.1	484.0	501.3	507.9
4 Manufacturing	299.2	333.4	350.7	343.2	346.7	364.0	377.4	386.6
5 Distributive industries	270.5	303.0	328.9	323.2	329.2	340.6	351.9	357.5
6 Service industries	226.1	259.2	295.7	290.8	298.7	310.0	322.5	330.5
7 Government and government enterprises	219.4	236.1	253.6	250.5	253.9	263.3	267.1	270.8
8 Other labor income	102.2	118.6	137.1	135.1	139.1	143.5	148.0	151.8
9 Proprietors' income[1]	117.2	131.6	130.6	124.9	129.7	134.0	132.1	134.1
10 Business and professional[1]	91.0	100.8	107.2	101.6	107.6	111.6	113.2	112.5
11 Farm[1]	26.1	30.8	23.4	23.3	22.1	22.5	18.9	21.7
12 Rental income of persons[2]	27.4	30.5	31.8	31.5	32.0	32.4	32.7	33.3
13 Dividends	43.1	48.6	54.4	54.2	55.1	56.1	58.0	60.2
14 Personal interest income	173.2	209.6	256.3	253.6	261.8	269.7	288.7	301.9
15 Transfer payments	223.3	249.4	294.2	280.7	310.7	313.9	319.6	324.2
16 Old-age survivors, disability, and health insurance benefits	116.2	131.8	153.8	144.7	163.2	165.3	169.8	172.0
17 LESS: Personal contributions for social insurance	69.6	80.6	87.9	85.9	88.1	91.2	102.3	103.1
18 EQUALS: Personal income	1,721.8	1,943.8	2,160.2	2,114.5	2,182.1	2,256.2	2,319.8	2,368.9
19 LESS: Personal tax and nontax payments	258.8	302.0	338.5	330.3	341.5	359.2	372.0	382.7
20 EQUALS: Disposable personal income	1,462.9	1,641.7	1,821.7	1,784.1	1,840.6	1,897.0	1,947.8	1,986.2
21 LESS: Personal outlays	1,386.6	1,555.5	1,720.4	1,674.1	1,729.2	1,799.4	1,858.9	1,881.0
22 EQUALS: Personal saving	76.3	86.2	101.3	110.0	111.4	97.6	88.9	105.2
MEMO:								
Per capita (1972 dollars)								
23 Gross national product	6,426	6,588	6,503	6,438	6,456	6,499	6,619	6,568
24 Personal consumption expenditures	4,046	4,135	4,108	4,044	4,082	4,142	4,191	4,163
25 Disposable personal income	4,389	4,493	4,473	4,435	4,468	4,488	4,511	4,515
26 Saving rate (percent)	5.2	5.2	5.6	6.2	6.1	5.1	4.6	5.3
GROSS SAVING								
27 **Gross saving**	**355.2**	**412.0**	**401.9**	**394.5**	**402.0**	**406.7**	**442.6[r]**	**459.2**
28 Gross private saving	355.4	398.9	432.9	435.9	446.5	436.4	451.1[r]	472.1
29 Personal saving	76.3	86.2	101.3	110.0	111.4	97.6	88.9	105.2
30 Undistributed corporate profits[1]	57.9	59.1	44.3	42.1	42.8	40.4	55.7[r]	50.2
31 Corporate inventory valuation adjustment	−24.3	−42.6	−45.7	−31.1	−41.7	−48.4	−39.2	−23.2
Capital consumption allowances								
32 Corporate	136.4	155.4	175.4	173.0	178.4	183.2	187.5	194.6
33 Noncorporate	84.8	98.2	111.8	110.7	113.4	115.8	119.0	122.1
34 Wage accruals less disbursements	.0	.0	.0	.0	.5	−.5	.0	0
35 Government surplus, or deficit (−), national income and product accounts	−0.2	11.9	−32.1	−29.6	−45.6	−30.8	−9.7[r]	−14.0
36 Federal	−29.2	−14.8	−61.2	−66.5	−74.2	−67.9	−46.6[r]	−50.0
37 State and local	29.0	26.7	29.1	23.9	28.6	37.1	36.9[r]	36.0
38 Capital grants received by the United States, net	.0	1.1	1.1	1.1	1.1	1.1	1.1[r]	1.1
39 **Gross investment**	**361.6**	**414.1**	**401.2**	**392.5**	**405.0**	**400.1**	**446.0**	**452.3**
40 Gross private domestic	375.3	415.8	395.3	390.9	377.1	397.7	437.1	455.8
41 Net foreign	−13.8	−1.7	5.9	1.7	27.8	2.3	8.8[r]	−3.5
42 **Statistical discrepancy**	**6.4**	**2.2**	**−.7**	**−1.9**	**3.0**	**−6.6**	**3.4**	**−6.9**

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	1978	1979	1980	1980				1981
				Q1	Q2	Q3	Q4	Q1[p]
1 Balance on current account	−14,075	1,414	3,723	−2,095	−545	4,975	1,390	3,087
2 Not seasonally adjusted	....	....	....	−1,575	905	1,149	3,244	3,368
3 Merchandise trade balance[2]	−33,759	−27,346	−25,342	−10,126	−6,744	−2,902	−5,570	−4,602
4 Merchandise exports	142,054	184,473	223,966	54,898	55,667	56,252	57,149	61,117
5 Merchandise imports	−175,813	−211,819	−249,308	−65,024	−62,411	−59,154	−62,719	−65,719
6 Military transactions, net	738	−1,947	−2,515	−918	−427	−455	−715	−701
7 Investment income, net[3]	21,400	33,462	32,762	9,836	6,518	8,154	8,257	8,869
8 Other service transactions, net	2,613	2,839	5,874	991	1,440	1,681	1,762	1,033
9 Remittances, pensions, and other transfers	−1,884	−2,057	−2,397	−542	−545	−591	−720	−562
10 U.S. government grants (excluding military)	−3,183	−3,536	−4,659	−1,336	−787	−912	−1,624	−950
11 Change in U.S. government assets, other than official reserve assets, net (increase, −)	−4,644	−3,767	−5,165	−1,456	−1,187	−1,427	−1,094	−1,358
12 Change in U.S. official reserve assets (increase, −)	732	−1,132	−8,155	−3,268	−502	−1,109	−4,279	−4,529
13 Gold	−65	−65	0	0	0	0	0	0
14 Special drawing rights (SDRs)	1,249	−1,136	−16	−1,152	−112	−261	1,285	−1,441
15 Reserve position in International Monetary Fund	4,231	−189	−1,667	−34	−99	−294	−1,240	−707
16 Foreign currencies	−4,683	257	−6,472	−2,082	489	−554	−4,324	−2,381
17 Change in U.S. private assets abroad (increase, −)[3]	−57,158	−57,739	−71,456	−7,915	−24,152	−16,766	−22,622	−12,633
18 Bank-reported claims	−33,667	−26,213	−46,947	−1,203	−20,165	−12,440	−13,139	−11,163
19 Nonbank-reported claims	−3,853	−3,026	−2,653	−1,083	92	343	−2,005	n.a.
20 U.S. purchase of foreign securities, net	−3,582	−4,552	−3,310	−766	−1,369	−818	−356	−488
21 U.S. direct investments abroad, net[3]	−16,056	−23,948	−18,546	−4,863	−2,710	−3,851	−7,122	−982
22 Change in foreign official assets in the United States (increase, +)	33,561	−13,757	15,492	−7,462	−7,557	7,686	7,712	5,384
23 U.S. Treasury securities	23,555	−22,435	9,683	−5,357	−4,360	3,769	6,911	7,055
24 Other U.S. government obligations	666	463	2,187	801	250	549	587	454
25 Other U.S. government liabilities[4]	2,359	−133	636	−68	420	80	205	55
26 Other U.S. liabilities reported by U.S. banks	5,551	7,213	−159	−3,198	−1,676	1,823	−460	−3,009
27 Other foreign official assets[5]	1,4530	1,135	3,145	360	851	1,465	469	829
28 Change in foreign private assets in the United States (increase, +)[3]	30,187	52,703	34,769	14,971	−326	3,965	16,157	2,157
29 U.S. bank-reported liabilities	16,141	32,607	10,743	6,599	−4,509	916	7,737	−3,662
30 U.S. nonbank-reported liabilities	1,717	2,065	5,109	416	1,092	373	3,228	n.a.
31 Foreign private purchases of U.S. Treasury securities, net	2,178	4,820	2,679	3,300	−1,260	−254	893	1,405
32 Foreign purchases of other U.S. securities, net	2,254	1,334	5,384	2,435	468	241	2,240	2,449
33 Foreign direct investments in the United States, net[3]	7,896	11,877	10,853	2,221	3,883	2,689	2,059	1,965
34 Allocation of SDRs	0	1,139	1,152	1,152	0	0	0	1,093
35 Discrepancy	11,398	21,140	29,640	6,073	18,151	2,676	2,736	6,799
36 Owing to seasonal adjustments	....	....	....	−206	1,355	−3,291	2,139	−344
37 Statistical discrepancy in recorded data before seasonal adjustment	11,398	21,140	29,640	6,279	16,796	5,967	597	7,143
MEMO:								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	732	−1,132	−8,155	−3,268	502	−1,109	−4,279	−4,529
39 Foreign official assets in the United States (increase, +)	31,202	−13,624	14,856	−7,394	7,137	7,606	7,507	5,329
40 Change in Organization of Petroleum Exporting Countries official assets in the United States (part of line 22 above)	−1,137	5,543	12,744	2,988	4,617	4,115	1,024	5,188
41 Transfers under military grant programs (excluded from lines 4, 6, and 10 above)	236	305	635	144	155	125	211	193

1. Seasonal factors are no longer calculated for lines 12 through 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 of incorporated affiliates.
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* (U.S. Department of Commerce).

3.11 U.S. FOREIGN TRADE

Millions of dollars; monthly data are seasonally adjusted.

Item	1978	1979	1980r	1981 Jan.	Feb.	Mar	Apr.	May	June	July
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments	143,682	181,860	220,626	18,825	19,764	21,434	19,818	18,869	19,870	19,264
2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses	174,759	209,458	244,871	23,194	21,922	20,949	22,289	21,310	21,975	19,807
3 **Trade balance**	**−31,075**	**−27,598**	**−24,245**	**−4,369**	**−2,158**	**485**	**−2,471**	**−2,441**	**−2,105**	**−542**

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

The Census basis data differ from merchandise trade data shown in table 3.10, U.S. International Transactions Summary, for reasons of coverage and timing. On the *export side*, the largest adjustments are: (a) the addition of exports to Canada not covered in Census statistics, and (b) the exclusion of military sales (which are combined with other military transactions and reported separately in the "service account" in table 3.10, line 6). On the *import side*, additions are made for gold, ship purchases, imports of electricity from Canada and other transactions; military payments are excluded and shown separately as indicated above.

SOURCE. FT900 "Summary of U.S. Export and Import Merchandise Trade" (U.S. Department of Commerce, Bureau of the Census).

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Type	1978	1979	1980	1981 Feb.	Mar.	Apr.	May	June	July	Aug.p
1 **Total**[1]	**18,650**	**18,956**	**26,756**	**29,682**	**30,410**	**29,693**	**29,395**	**29,582**	**28,870**	**29,265**
2 Gold stock, including Exchange Stabilization Fund[1]	11,671	11,172	11,160	11,156	11,154	11,154	11,154	11,154	11,154	11,154
3 Special drawing rights[2,3]	1,558	2,724	2,610	3,633	3,913	3,712	3,652	3,689	3,717	3,739
4 Reserve position in International Monetary Fund[2]	1,047	1,253	2,852	3,110	3,448	3,576	3,690	3,988	4,157	4,341
5 Foreign currencies[4,5]	4,374	3,807	10,134	11,783	11,895	11,251	10,899	10,751	9,842	10,031

1. Gold held under earmark at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.22.

2. Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, 16 currencies were used; from January 1981, 5 currencies have been used. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974.

3. Includes allocations by the International Monetary Fund of SDRs as follows: \$867 million on Jan. 1, 1970; \$717 million on Jan. 1, 1971; \$710 million on Jan. 1, 1972; \$1,139 million on Jan. 1, 1979; \$1,152 million on Jan. 1, 1980; and \$1,093 million on Jan. 1, 1981; plus net transactions in SDRs.

4. Beginning November 1978, valued at current market exchange rates.

5. Includes U.S. government securities held under repurchase agreement against receipt of foreign currencies, if any.

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

Millions of dollars, end of period

Asset account	1977	1978[1]	1979	1980	1981					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June[p]
	All foreign countries									
1 **Total, all currencies**	**258,897**	**306,795**	**364,233**	**397,516**	**397,683r**	**401,092r**	**410,087**	**410,765r**	**416,639**	**422,915**
2 Claims on United States	11,623	17,340	32,302	28,459	29,534	31,923	30,256	34,519r	38,645	35,203
3 Parent bank	7,806	12,811	25,929	20,202	20,674r	21,369	18,781	23,086r	28,012	24,309
4 Other	3,817	4,529	6,373	8,257	8,860	10,554	11,475	11,433r	10,633	10,894
5 Claims on foreigners	238,848	278,135	317,175	351,435	350,343r	351,101	361,413	357,823r	358,997	368,667
6 Other branches of parent bank	55,772	70,338	79,661	76,574r	75,622r	75,514r	77,631r	76,781r	76,191	79,832
7 Banks	91,883	103,111	123,413	144,674r	144,821r	146,187r	150,576r	148,015r	148,582	154,758
8 Public borrowers[2]	14,634	23,737	26,072	27,845	27,841r	28,138	28,758	28,123r	27,713	27,806
9 Nonbank foreigners	76,560	80,949	88,029	102,342	102,059r	101,262r	104,448	104,904r	106,511	106,271
10 Other assets	8,425	11,320	14,756	17,622	17,806r	18,068r	18,418	18,423r	18,997	19,045
11 **Total payable in U.S. dollars**	**193,764**	**224,940**	**267,711**	**290,017**	**292,746r**	**296,916r**	**302,851**	**307,064r**	**312,279**	**320,303**
12 Claims on United States	11,049	16,382	31,171	27,190	28,278	30,660	29,063	33,306	37,403	33,949
13 Parent bank	7,692	12,625	25,632	19,896	20,382	21,107	18,566	22,839	27,709	24,039
14 Other	3,357	3,757	5,539	7,294	7,896	9,553	10,497	10,467	9,694	9,910
15 Claims on foreigners	178,896	203,498	229,118	253,647	254,877r	256,332	263,641	263,252r	263,871	275,208
16 Other branches of parent bank	44,256	55,408	61,525	58,295r	58,849r	57,921r	59,870r	59,498r	58,704	62,696
17 Banks	70,786	78,686	96,261	116,020r	116,920r	118,411r	121,455r	120,558r	121,554	128,124
18 Public borrowers[2]	12,632	19,567	21,629	23,458	23,269r	23,561	24,035	23,767	23,194	23,488
19 Nonbank foreigners	51,222	49,837	49,703	55,874	55,839r	56,439r	58,281	59,429r	60,419	60,900
20 Other assets	3,820	5,060	7,422	9,180	9,591r	9,924r	10,147	10,506r	11,005	11,146
	United Kingdom									
21 **Total, all currencies**	**90,933**	**106,593**	**130,873**	**142,781**	**143,609**	**144,708**	**145,459**	**142,582**	**146,640**	**149,704**
22 Claims on United States	4,341	5,370	11,117	7,508	7,727	9,126	9,413	8,518	10,382	9,640
23 Parent bank	3,518	4,448	9,338	5,275	5,278	6,386	6,405	5,766	7,666	7,098
24 Other	823	922	1,779	2,233	2,449	2,740	3,008	2,752	2,716	2,542
25 Claims on foreigners	84,016	98,137	115,123	129,232	130,174	129,646	129,992	128,095	130,200	134,102
26 Other branches of parent bank	22,017	27,830	34,291	34,538	35,136	35,406	34,583	34,614	34,834	35,914
27 Banks	39,899	45,013	51,343	57,658	58,489	58,554	58,714	56,816	57,611	60,261
28 Public borrowers[2]	2,206	4,522	4,919	6,684	6,620	6,626	6,929	6,844	6,720	6,811
29 Nonbank foreigners	19,895	20,772	24,570	30,352	29,929	29,060	29,766	29,821	31,035	31,116
30 Other assets	2,576	3,086	4,633	6,041	5,708	5,936	6,054	5,969	6,058	5,962
31 **Total payable in U.S. dollars**	**66,635**	**75,860**	**94,287**	**98,913**	**101,038**	**102,954**	**102,933**	**101,506**	**104,959**	**108,854**
32 Claims on United States	4,100	5,113	10,746	7,115	7,304	8,671	9,001	8,080	9,932	9,150
33 Parent bank	3,431	4,386	9,297	5,229	5,221	6,324	6,381	5,715	7,611	7,059
34 Other	669	727	1,449	1,886	2,083	2,347	2,620	2,365	2,321	2,091
35 Claims on foreigners	61,408	69,416	81,294	88,950	90,682	91,204	90,696	90,199	91,632	96,240
36 Other branches of parent bank	18,947	22,838	28,928	28,231	28,768	28,946	28,132	28,393	28,527	29,725
37 Banks	28,530	31,482	36,760	41,373	42,887	42,751	42,609	41,767	42,786	45,631
38 Public borrowers[2]	1,669	3,317	3,319	4,909	4,816	4,930	5,168	5,093	4,967	5,123
39 Nonbank foreigners	12,263	11,779	12,287	14,437	14,211	14,577	14,787	14,946	15,352	15,761
40 Other assets	1,126	1,331	2,247	2,848	3,052	3,079	3,236	3,227	3,395	3,464
	Bahamas and Caymans									
41 **Total, all currencies**	**79,052**	**91,735**	**108,977**	**123,837**	**123,541r**	**124,807r**	**127,801**	**132,063r**	**133,513**	**135,081**
42 Claims on United States	5,782	9,635	19,124	17,751	18,370	19,150	17,348	22,473	24,531	21,809
43 Parent bank	3,051	6,429	15,196	12,631	12,842	12,417	10,017	14,908	17,511	14,475
44 Other	2,731	3,206	3,928	5,120	5,528	6,733	7,331	7,565	7,020	7,334
45 Claims on foreigners	71,671	79,774	86,718	101,926	100,822r	101,199	105,970	105,001r	104,117	108,488
46 Other branches of parent bank	11,120	12,904	9,689	13,342r	12,974r	11,996r	14,022r	13,107r	12,235	13,569
47 Banks	27,939	33,677	43,189	54,861r	54,237r	55,263r	57,045r	57,325r	56,995	59,715
48 Public borrowers[2]	9,109	11,514	12,905	12,577	12,569r	12,605	12,579	12,205	12,169	12,038
49 Nonbank foreigners	23,503	21,679	20,935	21,146	21,042r	21,335r	22,324	22,364r	22,718	23,166
50 Other assets	1,599	2,326	3,135	4,160	4,349r	4,458r	4,483	4,589	4,865	4,784
51 **Total payable in U.S. dollars**	**73,987**	**85,417**	**102,368**	**117,654**	**117,630r**	**119,005r**	**121,900**	**126,429r**	**127,965**	**129,438**

For notes see opposite page.

3.13 Continued

Liability account	1977	1978[1]	1979	1980 Dec.	1981 Jan.	1981 Feb.	1981 Mar.	1981 Apr. r	1981 May	1981 June p
					All foreign countries					
52 **Total, all currencies**	**285,897**	**306,795**	**364,233**	**397,516**	**397,683r**	**401,092r**	**410,087**	**410,765**	**416,639**	**422,915**
53 To United States	44,154	58,012	66,686	90,996	92,466r	90,714r	97,671r	105,774	105,453	109,450
54 Parent bank	24,542	28,654	24,530	39,176	38,679	36,431r	43,020r	45,277	41,020	44,328
55 Other banks in United States	19,613	12,169	13,968	14,473	13,649r	13,959	14,372	15,531	16,293	16,140
56 Nonbanks		17,189	28,188	37,272	40,118	40,324	40,279	44,966	48,140	48,982
57 To foreigners	206,579	238,912	283,344	292,013	290,926r	296,500r	297,983	290,138	295,818	298,036
58 Other branches of parent bank	53,244	67,496	77,601	74,032	73,084	73,766r	75,321r	74,487	75,807	79,032
59 Banks	94,140	97,711	122,849	130,743	133,057r	134,865r	133,714r	128,828	133,210	131,828
60 Official institutions	28,110	31,936	35,664	32,448	28,951	28,602	29,871	28,024	27,464	26,347
61 Nonbank foreigners	31,085	41,769	47,230	54,790	55,834r	59,267r	59,077	58,799	59,337	60,829
62 Other liabilities	8,163	9,871	14,203	14,582	14,311r	13,878r	14,433r	14,853	15,368	15,429
63 **Total payable in U.S. dollars**	**198,572**	**230,810**	**273,819**	**301,139**	**303,449r**	**307,533r**	**313,610**	**318,469**	**324,081**	**332,288**
64 To United States	42,881	55,811	64,530	88,131	89,817r	88,325r	95,259r	103,330	103,088	106,868
65 Parent bank	24,213	27,519	23,403	37,504	37,021	34,955r	41,508r	43,801	39,585	42,823
66 Other banks in United States	18,669	11,915	13,771	14,203	13,475r	13,757	14,235	15,363	16,167	15,949
67 Nonbanks		16,377	27,356	36,424	39,321	39,613	39,516	44,166	47,336	48,096
68 To foreigners	151,363	169,927	201,476	204,834	205,360r	210,636r	209,459	205,565	211,412	215,798
69 Other branches of parent bank	43,268	53,396	60,513	57,050	56,972	56,896r	58,508r	58,096	59,100	62,291
70 Banks	64,872	63,000	80,691	86,642	89,438r	91,655r	87,520r	86,000	89,586	89,919
71 Official institutions	23,972	26,404	29,048	24,692	21,863	21,896	23,102	21,445	21,340	20,848
72 Nonbank foreigners	19,251	27,127	31,224	36,450	37,087r	40,189r	40,329	40,024	41,386	42,740
73 Other liabilities	4,328	5,072	7,813	8,174	8,272r	8,572r	8,892r	9,574	9,581	9,622
					United Kingdom					
74 **Total, all currencies**	**90,933**	**106,593**	**130,873**	**142,781**	**143,609**	**144,708**	**145,459**	**142,582**	**146,640**	**149,704**
75 To United States	7,753	9,730	20,986	21,735	23,226	22,754	24,374	26,008	26,826	29,735
76 Parent bank	1,451	1,887	3,104	4,176	4,228	3,190	4,242	4,542	4,378	4,372
77 Other banks in United States	6,302	4,189	7,693	5,716	5,436	5,840	5,519	5,915	5,965	6,172
78 Nonbanks		3,654	10,189	11,843	13,562	13,724	14,613	15,551	16,483	19,191
79 To foreigners	80,736	93,202	104,032	115,582	115,236	116,862	115,816	111,486	114,517	114,996
80 Other branches of parent bank	9,376	12,786	12,567	13,933	13,734	13,335	13,913	13,491	14,169	14,995
81 Banks	37,893	39,917	47,620	55,928	57,371	57,527	56,110	53,563	56,238	55,933
82 Official institutions	18,318	20,963	24,202	21,412	19,199	19,591	19,743	18,385	18,503	17,192
83 Nonbank foreigners	15,149	19,536	19,643	24,309	24,932	26,409	26,050	26,047	25,607	26,846
84 Other liabilities	2,445	3,661	5,855	5,464	5,147	5,092	5,269	5,088	5,297	5,003
85 **Total payable in U.S. dollars**	**67,573**	**77,030**	**95,449**	**102,300**	**104,123**	**106,354**	**106,637**	**105,847**	**109,209**	**113,427**
86 To United States	7,480	9,328	20,552	21,080	22,597	22,245	23,927	25,499	26,359	28,995
87 Parent bank	1,416	1,836	3,054	4,078	4,126	3,132	4,160	4,447	4,308	4,278
88 Other banks in United States	6,064	4,101	7,651	5,626	5,343	5,757	5,487	5,841	5,911	6,094
89 Nonbanks		3,391	9,847	11,376	13,128	13,356	14,280	15,211	16,140	18,623
90 To foreigners	58,977	66,216	72,397	78,512	78,768	81,006	79,501	77,212	79,575	81,411
91 Other branches of parent bank	7,505	9,635	8,446	9,600	9,591	9,097	9,297	9,168	9,327	10,288
92 Banks	25,608	25,287	29,424	35,177	36,463	37,007	34,553	34,117	35,899	36,711
93 Official institutions	15,482	17,091	20,192	17,024	14,941	15,404	15,718	14,473	14,846	13,995
94 Nonbank foreigners	10,382	14,203	14,335	16,711	17,773	19,498	19,933	19,454	19,503	20,417
95 Other liabilities	1,116	1,486	2,500	2,708	2,758	3,103	3,209	3,136	3,275	3,021
					Bahamas and Caymans					
96 **Total, all currencies**	**79,052**	**91,735**	**108,977**	**123,837**	**123,541r**	**124,807r**	**127,801**	**132,063**	**133,513**	**135,081**
97 To United States	32,176	39,431	37,719	59,666	58,986r	58,664r	64,026r	69,478	69,048	69,407
98 Parent bank	20,956	20,482	15,267	28,181	26,563	26,279r	31,741r	32,925	29,583	32,160
99 Other banks in United States	11,220	6,073	5,204	7,379	7,184r	7,165	7,883	8,618	9,297	8,822
100 Nonbanks		12,876	17,248	24,106	25,239	25,220	24,402	27,935	30,168	28,425
101 To foreigners	45,292	50,447	68,598	61,218	61,618r	63,266r	60,875	59,344	61,090	62,470
102 Other branches of parent bank	12,816	16,094	20,875	17,040	17,819	18,783r	17,437r	17,788	17,950	19,484
103 Banks	24,717	23,104	33,631	29,895	30,052r	30,287r	28,670r	27,133	28,768	28,326
104 Official institutions	3,000	4,208	4,866	4,361	4,204	3,663	4,403	4,079	3,666	3,685
105 Nonbank foreigners	4,759	7,041	9,226	9,922	9,543r	10,533r	10,365	10,344	10,706	10,975
106 Other liabilities	1,584	1,857	2,660	2,953	2,937r	2,877r	2,900r	3,241	3,375	3,204
107 **Total payable in U.S. dollars**	**74,463**	**87,014**	**103,460**	**119,657**	**119,295r**	**120,712r**	**123,785**	**128,235**	**129,807**	**131,120**

1. In May 1978 the exemption level for branches required to report was increased, which reduced the number of reporting branches.
2. In May 1978 a broader category of claims on foreign public borrowers, including corporations that are majority owned by foreign governments, replaced the previous, more narrowly defined claims on foreign official institutions.

3.14 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1978r	1979r	1980r	1981 Feb.	Mar.▲	Mar.▲	Apr.	May	June p	July p
1 **Total[1]**	**162,775**	**149,697**	**164,576**	**162,880**	**170,193**	**170,213**	**170,599**	**165,403**	**167,069**	**166,913**
By type										
2 Liabilities reported by banks in the United States[2]	23,326	30,540	30,381	25,025	27,471	27,491	25,563	23,563	25,234	25,854
3 U.S. Treasury bills and certificates[3]	67,671	47,666	56,243	56,988	60,493	60,493	61,670	57,858	57,719	55,669
U.S. Treasury bonds and notes										
4 Marketable	35,894	37,590	41,455	43,725	44,808	44,808	45,303	45,625	46,605	47,402
5 Nonmarketable[4]	20,970	17,387	14,654	14,494	14,294	14,294	14,294	14,294	13,202	12,802
6 U.S. securities other than U.S. Treasury securities[5]	14,914	16,514	21,843	22,648	23,127	23,127	23,769	24,063	24,309	25,186
By area										
7 Western Europe[1]	93,089	85,633	81,592	78,334	79,981	79,999	78,242	71,455	71,130	70,595
8 Canada	2,486	1,898	1,562	1,089	1,437	1,437	1,177	1,365	1,248	664
9 Latin America and Caribbean	5,046	6,291	5,688	5,242	6,365	6,365	5,908	5,525	6,103	5,577
10 Asia	59,004	52,978	70,782	73,162	77,169	77,171	79,255	81,015	83,123	85,741
11 Africa	2,408	2,412	4,123	3,947	4,087	4,087	4,187	3,927	3,190	2,645
12 Other countries[6]	742	485	829	1,106	1,154	1,154	1,830	2,116	2,275	1,691

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.

▲ Data in the two columns for this date differ because of changes in reporting coverage. Figures in the first column are comparable in coverage with those shown for the preceding month; figures in the second column are comparable with those for the following month.

NOTE. Based on Treasury Department data and on data reported to the Treasury Department by banks (including Federal Reserve Banks) and securities dealers in the United States.

3.15 LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in Foreign Currencies

Millions of dollars, end of period

Item	1977	1978	1979	1980 June	1980 Sept.	1980 Dec.	1981 Mar.▲	1981 Mar.▲
1 Banks' own liabilities	925	2,406	1,918	2,739	2,754	3,748	3,268	3,262
2 Banks' own claims[1]	2,356	3,671	2,419	2,874	3,203	4,206	4,238	4,245
3 Deposits	941	1,795	994	1,090	1,169	2,507	1,697	1,758
4 Other claims	1,415	1,876	1,425	1,784	2,035	1,699	2,542	2,488
5 Claims of banks' domestic customers[2]	....	358	580	798	595	962	444	444

1. Includes claims of banks' domestic customers through March 1978.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of their domestic customers.

▲ Data in the two columns for this date differ because of changes in reporting coverage. Figures in the first column are comparable in coverage with those shown for the preceding quarter; figures in the second column are comparable with those for the following quarter.

NOTE. Data on claims exclude foreign currencies held by U.S. monetary authorities.

3.16 LIABILITIES TO FOREIGNERS Reported by Banks in the United States Payable in U.S. dollars

Millions of dollars, end of period

Holder and type of liability	1978	1979	1980	1981 Feb.	1981 Mar.▲	1981 Mar.▲	1981 Apr.	1981 May	1981 June	1981 July^p
1 **All foreigners**	**166,842**	**187,521**	**205,295**	**201,515**	**203,651**	**205,284**	**213,152**	**213,475r**	**208,793**	**212,702**
2 Banks' own liabilities	78,661	117,196	124,789	121,528	120,217	120,425	128,115	132,154r	127,957	131,368
3 Demand deposits	19,218	23,303	23,462	23,300	21,308	21,216	22,644	22,193	23,184	21,403
4 Time deposits[1]	12,427	13,623	15,076	15,778	16,272	16,304	15,719	16,046	16,640	16,431
5 Other[2]	9,705	16,453	17,581	13,476	15,947	16,199	14,789	12,359r	14,090	13,327
6 Own foreign offices[3]	37,311	63,817	68,670	68,973	66,690	66,707	74,963	81,556r	74,042	80,208
7 Banks' custody liabilities[4]	88,181	70,325	80,506	79,988	83,433	84,859	85,037	81,320r	80,836	81,334
8 U.S. Treasury bills and certificates[5]	68,202	48,573	57,595	58,518	62,259	62,342	63,273	59,597	59,731	57,559
9 Other negotiable and readily transferable instruments[6]	17,472	19,396	20,079	18,350	18,226	18,207	17,886	17,392r	17,021	17,422
10 Other	2,507	2,356	2,832	3,120	2,948	4,310	3,878	4,331	4,084	6,373
11 **Nonmonetary international and regional organizations[7]**	**2,607**	**2,356**	**2,342**	**2,003**	**1,854**	**1,854**	**1,804**	**1,813r**	**1,777**	**1,782**
12 Banks' own liabilities	906	714	442	317	293	293	655	509r	357	363
13 Demand deposits	330	260	146	186	126	126	178	147	224	222
14 Time deposits[1]	84	151	85	76	67	67	81	80	75	75
15 Other[2]	492	303	211	54	100	100	396	281r	58	65
16 Banks' custody liabilities[4]	1,701	1,643	1,900	1,687	1,561	1,561	1,149	1,304	1,420	1419
17 U.S. Treasury bills and certificates	201	102	254	368	333	333	63	213	289	247
18 Other negotiable and readily transferable instruments[6]	1,499	1,538	1,646	1,319	1,228	1,228	1,086	1,091	1,132	1,172
19 Other	1	2	0	0	0	0	0	0	0	0
20 **Official institutions[8]**	**90,742**	**78,206**	**86,624**	**82,013**	**87,963**	**87,983**	**87,233**	**81,421r**	**82,953**	**81,523**
21 Banks' own liabilities	12,165	18,292	17,826	13,938	16,200	16,220	14,688	13,466	15,815	14,449
22 Demand deposits	3,390	4,671	3,771	3,580	3,338	3,232	3,768	3,444	3,975	3,134
23 Time deposits[1]	2,560	3,050	3,612	2,997	2,920	2,938	2,412	2,642	2,563	2,085
24 Other[2]	6,215	10,571	10,443	7,361	9,941	10,050	8,508	7,381	9,277	9,230
25 Banks' custody liabilities[4]	78,577	59,914	68,798	68,075	71,763	71,763	72,545	67,955r	67,138	67,074
26 U.S. Treasury bills and certificates[5]	67,415	47,666	56,243	56,988	60,492	60,492	61,670	57,858	57,719	55,669
27 Other negotiable and readily transferable instruments[6]	10,992	12,196	12,501	10,894	11,080	11,080	10,790	10,014r	9,346	9,338
28 Other	170	52	54	193	191	191	84	83	73	2,087
29 **Banks[9]**	**57,423**	**88,316**	**96,415**	**96,608**	**93,018**	**94,338**	**102,542**	**108,542r**	**101,468**	**106,992**
30 Banks' own liabilities	52,626	83,299	90,456	90,319	86,649	86,620	95,096	100,442r	93,260	98,369
31 Unaffiliated foreign banks	15,315	19,482	21,786	21,346	19,958	19,914	20,133	18,886r	19,218	18,161
32 Demand deposits	11,257	13,285	14,188	14,287	12,585	12,588	13,493	13,394	13,638	12,931
33 Time deposits[1]	1,429	1,667	1,703	1,813	2,324	2,305	1,549	1,685r	1,728	1,573
34 Other[2]	2,629	4,530	5,895	5,245	5,049	5,021	5,091	3,808r	3,852	3,657
35 Own foreign offices[3]	37,311	63,817	68,670	68,973	66,690	66,707	74,963	81,556r	74,042	80,208
36 Banks' custody liabilities[4]	4,797	5,017	5,959	6,289	6,369	7,717	7,446	8,100r	8,208	8,623
37 U.S. Treasury bills and certificates	300	422	623	714	826	827	839	945r	1,165	1,037
38 Other negotiable and readily transferable instruments[6]	2,425	2,415	2,748	2,850	2,928	2,913	2,932	3,053	3,177	3,459
39 Other	2,072	2,179	2,588	2,726	2,615	3,977	3,675	4,102	3,866	4,127
40 **Other foreigners**	**16,070**	**18,642**	**19,914**	**20,891**	**20,816**	**21,109**	**21,573**	**21,698r**	**22,595**	**22,405**
41 Banks' own liabilities	12,964	14,891	16,065	16,955	17,076	17,291	17,676	17,737r	18,525	18,187
42 Demand deposits	4,242	5,087	5,356	5,246	5,259	5,270	5,205	5,209r	5,346	5,115
43 Time deposits	8,353	8,755	9,676	10,892	10,961	10,995	11,677	11,640r	12,275	12,697
44 Other[2]	368	1,048	1,033	816	856	1,027	794	889r	904	375
45 Banks' custody liabilities[4]	3,106	3,751	3,849	3,937	3,740	3,817	3,897	3,961r	4,070	4,218
46 U.S. Treasury bills and certificates	285	382	474	449	607	690	701	581r	559	606
47 Other negotiable and readily transferable instruments[6]	2,557	3,247	3,185	3,287	2,991	2,986	3,078	3,235r	3,367	3,453
48 Other	264	123	190	201	141	141	119	145	144	159
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	11,007	10,984	10,745	9,868	9,893	9,887	9,549	9,653r	10,176	9,831

1. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments." Data for time deposits before April 1978 represent short-term only.
2. Includes borrowing under repurchase agreements.
3. U.S. banks: includes amounts due to own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. Agencies, branches, and majority-owned subsidiaries of foreign banks: principally amounts due to head office or parent foreign bank, and foreign branches, agencies or wholly owned subsidiaries of head office or parent foreign bank.
4. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
5. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
6. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
7. Principally the International Bank for Reconstruction and Development, and the Inter-American and Asian Development Banks.
8. Foreign central banks and foreign central governments and the Bank for International Settlements.
9. Excludes central banks, which are included in "Official institutions."

▲ Data in the two columns for this date differ because of changes in reporting coverage. Figures in the first column are comparable in coverage with those shown for the preceding month; figures in the second column are comparable with those for the following month.

3.16 Continued

	Area and country	1978	1979	1980	1981						
					Feb.	Mar.▲		Apr.	May	June	July
1	**Total**	**166,842**	**187,521**	**205,295**	**201,515**	**203,651**	**205,284**	**213,152**	**213,475r**	**208,793**	**212,702**
2	**Foreign countries**	**164,235**	**185,164**	**202,953**	**199,512**	**201,796**	**203,430**	**211,348**	**211,662r**	**207,016**	**210,920**
3	Europe	85,172	90,952	90,897	89,181	91,338	92,495	89,934	87,197r	86,785	84,886
4	Austria	513	413	523	551	522	522	523	493r	540	609
5	Belgium-Luxembourg	2,550	2,375	4,019	4,782	4,698	4,698	4,926	5,469r	5,054	4,671
6	Denmark	1,946	1,092	497	432	463	461	434	526	415	430
7	Finland	346	398	455	355	332	332	328	280r	305	294
8	France	9,214	10,433	12,125	12,521	12,959	12,950	13,102	11,367r	11,515	11,060
9	Germany	17,283	12,935	9,973	9,296	12,299	12,305	12,489	9,472	9,628	9,069
10	Greece	826	635	670	563	593	593	574	513r	507	532
11	Italy	7,739	7,782	7,572	5,987	3,446	3,453	3,600	3,014r	4,620	6,140
12	Netherlands	2,402	2,337	2,441	2,540	2,324	2,328	2,314	2,176	2,133	1,765
13	Norway	1,271	1,267	1,344	1,037	1,575	1,575	1,477	1,648	1,743	1,288
14	Portugal	330	557	374	358	356	356	309	336	454	447
15	Spain	870	1,259	1,500	1,388	1,631	1,631	1,352	1,678	1,199	1,329
16	Sweden	3,121	2,005	1,737	2,078	2,408	2,408	2,784	2,501r	2,180	1,963
17	Switzerland	18,225	17,954	16,689	16,636	16,844	16,856	15,739	15,810r	15,841	16,141
18	Turkey	157	120	242	231	235	235	209	182	194	356
19	United Kingdom	14,272	24,700	22,680	24,325	24,715	25,836	24,343	25,485r	24,428	22,895
20	Yugoslavia	254	266	681	269	202	202	238	270	312	408
21	Other Western Europe[1]	3,440	4,070	6,939	5,385	5,338	5,356	4,893	5,604r	5,323	5,160
22	U.S.S.R.	82	52	68	84	47	47	37	85	41	46
23	Other Eastern Europe[2]	330	302	370	363	352	350	264	288r	354	281
24	Canada	6,969	7,379	10,031	9,131	8,570	8,610	10,338	11,222r	10,199	9,192
25	Latin America and Caribbean	31,638	49,686	53,170	52,275	50,818	51,178	58,415	60,096r	56,153	63,755
26	Argentina	1,484	1,582	2,132	1,998	1,917	1,917	1,919	1,800	1,991	1,979
27	Bahamas	6,752	15,255	16,381	15,916	14,183	14,356	18,815	20,154r	17,760	24,319
28	Bermuda	428	430	670	804	915	913	634	802r	698	634
29	Brazil	1,125	1,005	1,216	1,266	1,151	1,148	1,345	1,347	1,412	1,145
30	British West Indies	5,974	11,138	12,766	12,144	11,566	11,566	13,995	14,892r	12,834	14,015
31	Chile	398	468	460	431	549	549	539	526	508	565
32	Colombia	1,756	2,617	3,077	3,087	2,970	2,970	2,940	2,828r	2,827	2,784
33	Cuba	13	13	6	7	6	6	8	7	7	7
34	Ecuador	322	425	371	449	511	511	352	391	463	392
35	Guatemala[3]	416	414	367	461	446	446	416	413	399	411
36	Jamaica[3]	52	76	97	101	94	94	141	132	80	122
37	Mexico	3,467	4,185	4,547	4,600	4,755	4,756	5,332	4,948	5,351	5,517
38	Netherlands Antilles	308	499	413	523	436	476	442	438r	493	480
39	Panama	2,967	4,483	4,718	3,984	4,297	4,445	4,723	4,847	4,615	4,989
40	Peru	363	383	403	447	341	342	354	334	450	363
41	Uruguay	231	202	254	266	306	306	284	334	322	243
42	Venezuela	3,821	4,192	3,170	3,925	4,218	4,220	4,178	3,924	3,548	3,666
43	Other Latin America and Caribbean	1,760	2,318	2,123	1,869	2,158	2,158	1,997	1,979	2,398	2,123
44	Asia	36,492	33,005	42,420	43,041	44,992	45,068	45,944	46,156r	47,279	47,933
	China										
45	Mainland	67	49	49	55	60	60	46	54	102	92
46	Taiwan	502	1,393	1,662	1,733	1,822	1,822	1,798	1,781	1,936	1,996
47	Hong Kong	1,256	1,672	2,548	3,054	2,440	2,438	2,468	3,001	3,151	3,446
48	India	790	527	416	604	576	576	442	458	408	392
49	Indonesia	449	504	730	678	1,063	1,063	944	707	582	1,309
50	Israel	688	707	883	557	582	582	444	404	478	387
51	Japan	21,927	8,907	16,281	17,990	19,367	19,442	19,450	19,803r	19,563	19,472
52	Korea	795	993	1,528	1,485	1,380	1,380	1,381	1,397	1,330	1,252
53	Philippines	644	795	919	1,057	1,115	1,115	1,213	802	1,049	996
54	Thailand	427	277	464	404	250	250	391	338	422	436
55	Middle-East oil-exporting countries[4]	7,534	15,300	14,453	13,015	14,205	14,205	15,119	14,728r	15,129	14,794
56	Other Asia	1,414	1,879	2,487	2,409	2,132	2,134	2,247	2,684r	3,129	3,362
57	Africa	2,886	3,239	5,187	4,371	4,553	4,553	4,529	4,513	3,917	3,168
58	Egypt	404	475	485	496	333	333	336	308	289	293
59	Morocco	32	33	33	30	33	33	34	54	41	77
60	South Africa	168	184	288	258	322	322	330	360	253	257
61	Zaire	43	110	57	58	28	28	28	24	181	84
62	Oil-exporting countries[5]	1,525	1,635	3,540	2,833	3,084	3,084	3,135	3,004	2,388	1,714
63	Other Africa	715	804	783	697	753	753	666	764	765	743
64	Other countries	1,076	904	1,247	1,513	1,526	1,526	2,189	2,477r	2,683	1,987
65	Australia	838	684	950	1,205	1,287	1,287	1,913	2,276r	2,398	1,770
66	All other	239	220	297	307	240	240	275	201	285	216
67	Nonmonetary international and regional organizations	2,607	2,356	2,342	2,003	1,854	1,854	1,804	1,813r	1,777	1,782
68	International	1,485	1,238	1,156	995	754	754	795	781r	747	699
69	Latin American regional	808	806	890	745	768	768	693	729	722	765
70	Other regional[6]	314	313	296	263	333	333	317	303	307	318

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.
2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
3. Included in "Other Latin America and Caribbean" through March 1978.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western Europe."

▲ Data in the two columns for this date differ because of changes in reporting coverage. Figures in the first column are comparable in coverage with those for the preceding month; figures in the second column are comparable with those for the following month.

3.17 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Area and country	1978	1979	1980	1981						
				Feb.	Mar.▲		Apr.	May	June	July^p
1 **Total**	**115,545**	**133,943**	**172,702**	**167,687**	**179,535**	**181,551**	**184,769**	**186,704^r**	**197,310**	**196,717**
2 **Foreign countries**	**115,488**	**133,906**	**172,624**	**167,608**	**179,461**	**181,477**	**184,700**	**186,657^r**	**197,262**	**196,657**
3 Europe	24,201	28,388	32,155	30,768	34,136	35,098	34,265	34,305^r	37,409	35,053
4 Austria	140	284	236	191	174	174	151	149	166	183
5 Belgium-Luxembourg	1,200	1,339	1,621	2,140	2,568	2,573	2,155	2,012^r	2,796	2,039
6 Denmark	254	147	127	172	119	119	141	162	125	132
7 Finland	305	202	460	337	319	326	327	299	365	343
8 France	3,735	3,322	2,958	3,067	3,838	3,911	3,696	3,164	3,209	2,861
9 Germany	845	1,179	948	1,028	1,074	1,122	1,038	1,140	1,099	1,259
10 Greece	164	154	256	244	210	210	334	242	249	292
11 Italy	1,523	1,631	3,364	3,105	3,052	3,055	2,926	2,981^r	3,855	3,923
12 Netherlands	677	514	575	523	548	560	530	584	627	470
13 Norway	299	276	227	224	223	223	180	173	172	167
14 Portugal	171	330	331	240	247	247	242	263	353	389
15 Spain	1,120	1,051	993	1,152	1,494	1,497	1,601	1,720^r	1,769	1,726
16 Sweden	537	542	783	733	868	884	975	996	794	730
17 Switzerland	1,283	1,165	1,446	1,729	1,313	1,375	1,263	1,698^r	1,690	1,871
18 Turkey	300	149	145	155	136	136	132	172	147	137
19 United Kingdom	10,147	13,795	14,917	12,949	15,093	15,827	15,652	15,707^r	16,675	15,358
20 Yugoslavia	363	611	853	859	871	872	878	904	988	992
21 Other Western Europe[1]	122	175	179	177	176	176	211	147	182	160
22 U.S.S.R.	360	268	281	249	265	265	266	254	302	245
23 Other Eastern Europe[2]	657	1,254	1,457	1,494	1,548	1,548	1,569	1,539^r	1,848	1,776
24 Canada	5,152	4,143	4,810	4,872	5,017	5,297	6,091	6,038^r	7,024	7,861
25 Latin America and Caribbean	57,565	67,993	92,992	89,625	96,364	96,829	98,594	99,731^r	103,300	105,083
26 Argentina	2,281	4,389	5,689	5,636	5,672	5,672	5,881	5,659^r	5,822	5,742
27 Bahamas	21,555	18,918	29,419	28,642	34,139	34,285	33,926	33,202^r	34,728	35,474
28 Bermuda	184	496	218	364	324	324	401	481	442	411
29 Brazil	6,251	7,713	10,496	9,801	10,213	10,269	9,924	9,921^r	10,019	9,813
30 British West Indies	9,694	9,818	15,663	14,338	14,236	14,320	16,143	17,165^r	18,207	17,998
31 Chile	970	1,441	1,951	1,843	1,876	1,876	2,028	2,019	2,074	2,203
32 Colombia	1,012	1,614	1,752	1,435	1,467	1,467	1,457	1,580	1,533	1,480
33 Cuba	0	4	3	3	3	3	4	3	3	7
34 Ecuador	705	1,025	1,190	1,179	1,257	1,257	1,229	1,239	1,285	1,306
35 Guatemala[3]	94	134	137	113	208	208	98	104	104	94
36 Jamaica[3]	40	47	36	41	77	77	34	35	38	39
37 Mexico	5,479	9,099	12,595	12,460	12,407	12,447	13,242	13,351	14,073	15,557
38 Netherlands Antilles	273	248	821	655	807	921	809	756	874	932
39 Panama	3,098	6,041	4,974	4,964	5,640	5,643	5,477	6,054^r	6,210	5,861
40 Peru	918	652	890	877	794	794	853	873	819	804
41 Uruguay	52	105	137	107	103	103	105	100	94	102
42 Venezuela	3,474	4,657	5,438	5,514	5,441	5,458	5,325	5,438^r	5,295	5,436
43 Other Latin America and Caribbean	1,485	1,593	1,583	1,653	1,702	1,705	1,658	1,751	1,678	1,823
44 Asia	25,362	30,730	39,140	39,113	40,636	40,941	42,439	43,006^r	46,028	45,020
China										
45 Mainland	4	35	195	186	201	201	202	204	205	209
46 Taiwan	1,499	1,821	2,469	2,270	2,413	2,413	2,568	2,413	2,471	2,380
47 Hong Kong	1,479	1,804	2,247	2,212	2,330	2,330	2,476	2,898^r	3,328	3,188
48 India	54	92	142	142	127	127	134	170	132	106
49 Indonesia	143	131	245	306	288	288	299	268	258	271
50 Israel	888	990	1,172	829	944	981	1,014	1,186	1,309	1,178
51 Japan	12,646	16,911	21,361	22,314	23,710	23,977	23,862	24,209	25,998	25,963
52 Korea	2,282	3,793	5,697	5,936	5,823	5,823	6,024	6,014	6,678	6,486
53 Philippines	680	737	989	745	605	605	994	1,024	1,192	1,192
54 Thailand	758	933	876	808	835	835	829	698	662	551
55 Middle East oil-exporting countries[4]	3,125	1,548	1,494	1,443	1,486	1,486	1,909	1,474^r	1,617	1,275
56 Other Asia	1,804	1,934	2,252	1,922	1,874	1,874	2,130	2,448^r	2,178	2,222
57 Africa	2,221	1,797	2,377	1,981	2,271	2,271	2,272	2,536	2,423	2,519
58 Egypt	107	114	151	152	137	137	124	126	155	128
59 Morocco	82	103	223	115	153	153	118	87	71	88
60 South Africa	860	445	370	421	534	534	562	668	658	688
61 Zaire	164	144	94	94	111	111	108	98	98	100
62 Oil-exporting countries[5]	452	391	805	425	589	589	650	805	672	726
63 Other	556	600	734	773	746	746	710	752^r	769	789
64 Other countries	988	855	1,150	1,250	1,038	1,041	1,038	1,040	1,078	1,121
65 Australia	877	673	859	868	870	874	922	898	939	988
66 All other	111	182	290	381	167	167	116	142	139	133
67 Nonmonetary international and regional organizations[6]	56	36	78	79	74	74	69	47^r	48	60

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."

▲ Data in the two columns shown for this date differ because of changes in reporting coverage. Figures in the first column are comparable in coverage with those for the preceding month; figures in the second column are comparable with those for the following month.

NOTE. Data for period prior to April 1978 include claims of banks' domestic customers on foreigners.

3.18 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1978	1979	1980	1981						
				Feb.	Mar.▲		Apr.	May	June	July[p]
1 **Total**	**126,787**	**154,030**	**198,807**	....	**210,586**	**213,220**	....	....	....	....
2 Banks' own claims on foreigners	115,545	133,943	172,702	167,687	179,535	181,551	184,769	186,704[r]	197,310	196,717
3 Foreign public borrowers	10,346	15,937	20,944	20,321	20,836	21,027	21,401	21,529[r]	22,767	23,846
4 Own foreign offices[1]	41,605	47,428	65,084	64,798	74,660	74,717	76,632	75,326[r]	80,137	79,992
5 Unaffiliated foreign banks	40,483	40,927	50,215	45,880	46,502	48,104	48,670	51,927[r]	55,326	54,751
6 Deposits	5,428	6,274	8,254	7,079	7,263	8,205	7,831	10,441[r]	11,342	11,506
7 Other	35,054	34,654	41,962	38,800	39,239	39,898	40,839	41,486[r]	43,984	43,245
8 All other foreigners	23,111	29,650	36,459	36,689	37,537	37,703	38,066	37,921[r]	39,079	38,128
9 Claims of banks' domestic customers[2]	11,243	20,088	26,106	....	31,052	31,669	....	....	....	....
10 Deposits	480	955	885	....	369	852	....	....	....	....
11 Negotiable and readily transferable instruments[3]	5,396	13,100	15,574	....	19,930	20,064	....	....	....	....
12 Outstanding collections and other claims[4]	5,366	6,032	9,648	....	10,752	10,753	....	....	....	....
13 MEMO: Customer liability on acceptances	15,030	18,021	22,714	....	24,452	24,452	....	....	....	....
Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	13,558	22,042	23,659	31,064	30,375	30,375	34,234	34,635	32,734	n.a.

1. *U.S. banks:* includes amounts due from own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. *Agencies, branches, and majority-owned subsidiaries of foreign banks:* principally amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the account of their domestic customers.
3. Principally negotiable time certificates of deposit and bankers acceptances.
4. Data for March 1978 and for period before that are outstanding collections only.
5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see July 1979 BULLETIN, p. 550.

▲Data in the two columns for this month differ because of changes in reporting coverage. Figures in the first column are comparable in coverage with those shown for the preceding month; figures in the second column are comparable with those shown for the following month.

NOTE. Beginning April 1978, data for banks' own claims are given on a monthly basis, but the data for claims of banks' own domestic customers are available on a quarterly basis only.

3.19 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Maturity; by borrower and area	1978	1979	1980			1981	
	Dec.	Dec.	June	Sept.	Dec.	Mar.▲	
1 **Total**	**73,635**	**86,181**	**93,260**	**99,022**	**106,857**	**104,789**	**106,513**
By borrower							
2 Maturity of 1 year or less[1]	58,345	65,152	71,938	76,231	82,665	80,855	82,636
3 Foreign public borrowers	4,633	7,233	7,227	8,935	10,036	10,519	10,630
4 All other foreigners	53,712	57,919	64,711	67,296	72,628	70,336	72,005
5 Maturity of over 1 year[1]	15,289	21,030	21,322	22,791	24,193	23,934	23,877
6 Foreign public borrowers	5,395	8,371	8,673	9,722	10,152	10,158	10,244
7 All other foreigners	9,894	12,659	12,649	13,069	14,041	13,775	13,634
By area							
Maturity of 1 year or less[1]							
8 Europe	15,169	15,235	17,215	16,940	18,762	17,306	18,261
9 Canada	2,670	1,777	2,047	2,166	2,723	2,358	2,621
10 Latin America and Caribbean	20,895	24,928	24,460	28,097	32,034	30,844	31,096
11 Asia	17,545	21,641	26,162	26,876	26,748	28,001	28,305
12 Africa	1,496	1,077	1,330	1,401	1,757	1,624	1,624
13 All other[2]	569	493	724	751	640	722	729
Maturity of over 1 year[1]							
14 Europe	3,142	4,160	4,033	4,705	5,118	5,698	5,578
15 Canada	1,426	1,317	1,199	1,188	1,448	1,184	1,200
16 Latin America and Caribbean	8,464	12,814	13,887	14,187	15,075	14,768	14,870
17 Asia	1,407	1,911	1,477	2,014	1,865	1,585	1,530
18 Africa	637	655	576	567	507	531	531
19 All other[2]	214	173	150	130	179	168	167

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

▲ Data in the two columns for this month differ because of changes in reporting coverage. Figures in the first column are comparable in coverage with those for the preceding quarter; figures in the second column are comparable with those for the following quarter.

3.20 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks[1]

Billions of dollars, end of period

Area or country	1977	1978[2]	1979			1980				1981	
			June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.[p]	June[p]
1 **Total**	**240.0**	**266.2**	**275.6**	**294.0**	**303.8**	**308.5**	**328.5**	**338.7**	**350.2**	**365.2[r]**	**380.6**
2 G-10 countries and Switzerland	116.4	124.7	125.2	135.7	138.4	141.2	154.2	158.7	161.5	165.6	167.7
3 Belgium-Luxembourg	8.4	9.0	9.7	10.7	11.1	10.8	13.1	13.5	12.9	13.4	14.2
4 France	11.0	12.2	12.7	12.0	11.7	12.0	14.0	13.9	14.0	14.3	14.7
5 Germany	9.6	11.3	10.8	12.8	12.2	11.4	12.7	12.9	11.5	12.5	12.1
6 Italy	6.5	6.7	6.1	6.1	6.4	6.2	6.9	7.2	8.2	7.6	8.4
7 Netherlands	3.5	4.4	4.0	4.7	4.8	4.3	4.5	4.4	4.4	4.5	4.1
8 Sweden	1.9	2.1	2.0	2.3	2.4	2.4	2.7	2.8	2.9	3.2	3.1
9 Switzerland	3.6	5.3	4.7	5.0	4.7	4.3	3.3	3.4	4.0	4.0	5.2
10 United Kingdom	46.5	47.3	50.3	53.7	56.4	57.6	64.3	66.6	68.7	68.3	66.2
11 Canada	6.4	6.0	5.5	6.0	6.3	6.9	7.2	7.7	8.4	8.5	10.8
12 Japan	18.8	20.6	19.5	22.3	22.4	25.4	25.5	26.1	26.5	29.3	28.9
13 Other developed countries	18.6	19.4	18.2	19.7	19.9	18.8	20.3	20.6	21.3[r]	23.1	24.8
14 Austria	1.3	1.7	1.8	2.0	2.0	1.7	1.8	1.8	1.9	1.8	2.1
15 Denmark	1.6	2.0	1.9	2.0	2.2	2.1	2.2	2.2	2.3[r]	2.4	2.3
16 Finland	1.2	1.2	1.1	1.2	1.2	1.1	1.3	1.2	1.4	1.3	1.3
17 Greece	2.2	2.3	2.2	2.3	2.4	2.4	2.5	2.6	2.8	2.7	3.0
18 Norway	1.9	2.1	2.1	2.3	2.3	2.4	2.4	2.4	2.6	2.8	2.8
19 Portugal	.6	.6	.5	.7	.7	.6	.6	.7	.6	.6	.8
20 Spain	3.6	3.5	3.0	3.3	3.5	3.5	3.9	4.2	4.0	5.1	5.7
21 Turkey	1.5	1.5	1.4	1.4	1.4	1.4	1.4	1.3	1.5	1.5	1.4
22 Other Western Europe	.9	1.3	.9	1.5	1.4	1.4	1.6	1.7	1.7	1.8	1.8
23 South Africa	2.4	2.0	1.8	1.7	1.3	1.1	1.5	1.2	1.1	1.5	1.9
24 Australia	1.4	1.4	1.4	1.3	1.3	1.2	1.2	1.2	1.3	1.4	1.7
25 OPEC countries[3]	17.6	22.7	22.7	23.4	22.9	21.8	20.9	21.3	22.8	21.5	22.2
26 Ecuador	1.1	1.6	1.6	1.6	1.7	1.8	1.8	1.9	2.1	2.0	2.0
27 Venezuela	5.5	7.2	7.6	7.9	8.7	7.9	7.9	8.5	9.1	8.3	8.7
28 Indonesia	2.2	2.0	1.9	1.9	1.9	1.9	1.9	1.9	1.8	2.1	2.1
29 Middle East countries	6.9	9.5	9.0	9.2	8.0	7.8	6.9	6.6	6.9	6.5	6.8
30 African countries	1.9	2.5	2.6	2.8	2.6	2.5	2.5	2.4	2.8	2.6	2.6
31 Non-OPEC developing countries	48.7	52.6	56.0	58.9	62.9	63.7	67.4	72.8	77.0[r]	81.8	84.6
Latin America											
32 Argentina	2.9	3.0	3.5	4.1	5.0	5.5	5.6	7.6	7.9	9.4	8.5
33 Brazil	12.7	14.9	15.1	15.1	15.2	15.0	15.3	15.8	16.2	16.7	17.3
34 Chile	.9	1.6	1.8	2.2	2.5	2.5	2.7	3.2	3.7[r]	4.0	4.7
35 Colombia	1.3	1.4	1.5	1.7	2.2	2.1	2.2	2.4	2.6	2.4	2.5
36 Mexico	11.9	10.8	10.7	11.4	12.0	12.1	13.6	14.4	15.9	17.0	18.1
37 Peru	1.9	1.7	1.4	1.4	1.5	1.3	1.4	1.5	1.8	1.7	1.7
38 Other Latin America	2.6	3.6	3.3	3.6	3.7	3.6	3.6	3.9	3.9	4.8	3.8
Asia											
China											
39 Mainland	.0	.0	.1	.1	.1	.1	.1	.1	.2	.2	.2
40 Taiwan	3.1	2.9	3.3	3.5	3.4	3.6	3.8	4.1	4.2	4.4	4.7
41 India	.3	.2	.2	.2	.2	.2	.2	.2	.3	.3	.3
42 Israel	.9	1.0	.9	1.0	1.3	.9	1.2	1.1	1.5	1.3	1.8
43 Korea (South)	3.9	3.9	5.0	5.3	5.4	6.4	7.1	7.3	7.1	7.7	8.7
44 Malaysia[4]	.7	.6	.7	.7	.9	.8	.9	.9	1.0	1.0	1.4
45 Philippines	2.5	2.8	3.7	3.7	4.2	4.4	4.6	4.8	4.9[r]	4.8	5.2
46 Thailand	1.1	1.2	1.4	1.6	1.5	1.4	1.5	1.5	1.4	1.5	1.5
47 Other Asia	.4	.2	.4	.4	.5	.5	.5	.5	.6	.5	.7
Africa											
48 Egypt	.3	.4	.7	.6	.6	.7	.7	.7	.8	.8	.7
49 Morocco	.5	.6	.5	.5	.6	.5	.5	.6	.7	.6	.5
50 Zaire	.3	.2	.2	.2	.2	.2	.2	.2	.2	.4	.2
51 Other Africa[5]	.7	1.4	1.5	1.6	1.7	1.7	1.8	2.0	2.0	2.1	2.1
52 Eastern Europe	6.3	6.9	6.7	7.2	7.3	7.3	7.2	7.3	7.4[r]	7.7	7.8
53 U.S.S.R.	1.6	1.3	.9	.9	.7	.6	.5	.5	.4	.4	.5
54 Yugoslavia	1.1	1.5	1.7	1.8	1.8	1.9	2.1	2.1	2.3	2.4	2.5
55 Other	3.7	4.1	4.1	4.6	4.8	4.9	4.5	4.7	4.6[r]	4.9	4.9
56 Offshore banking centers	26.1	31.0	37.0	38.6	40.4	42.6	44.3[r]	44.5	46.6[r]	50.8	57.8
57 Bahamas	9.9	10.4	14.4	13.0	13.7	13.9	13.7	13.1	13.3	13.6	17.2
58 Bermuda	.6	.7	.7	.7	.8	.6	.6	.6	.6	.7	.9
59 Cayman Islands and other British West Indies	3.7	7.4	7.4	9.5	9.4	11.3	9.8	10.1	10.6	11.3	11.9
60 Netherlands Antilles	.7	.8	1.0	1.1	1.2	.9	1.2	1.3	2.1	2.1	2.4
61 Panama[6]	3.1	3.0	3.8	3.4	4.3	4.9	5.6	5.6	5.4	6.3	6.8
62 Lebanon	.2	.1	.1	.2	.2	.2	.2	.2	.2	.2	.2
63 Hong Kong	3.7	4.2	4.9	5.5	6.0	5.7	6.9	7.5	8.1	8.4	10.2
64 Singapore	3.7	3.9	4.2	4.9	4.5	4.7	5.9	5.6	5.9	7.2	8.0
65 Others[7]	.5	.5	.4	.4	.4	.4	.4	.4	.3	.9	.3
66 Miscellaneous and unallocated[8]	5.3	9.1	9.9	10.6	11.7	13.1	14.3	13.7	13.9	14.8	15.7

1. The banking offices covered by these data are the U.S. offices and foreign branches of U.S.-owned banks and of U.S. subsidiaries of foreign-owned banks. Offices *not* covered include (1) U.S. agencies and branches of foreign banks, and (2) foreign subsidiaries of U.S. banks. To minimize duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution. The data in this table combine foreign branch claims in table 3.13 (the sum of lines 7 through 10) with the claims of U.S. offices in table 3.17 (excluding those held by agencies and branches of foreign banks and those constituting claims on own foreign branches). However, see also footnote 2.

2. Beginning with data for June 1978, the claims of the U.S. offices in this table include only banks' own claims payable in dollars. For earlier dates the claims of the U.S. offices also include customer claims and foreign currency claims (amounting in June 1978 to $10 billion).

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

4. Foreign branch claims only through December 1976.

5. Excludes Liberia.

6. Includes Canal Zone beginning December 1979.

7. Foreign branch claims only.

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

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

Millions of dollars

Country or area	1979	1980	1981 Jan.–July p	1981 Jan.	Feb.	Mar.	Apr.	May	June	July p
				Holdings (end of period)[1]						
1 **Estimated total[2]**	**51,344**	**57,418**	....	**58,453**	**60,276r**	**61,759r**	**62,123r**	**62,836r**	**64,102**	**65,251**
2 Foreign countries[2]	45,915	52,830r	....	53,918r	55,645r	56,840	57,352	58,038r	59,159	60,271
3 Europe[2]	24,824	24,337	....	25,176	25,466	25,235	24,883	24,511	24,869	25,186
4 Belgium-Luxembourg	60	77	....	80	88	106	123	131	173	163
5 Germany[2]	14,056	12,335	....	12,791	12,915	12,340	11,925	11,949	12,594	13,236
6 Netherlands	1,466	1,884	....	1,954	1,944	1,965	1,950	1,813	1,781	1,756
7 Sweden	647	595	....	555	535	566	567	572	582	606
8 Switzerland[2]	1,868	1,485	....	1,561	1,524	1,527	1,526	1,535	1,600	1,506
9 United Kingdom	6,236	7,183	....	7,438	7,745	7,892	7,862	7,274	6,836	6,569
10 Other Western Europe	491	777	....	796	714	839	930	1,236	1,304	1,350
11 Eastern Europe	0	0	....	0	0	0	0	0	0	0
12 Canada	232	449	....	458	490	478	464	486	484	501
13 Latin America and Caribbean	466	999	....	998	1,074	1,151	939	849	666	724
14 Venezuela	103	292	....	292	292	292	292	287	287	287
15 Other Latin America and Caribbean	200	285	....	281	341	339	389	430	217	260
16 Netherlands Antilles	163	421	....	425	441	519	258	132	162	177
17 Asia	19,805	26,112	....	26,303	27,467	28,827	29,920	31,047	31,997	32,716
18 Japan	11,175	9,479	....	9,519	9,543	9,543	9,566	9,606	9,778	9,786
19 Africa	591	919r	....	970	1,139	1,139r	1,139r	1,140	1,139	1,139
20 All other	−3	14	....	14	18	9	7	6	3	6
21 Nonmonetary international and regional organizations	5,429	4,588r	....	4,535	4,622	4,919r	4,771r	4,798	4,943	4,980
22 International	5,388	4,548	....	4,505	4,586	4,878	4,759	4,791	4,936	4,977
23 Latin American regional	37	36	....	26	36	36	6	1	1	1
				Transactions (net purchases, or sales (−) during period)						
24 **Total[2]**	**6,397**	**6,074r**	**7,833**	**1,035**	**1,827**	**1,480**	**364**	**713**	**1,266**	**1,149**
25 Foreign countries[2]	6,099	6,915r	7,441	1,088	1,736	1,185	512	686	1,121	1,112
26 Official institutions	1,697	3,865r	5,947	865	1,404	1,084	495	321	980	798
27 Other foreign[2]	4,403	3,049r	1,493	223	332	101	17	365	141	314
28 Nonmonetary international and regional organizations	301	−843	392	−53	91	295	−148	26	145	36
MEMO: Oil-exporting countries										
29 Middle East[3]	−1,014	7,672	5,889	300	1,139	1,322	1,062	841	565	659
30 Africa[4]	−100	327r	220	51	169	0	0	0	0	0

1. Estimated official and private holdings of marketable U.S. Treasury securities with an original maturity of more than 1 year. Data are based on a benchmark survey of holdings as of Jan. 31, 1971, and monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

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

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

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

3.22 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS

Millions of dollars, end of period

Assets	1978	1979	1980	1981 Feb.	Mar.	Apr.	May	June	July	Aug. p
1 Deposits	367	429	411	422	474	475	346	338	285	255
Assets held in custody										
2 U.S. Treasury securities[1]	117,126	95,075	102,417	106,389	111,859	113,746	109,742	107,884	105,064	102,197
3 Earmarked gold[2]	15,463	15,169	14,965	14,892	14,883	14,886	14,875	14,871	14,854	14,833

1. Marketable U.S. Treasury bills, notes, and bonds; and nonmarketable U.S. Treasury securities payable in dollars and in foreign currencies.

2. The value of earmarked gold increased because of the changes in par value of the U.S. dollar in May 1972 and in October 1973.

NOTE. Excludes deposits and U.S. Treasury securities held for international and regional organizations. Earmarked gold is gold held for foreign and international accounts and is not included in the gold stock of the United States.

3.23 FOREIGN TRANSACTIONS IN SECURITIES
Millions of dollars

Transactions, and area or country	1979	1980	1981 Jan.–July p	1981 Jan.	Feb.	Mar.	Apr.	May	June	July p
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	22,781	40,320	26,014	3,425r	2,720r	3,951r	4,041	4,083	4,354	3,440
2 Foreign sales	21,123	34,962	21,277	2,800r	2,313r	3,314r	3,323	2,858	3,419	3,250
3 Net purchases, or sales (–)	**1,658**	**5,358**	**4,737**	**625r**	**407r**	**637r**	**718**	**1,225**	**935**	**190**
4 Foreign countries	**1,642**	**5,340**	**4,685**	**613r**	**405r**	**629r**	**710**	**1,215**	**930**	**182**
5 Europe	217	3,069	3,077	440r	258r	606r	419	766	477	111
6 France	122	482	823	63r	42r	110	126	393	42	48
7 Germany	–221	186	55	24	18	31	15	–17	11	–28
8 Netherlands	–71	–328	71	43	2	12	–2	31	27	–41
9 Switzerland	–519	308	359	105	–24	138	75	84	0	–19
10 United Kingdom	964	2,503	1,607	178	220	309r	197	215	349	138
11 Canada	552	865	776	26	91	105r	230	143	104	77
12 Latin America and Caribbean	–19	148	74	101	–22	14	–26	9	126	–126
13 Middle East[1]	688	1,206	494	63	74	–95	91	223	33	105
14 Other Asia	211	16	287	–14	–2	0	3	77	187	37
15 Africa	–14	–1	6	2	0	–1	–1	1	4	–1
16 Other countries	7	38	–30	–5	7	0	–5	–4	–1	–21
17 Nonmonetary international and regional organizations	**17**	**18**	**52**	**12**	**2**	**8**	**8**	**10**	**5**	**8**
BONDS[2]										
18 Foreign purchases	8,835	15,425	11,262	1,549	1,402	2,035	1,549	894	1,939	1,894
19 Foreign sales	7,602	9,964r	6,632	817	863	1,239	774	669	1,450	820
20 Net purchases, or sales (–)	**1,233**	**5,461r**	**4,630**	**733**	**539**	**796r**	**775**	**225**	**489**	**1,074**
21 Foreign countries	**1,330**	**5,526r**	**4,571**	**706**	**552**	**797**	**733**	**243**	**473**	**1,067**
22 Europe	626	1,576	1,283	214	311	132	328	–3	179	122
23 France	11	129	0	4	–42	9	8	17	10	–5
24 Germany	58	213	528	49	112	97	23	28	151	68
25 Netherlands	–202	–65	48	6	12	14	13	4	0	0
26 Switzerland	–118	54	130	22	12	4	17	34	20	22
27 United Kingdom	814	1,257	467	124	207	–22	231	–87	4	11
28 Canada	80	135	70	7	–2	19	12	18	–6	23
29 Latin America and Caribbean	109	185	115	–3	26	28	22	9	12	21
30 Middle East[1]	424	3,499r	3,181	492	201	723	362	192	359	853
31 Other Asia	88	117	–75	–1	17	–105	9	27	–71	49
32 Africa	1	5	0	0	0	0	0	0	0	0
33 Other countries	1	10	–3	–4	0	0	0	0	1	0
34 Nonmonetary international and regional organizations	**–96**	**–65**	**59**	**27**	**–13**	**–1**	**42**	**–18**	**16**	**7**
	Foreign securities									
35 Stocks, net purchases, or sales (–)	–786	–2,089r	–203	35	13	–187	–90	32	–114	108
36 Foreign purchases	4,615	7,885	5,655	696	709	763	851r	853r	891	891
37 Foreign sales	5,401	9,974r	5,858	661	697	950	941	821r	1,005	783
38 Bonds, net purchases, or sales (–)	–3,855	–900r	–2,668	–237	29	–141	–632	–194r	–447	–1,046
39 Foreign purchases	12,672	17,069	9,716	1,142	1,296	1,686	1,154	1,292	1,509	1,636
40 Foreign sales	16,527	17,970r	12,384	1,379	1,267	1,827	1,786	1,487r	1,956	2,682
41 Net purchases, or sales (–), of stocks and bonds	**–4,641**	**–2,989r**	**–2,871**	**–202**	**42**	**–328**	**–723**	**–162r**	**–561**	**–937**
42 Foreign countries	**–3,891**	**–3,866r**	**–3,279**	**–261**	**24**	**–340**	**–732**	**–162r**	**–561**	**–1,248**
43 Europe	–1,646	–958r	–945	–116	80	–161	–300	75r	–41	–481
44 Canada	–2,601	–1,959r	–2,050	–4	76	–101	–271	–385	–507	–858
45 Latin America and Caribbean	347	84r	68	51	52	–68	119	–51	–10	–24
46 Asia	44	–1,136r	–329	–177	–169	9	–234	174	–72	141
47 Africa	–61	24	–52	–10	–8	–17	–7	–3	–6	–2
48 Other countries	25	80	28	–4	–7	–2	–39	29	75	–23
49 Nonmonetary international and regional organizations	**–750**	**876**	**408**	**59**	**17**	**12**	**9**	**0**	**0**	**311**

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Includes state and local government securities, and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

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

Millions of dollars, end of period

Type, and area or country	1978	1979	1979	1980				1981
			Dec.	Mar.	June	Sept.	Dec.	Mar.
1 **Total**	**14,948**	**17,062**	**17,062**	**17,476**	**18,643**	**18,634**	**21,229**	**20,997**
2 Payable in dollars	11,513	13,984	13,984	14,470	15,203	15,337	17,520	17,502
3 Payable in foreign currencies[2]	3,435	3,078	3,078	3,006	3,440	3,296	3,709	3,495
By type								
4 Financial liabilities	6,353	7,366	7,366	7,832	8,410	8,293	11,015	11,206
5 Payable in dollars	3,838	5,096	5,096	5,591	5,791	5,818	8,243	8,600
6 Payable in foreign currencies	2,515	2,270	2,270	2,242	2,619	2,475	2,772	2,606
7 Commercial liabilities	8,595	9,696	9,696	9,693	10,233	10,341	10,214	9,791
8 Trade payables	4,008	4,424	4,424	4,190	4,297	4,381	4,400	4,442
9 Advance receipts and other liabilities	4,587	5,272	5,272	5,454	5,936	5,960	5,814	5,349
10 Payable in dollars	7,674	8,888	8,888	8,879	9,412	9,520	9,277	8,903
11 Payable in foreign currencies	921	808	808	764	821	821	936	888
By area or country								
Financial liabilities								
12 Europe	3,958	4,642	4,642	4,860	5,470	5,314	6,303	5,995
13 Belgium-Luxembourg	289	345	345	360	422	417	484	553
14 France	173	175	175	193	347	339	327	324
15 Germany	366	497	497	520	657	557	582	496
16 Netherlands	390	828	828	795	797	780	663	544
17 Switzerland	248	170	170	174	238	224	354	315
18 United Kingdom	2,159	2,449	2,449	2,647	2,841	2,867	3,758	3,650
19 Canada	244	439	439	380	530	508	864	982
20 Latin America and Caribbean	1,357	1,483	1,483	1,764	1,633	1,732	3,100	3,342
21 Bahamas	478	375	375	459	434	412	964	1,148
22 Bermuda	4	81	81	83	2	1	1	1
23 Brazil	10	18	18	22	25	20	23	19
24 British West Indies	194	514	514	694	700	703	1,452	1,389
25 Mexico	102	121	121	101	101	108	99	97
26 Venezuela	49	72	72	70	72	74	81	85
27 Asia	784	793	793	807	752	707	723	858
28 Japan	717	726	726	740	683	618	644	744
29 Middle East oil-exporting countries[3]	32	31	31	26	31	37	38	51
30 Africa	5	4	4	11	10	11	11	6
31 Oil-exporting countries[4]	2	1	1	1	1	1	1	1
32 All other[5]	5	4	4	10	15	21	15	23
Commercial liabilities								
33 Europe	3,054	3,639	3,639	3,716	4,038	4,079	4,067	3,669
34 Belgium-Luxembourg	97	137	137	117	132	109	90	82
35 France	321	467	467	503	485	501	582	560
36 Germany	529	548	548	545	727	693	679	639
37 Netherlands	246	227	227	288	245	276	219	246
38 Switzerland	302	310	310	382	462	452	493	385
39 United Kingdom	824	1,077	1,077	1,012	1,133	1,045	1,011	871
40 Canada	667	868	868	720	591	590	785	725
41 Latin America	997	1,323	1,323	1,253	1,271	1,361	1,244	1,280
42 Bahamas	25	69	69	4	26	8	8	1
43 Bermuda	97	32	32	47	107	114	73	111
44 Brazil	74	203	203	228	151	156	111	82
45 British West Indies	53	21	21	20	37	12	35	16
46 Mexico	106	257	257	235	272	324	326	419
47 Venezuela	303	301	301	211	210	293	307	253
48 Asia	2,931	2,905	2,905	2,950	3,091	2,909	2,848	2,853
49 Japan	448	494	494	581	418	502	645	621
50 Middle East oil-exporting countries[3]	1,523	1,017	1,017	901	1,030	944	894	947
51 Africa	743	728	728	742	875	1,006	814	824
52 Oil-exporting countries[4]	312	384	384	382	498	633	514	515
53 All other[5]	203	233	233	263	367	396	456	440

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

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

Millions of dollars, end of period

Type, and area or country	1978	1979	1979	1980				1981
			Dec.	Mar.	June	Sept.	Dec.	Mar.
1 **Total**	**27,892**	**31,023**	**31,023**	**32,077**	**32,024**	**31,579**	**33,869**	**37,061**
2 Payable in dollars	24,905	27,850	27,850	29,069	28,962	28,322	31,030	34,139
3 Payable in foreign currencies[2]	2,988	3,173	3,173	3,008	3,062	3,257	2,838	2,921
By type								
4 Financial claims	16,570	18,222	18,222	19,332	18,630	18,285	19,281	21,760
5 Deposits	11,111	12,579	12,579	13,657	12,786	12,218	13,455	15,980
6 Payable in dollars	10,043	11,663	11,663	12,681	11,907	11,056	12,722	15,198
7 Payable in foreign currencies	1,068	916	916	977	879	1,162	733	782
8 Other financial claims	5,459	5,643	5,643	5,675	5,844	6,067	5,826	5,780
9 Payable in dollars	3,874	3,803	3,803	4,055	4,103	4,399	4,137	4,119
10 Payable in foreign currencies	1,584	1,840	1,840	1,620	1,740	1,668	1,689	1,662
11 Commercial claims	11,323	12,801	12,801	12,745	13,394	13,294	14,588	15,301
12 Trade receivables	10,764	12,112	12,112	12,095	12,685	12,605	13,871	14,506
13 Advance payments and other claims	559	688	688	649	710	688	717	795
14 Payable in dollars	10,988	12,384	12,384	12,333	12,952	12,867	14,171	14,823
15 Payable in foreign currencies	335	416	416	411	443	427	416	478
By area or country								
Financial claims								
16 Europe	5,215	6,146	6,146	5,843	5,843	5,605	6,021	6,047
17 Belgium-Luxembourg	48	32	32	21	23	17	195	159
18 France	178	177	177	290	307	409	340	411
19 Germany	510	409	409	300	190	168	230	213
20 Netherlands	103	53	53	39	37	30	32	42
21 Switzerland	98	73	73	89	96	41	59	90
22 United Kingdom	4,021	5,081	5,081	4,790	4,863	4,545	4,889	4,856
23 Canada	4,484	4,813	4,813	4,885	4,783	4,804	4,785	6,281
24 Latin America and Caribbean	5,714	6,261	6,261	7,583	6,924	6,757	7,496	8,485
25 Bahamas	3,001	2,741	2,741	3,516	3,080	2,831	3,333	3,919
26 Bermuda	80	30	30	34	25	65	135	13
27 Brazil	151	163	163	128	120	116	96	22
28 British West Indies	1,291	2,001	2,001	2,591	2,393	2,301	2,586	3,321
29 Mexico	163	158	158	169	178	192	208	201
30 Venezuela	157	143	143	134	139	128	137	131
31 Asia	920	706	706	713	758	791	710	696
32 Japan	305	199	199	226	253	269	177	191
33 Middle East oil-exporting countries[3]	18	16	16	18	16	20	20	17
34 Africa	181	253	253	265	256	260	238	214
35 Oil-exporting countries[4]	10	49	49	40	35	29	26	27
36 All other[5]	55	44	44	43	65	68	32	36
Commercial claims								
37 Europe	3,980	4,897	4,897	4,759	4,830	4,655	5,487	5,785
38 Belgium-Luxembourg	144	202	202	208	258	230	232	275
39 France	609	726	726	702	662	707	1,128	906
40 Germany	398	589	589	515	510	569	590	594
41 Netherlands	267	298	298	347	297	289	318	349
42 Switzerland	198	269	269	349	429	333	351	460
43 United Kingdom	824	901	901	926	903	988	930	1,192
44 Canada	1,094	846	846	861	896	929	897	1,027
45 Latin America and Caribbean	2,544	2,850	2,850	2,986	3,277	3,375	3,790	3,807
46 Bahamas	109	21	21	19	19	53	21	15
47 Bermuda	215	197	197	135	133	81	148	170
48 Brazil	628	645	645	654	695	710	861	797
49 British West Indies	9	16	16	11	9	17	34	15
50 Mexico	505	698	698	832	921	981	1,090	1,049
51 Venezuela	291	343	343	350	395	388	407	435
52 Asia	3,080	3,413	3,413	3,395	3,576	3,395	3,447	3,684
53 Japan	976	1,140	1,140	1,213	1,143	1,094	990	1,238
54 Middle East oil-exporting countries[3]	716	766	766	719	830	837	821	915
55 Africa	447	554	554	517	566	669	651	675
56 Oil-exporting countries[4]	136	133	133	114	115	135	151	143
57 All other[5]	178	240	240	225	249	270	316	321

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

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Percent per annum

Country	Rate on Aug. 31, 1981		Country	Rate on Aug. 31, 1981		Country	Rate on Aug. 31, 1981	
	Per-cent	Month effective		Per-cent	Month effective		Per-cent	Month effective
securities for Argentina ...	284.69	Aug. 1981	France[1]	17.0	Aug. 1981	Sweden	12.0	Jan. 1981
Austria	6.75	Mar. 1980	Germany, Fed. Rep. of...	7.5	May 1980	Switzerland	5.0	May 1981
Belgium	13.0	May 1981	Italy	19.0	Mar. 1981	United Kingdom[2]		
Brazil	40.0	June 1980	Japan	6.25	Mar. 1981	Venezuela	10.0	July 1980
Canada	21.07	Aug. 1981	Netherlands	9.0	Mar. 1981			
Denmark	11.00	Oct. 1980	Norway	9.0	Nov. 1979			

1. As from February 1981, the rate at which the Bank of France discounts Treasury bills for 7 to 10 days.
2. MLR suspended as of August 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	1978	1979	1980	1981						
				Feb.	Mar.	Apr.	May	June	July	Aug.
1 Eurodollars	8.74	11.96	14.00	17.18	15.36	15.95	19.06	17.86	18.50	18.79
2 United Kingdom	9.18	13.60	16.59	13.12	12.58	12.26	12.34	12.61	13.63	14.02
3 Canada	8.52	11.91	13.12	17.28	16.85	17.35	18.96	19.28	19.67	21.84
4 Germany	3.67	6.64	9.45	10.74	13.44	13.12	13.06	13.05	12.92	12.87
5 Switzerland	0.74	2.04	5.79	7.09	8.33	8.67	9.87	10.02	9.76	9.05
6 Netherlands	6.53	9.33	10.60	9.78	10.61	10.41	11.76	11.81	12.38	13.54
7 France	8.10	9.44	12.18	11.87	12.56	13.00	15.75	18.84	17.34	17.40
8 Italy	11.40	11.85	17.50	17.50	18.22	19.92	19.92	20.49	20.78	20.94
9 Belgium	7.14	10.48	14.06	12.52	13.93	17.16	16.90	15.58	16.16	16.00
10 Japan	4.75	6.10	11.45	8.52	7.87	6.83	7.22	7.41	7.16	7.22

NOTE. Rates are for 3-month interbank loans except for the following: Canada, finance company paper; Belgium, 3-month Treasury bills; and Japan, Gensaki rate.

3.28 FOREIGN EXCHANGE RATES

Cents per unit of foreign currency

Country/currency	1978	1979	1980	1981						
				Feb.	Mar.	Apr.	May	June	July	Aug.
1 Australia/dollar	114.41	111.77	114.00	116.26	116.29	115.32	114.06	114.07	114.27	113.99
2 Austria/schilling	6.8958	7.4799	7.7349	6.6033	6.6959	6.5355	6.1722	5.9502	5.8225	5.6968
3 Belgium/franc	3.1809	3.4098	3.4247	2.8972	2.8966	2.8220	2.6742	2.5734	2.5027	2.4466
4 Canada/dollar	87.729	85.386	85.530	83.442	83.936	83.966	83.265	83.050	82.601	81.766
5 Denmark/krone	18.156	19.010	17.766	15.152	15.109	14.683	13.864	13.384	13.074	12.732
6 Finland/markka	24.337	27.732	26.892	24.656	24.612	23.059	23.207	22.511	22.045	21.607
7 France/franc	22.218	23.504	23.694	20.142	20.147	19.548	18.225	17.679	17.253	16.720
8 Germany/deutsche mark	49.867	54.561	55.089	46.757	47.498	46.219	43.601	42.054	40.977	39.988
9 India/rupee	12.207	12.265	12.686	12.164	12.131	12.060	11.900	11.688	11.229	11.038
10 Ireland/pound	191.84	204.65	205.77	173.31	173.25	168.46	159.49	153.61	149.40	146.04
11 Italy/lira	.11782	.12035	.11694	.09807	.09699	.09280	.08766	.08436	.08233	.08038
12 Japan/yen	.47981	.45834	.44311	.48615	.47897	.46520	.45332	.44621	.43055	.42881
13 Malaysia/ringgit	43.210	45.720	45.967	44.196	43.830	43.182	42.752	42.720	42.519	42.119
14 Mexico/peso	4.3896	4.3826	4.3535	4.2544	4.2238	4.1880	4.1500	4.1066	4.0650	4.0301
15 Netherlands/guilder	46.284	49.843	50.369	42.870	42.912	41.660	39.224	37.816	36.833	36.009
16 New Zealand/dollar	103.64	102.23	97.337	93.414	91.999	90.273	88.150	85.823	83.771	82.331
17 Norway/krone	19.079	19.747	20.261	18.485	18.540	18.271	17.652	16.907	16.387	16.177
18 Portugal/escudo	2.2782	2.0437	1.9980	1.7722	1.7621	1.7178	1.6449	1.5899	1.5429	1.4999
19 South Africa/rand	115.01	118.72	128.54	129.27	126.50	123.32	119.35	115.18	108.46	105.27
20 Spain/peseta	1.3073	1.4896	1.3958	1.1686	1.1672	1.1395	1.0953	1.0565	1.0248	.99864
21 Sri Lanka/rupee	6.3834	6.4226	6.1947	5.5975	5.5527	5.4185	5.4422	5.3970	5.3491	5.1932
22 Sweden/krona	22.139	23.323	23.647	21.734	21.704	21.309	20.450	19.802	19.293	18.870
23 Switzerland/franc	56.283	60.121	59.697	51.502	52.043	50.664	48.400	48.226	47.667	46.091
24 United Kingdom/pound	191.84	212.24	232.58	229.41	223.19	217.53	208.84	197.38	187.37	182.03
MEMO:										
25 United States/dollar[1]	92.39	88.09	87.39	96.02	96.22	98.80	103.59	106.86	109.87	112.29

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

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

Guide to Tabular Presentation, 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 more than half of 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

	Issue	*Page*
Anticipated schedule of release dates for periodic releases	June 1981	A78

SPECIAL TABLES

Published Irregularly, with Latest Bulletin Reference

Commercial bank assets and liabilities, call dates, December 31, 1978, to March 31, 1980	October 1980	A71
Commercial bank assets and liabilities, June 30, 1980	December 1980	A68
Commercial bank assets and liabilities, September 30, 1980	February 1981	A68
Commercial bank assets and liabilities, December 31, 1980	April 1981	A72
Assets and liabilities of U.S. branches and agencies of foreign banks, March 31, 1981	July 1981	A78
Commercial bank assets and liabilities, March 31, 1981	July 1981	A72

Federal Reserve Board of Governors

PAUL A. VOLCKER, *Chairman*
FREDERICK H. SCHULTZ, *Vice Chairman*
HENRY C. WALLICH
J. CHARLES PARTEE

OFFICE OF BOARD MEMBERS

JOSEPH R. COYNE, *Assistant to the Board*
DONALD J. WINN, *Assistant to the Board*
ANTHONY F. COLE, *Special Assistant to the Board*
WILLIAM R. MALONI, *Special Assistant to the Board*
FRANK O'BRIEN, JR., *Special Assistant to the Board*
JOSEPH S. SIMS, *Special Assistant to the Board*
JAMES L. STULL, *Manager, Operations Review Program*

LEGAL DIVISION

MICHAEL BRADFIELD, *General Counsel*
ROBERT E. MANNION, *Deputy General Counsel*
J. VIRGIL MATTINGLY, JR., *Associate General Counsel*
GILBERT T. SCHWARTZ, *Associate General Counsel*
MICHAEL E. BLEIER, *Assistant General Counsel*
MARYELLEN A. BROWN, *Assistant to the General Counsel*

OFFICE OF THE SECRETARY

WILLIAM W. WILES, *Secretary*
BARBARA R. LOWREY, *Assistant Secretary*
JAMES MCAFEE, *Assistant Secretary*
*D. MICHAEL MANIES, *Assistant Secretary*

DIVISION OF CONSUMER AND COMMUNITY AFFAIRS

JANET O. HART, *Director*
GRIFFITH L. GARWOOD, *Deputy Director*
JERAULD C. KLUCKMAN, *Associate Director*
GLENN E. LONEY, *Assistant Director*
DOLORES S. SMITH, *Assistant Director*

DIVISION OF BANKING SUPERVISION AND REGULATION

JOHN E. RYAN, *Director*
FREDERICK R. DAHL, *Associate Director*
WILLIAM TAYLOR, *Associate Director*
JACK M. EGERTSON, *Assistant Director*
ROBERT A. JACOBSEN, *Assistant Director*
DON E. KLINE, *Assistant Director*
ROBERT S. PLOTKIN, *Assistant Director*
THOMAS A. SIDMAN, *Assistant Director*
SAMUEL H. TALLEY, *Assistant Director*
LAURA M. HOMER, *Securities Credit Officer*

OFFICE OF STAFF DIRECTOR FOR MONETARY AND FINANCIAL POLICY

STEPHEN H. AXILROD, *Staff Director*
EDWARD C. ETTIN, *Deputy Staff Director*
MURRAY ALTMANN, *Assistant to the Board*
PETER M. KEIR, *Assistant to the Board*
STANLEY J. SIGEL, *Assistant to the Board*
NORMAND R. V. BERNARD, *Special Assistant to the Board*

DIVISION OF RESEARCH AND STATISTICS

JAMES L. KICHLINE, *Director*
JOSEPH S. ZEISEL, *Deputy Director*
MICHAEL J. PRELL, *Associate Director*
ROBERT A. EISENBEIS, *Senior Deputy Associate Director*
JARED J. ENZLER, *Senior Deputy Associate Director*
ELEANOR J. STOCKWELL, *Senior Deputy Associate Director*
DONALD L. KOHN, *Deputy Associate Director*
J. CORTLAND G. PERET, *Deputy Associate Director*
HELMUT F. WENDEL, *Deputy Associate Director*
MARTHA BETHEA, *Assistant Director*
JOE M. CLEAVER, *Assistant Director*
ROBERT M. FISHER, *Assistant Director*
DAVID E. LINDSEY, *Assistant Director*
LAWRENCE SLIFMAN, *Assistant Director*
FREDERICK M. STRUBLE, *Assistant Director*
STEPHEN P. TAYLOR, *Assistant Director*
LEVON H. GARABEDIAN, *Assistant Director (Administration)*

DIVISION OF INTERNATIONAL FINANCE

EDWIN M. TRUMAN, *Director*
ROBERT F. GEMMILL, *Associate Director*
CHARLES J. SIEGMAN, *Associate Director*
LARRY J. PROMISEL, *Senior Deputy Associate Director*
DALE W. HENDERSON, *Deputy Associate Director*
SAMUEL PIZER, *Staff Adviser*
RALPH W. SMITH, JR., *Assistant Director*

and Official Staff

NANCY H. TEETERS
EMMETT J. RICE

LYLE E. GRAMLEY

OFFICE OF STAFF DIRECTOR FOR MANAGEMENT

†TONY J. SALVAGGIO, *Acting Staff Director*
‡JOHN M. DENKLER, *Staff Director*
EDWARD T. MULRENIN, *Assistant Staff Director*
JOSEPH W. DANIELS, SR., *Director of Equal Employment Opportunity*

DIVISION OF DATA PROCESSING

CHARLES L. HAMPTON, *Director*
BRUCE M. BEARDSLEY, *Associate Director*
‡UYLESS D. BLACK, *Deputy Director*
GLENN L. CUMMINS, *Assistant Director*
NEAL H. HILLERMAN, *Assistant Director*
C. WILLIAM SCHLEICHER, JR., *Assistant Director*
ROBERT J. ZEMEL, *Associate Director*

DIVISION OF PERSONNEL

DAVID L. SHANNON, *Director*
JOHN R. WEIS, *Assistant Director*
CHARLES W. WOOD, *Assistant Director*

OFFICE OF THE CONTROLLER

JOHN KAKALEC, *Controller*
GEORGE E. LIVINGSTON, *Assistant Controller*

DIVISION OF SUPPORT SERVICES

DONALD E. ANDERSON, *Director*
ROBERT E. FRAZIER, *Associate Director*
WALTER W. KREIMANN, *Associate Director*

OFFICE OF STAFF DIRECTOR FOR FEDERAL RESERVE BANK ACTIVITIES

THEODORE E. ALLISON, *Staff Director*
HARRY A. GUINTER, *Assistant Director for Contingency Planning*

DIVISION OF FEDERAL RESERVE BANK OPERATIONS

CLYDE H. FARNSWORTH, JR., *Director*
LORIN S. MEEDER, *Associate Director*
WALTER ALTHAUSEN, *Assistant Director*
CHARLES W. BENNETT, *Assistant Director*
RICHARD B. GREEN, *Assistant Director*
ELLIOTT C. MCENTEE, *Assistant Director*
DAVID L. ROBINSON, *Assistant Director*
P.D. RING, *Adviser*
§HOWARD F. CRUMB, *Acting Adviser*

*On loan from the Federal Reserve Bank of Kansas City.
†On loan from the Federal Reserve Bank of Dallas.
‡On leave of absence.
§On loan from the Federal Reserve Bank of New York.

FOMC and Advisory Councils

FEDERAL OPEN MARKET COMMITTEE

PAUL A. VOLCKER, *Chairman*

ANTHONY M. SOLOMON, *Vice Chairman*

EDWARD G. BOEHNE
ROBERT H. BOYKIN
E. GERALD CORRIGAN
LYLE E. GRAMLEY
SILAS KEEHN
J. CHARLES PARTEE
EMMETT J. RICE
FREDERICK H. SCHULTZ
NANCY H. TEETERS
HENRY C. WALLICH

STEPHEN H. AXILROD, *Staff Director*
MURRAY ALTMANN, *Secretary*
NORMAND R. V. BERNARD, *Assistant Secretary*
NANCY M. STEELE, *Deputy Assistant Secretary*
MICHAEL BRADFIELD, *General Counsel*
JAMES H. OLTMAN, *Deputy General Counsel*
ROBERT E. MANNION, *Assistant General Counsel*
JAMES L. KICHLINE, *Economist*
JOSEPH E. BURNS, *Associate Economist*
JOHN P. DANFORTH, *Associate Economist*
RICHARD G. DAVIS, *Associate Economist*
EDWARD C. ETTIN, *Associate Economist*
PETER M. KEIR, *Associate Economist*
DONALD J. MULLINEAUX, *Associate Economist*
MICHAEL J. PRELL, *Associate Economist*
KARL L. SCHELD, *Associate Economist*
EDWIN M. TRUMAN, *Associate Economist*
JOSEPH S. ZEISEL, *Associate Economist*

PETER D. STERNLIGHT, *Manager for Domestic Operations, System Open Market Account*
SAM Y. CROSS, *Manager for Foreign Operations, System Open Market Account*

FEDERAL ADVISORY COUNCIL

MERLE E. GILLIAND, Fourth District, *President*
CHAUNCEY E. SCHMIDT, Twelfth District, *Vice President*

WILLIAM S. EDGERLY, First District
DONALD C. PLATTEN, Second District
JOHN W. WALTHER, Third District
J. OWEN COLE, Fifth District
ROBERT STRICKLAND, Sixth District
ROBERT M. SURDAM, Seventh District
RONALD TERRY, Eighth District
CLARENCE G. FRAME, Ninth District
GORDON E. WELLS, Tenth District
T. C. FROST, JR., Eleventh District

HERBERT V. PROCHNOW, *Secretary*
WILLIAM J. KORSVIK, *Associate Secretary*

CONSUMER ADVISORY COUNCIL

RALPH J. ROHNER, Washington, D.C., *Chairman*
CHARLOTTE H. SCOTT, Charlottesville, Virginia, *Vice Chairman*

ARTHUR F. BOUTON, Little Rock, Arkansas
JULIA H. BOYD, Alexandria, Virginia
ELLEN BROADMAN, Washington, D.C.
JAMES L. BROWN, Milwaukee, Wisconsin
MARK E. BUDNITZ, Atlanta, Georgia
JOSEPH N. CUGINI, Westerly, Rhode Island
RICHARD S. D'AGOSTINO, Philadelphia, Pennsylvania
SUSAN PIERSON DE WITT, Springfield, Illinois
JOANNE S. FAULKNER, New Haven, Connecticut
LUTHER GATLING, New York, New York
VERNARD W. HENLEY, Richmond, Virginia
JUAN JESUS HINOJOSA, McAllen, Texas
SHIRLEY T. HOSOI, Los Angeles, California
GEORGE S. IRVIN, Denver, Colorado
F. THOMAS JUSTER, Ann Arbor, Michigan
RICHARD F. KERR, Palm City, Florida
HARVEY M. KUHNLEY, Minneapolis, Minnesota
THE REV. ROBERT J. MCEWEN, S.J., Chestnut Hill, Massachusetts
STAN L. MULARZ, Chicago, Illinois
WILLIAM J. O'CONNOR, Buffalo, New York
MARGARET REILLY-PETRONE, Upper Montclair, New Jersey
RENE REIXACH, Rochester, New York
FLORENCE M. RICE, New York, New York
HENRY B. SCHECHTER, Washington, D.C.
PETER D. SCHELLIE, Washington, D.C.
NANCY Z. SPILLMAN, Los Angeles, California
RICHARD A. VAN WINKLE, Salt Lake City, Utah
MARY W. WALKER, Monroe, Georgia

Federal Reserve Banks, Branches, and Offices

FEDERAL RESERVE BANK, branch, or *facility* Zip	Chairman Deputy Chairman	President First Vice President	Vice President in charge of branch
BOSTON* 02106	Robert P. Henderson Thomas I. Atkins	Frank E. Morris James A. McIntosh	
NEW YORK* 10045	Robert H. Knight, Esq. Boris Yavitz	Anthony M. Solomon Thomas M. Timlen	
Buffalo 14240	Frederick D. Berkeley, III		John T. Keane
PHILADELPHIA 19105	John W. Eckman Jean A. Crockett	Edward G. Boehne Richard L. Smoot	
CLEVELAND* 44101	J. L. Jackson William H. Knoell	Willis J. Winn Walter H. MacDonald	
Cincinnati 45201	Martin B. Friedman		Robert E. Showalter
Pittsburgh 15230	Milton G. Hulme, Jr.		Harold J. Swart
RICHMOND* 23219	Maceo A. Sloan Steven Muller	Robert P. Black Jimmie R. Monhollon	
Baltimore 21203	Edward H. Covell		Robert D. McTeer, Jr.
Charlotte 28230	Naomi G. Albanese		Stuart P. Fishburne
Culpeper Communications and Records Center 22701			Albert D. Tinkelenberg
ATLANTA 30301	William A. Fickling, Jr. John H. Weitnauer, Jr.	William F. Ford Robert P. Forrestal	
Birmingham 35202	Louis J. Willie		Hiram J. Honea
Jacksonville 32231	Jerome P. Keuper		Charles D. East
Miami 33152	Roy W. Vandegrift, Jr.		F. J. Craven, Jr.
Nashville 37203	John C. Bolinger, Jr.		Jeffrey J. Wells
New Orleans 70161	Horatio C. Thompson		James D. Hawkins
CHICAGO* 60690	John Sagan Stanton R. Cook	Silas Keehn Daniel M. Doyle	
Detroit 48231	Herbert H. Dow		William C. Conrad
ST. LOUIS 63166	Armand C. Stalnaker William B. Walton	Lawrence K. Roos Donald W. Moriarty, Jr.	
Little Rock 72203	E. Ray Kemp, Jr.		John F. Breen
Louisville 40232	Sister Eileen M. Egan		Donald L. Henry
Memphis 38101	Patricia W. Shaw		Robert E. Matthews
MINNEAPOLIS 55480	Stephen F. Keating William G. Phillips	E. Gerald Corrigan Thomas E. Gainor	
Helena 59601	Norris E. Hanford		Betty J. Lindstrom
KANSAS CITY 64198	Paul H. Henson Doris M. Drury	Roger Guffey Henry R. Czerwinski	
Denver 80217	Caleb B. Hurtt		Wayne W. Martin
Oklahoma City 73125	Christine H. Anthony		William G. Evans
Omaha 68102	Robert G. Lueder		Robert D. Hamilton
DALLAS 75222	Gerald D. Hines John V. James	Robert H. Boykin William H. Wallace	
El Paso 79999	Josefina A. Salas-Porras		Joel L. Koonce, Jr.
Houston 77001	Jerome L. Howard		J. Z. Rowe
San Antonio 78295	Lawrence L. Crum		Thomas H. Robertson
SAN FRANCISCO 94120	Cornell C. Maier Caroline L. Ahmanson	John J. Balles John B. Williams	
Los Angeles 90051	Harvey A. Proctor		Richard C. Dunn
Portland 97208	John C. Hampton		Angelo S. Carella
Salt Lake City 84130	Wendell J. Ashton		A. Grant Holman
Seattle 98124	George H. Weyerhaeuser		Gerald R. Kelly

*Additional offices of these Banks are located at Lewiston, Maine 04240; Windsor Locks, Connecticut 06096; Cranford, New Jersey 07016; Jericho, New York 11753; Utica at Oriskany, New York 13424; Columbus, Ohio 43216; Columbia, South Carolina 29210; Charleston, West Virginia 25311; Des Moines, Iowa 50306; Indianapolis, Indiana 46204; and Milwaukee, Wisconsin 53202.

Federal Reserve Board Publications

Copies are available from PUBLICATIONS SERVICES, Room MP-510, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. *When a charge is indicated, remittance should accompany request and be made payable to the order of the Board of Governors of the Federal Reserve System. Remittance from foreign residents should be drawn on a U.S. bank. Stamps and coupons are not accepted.*

THE FEDERAL RESERVE SYSTEM—PURPOSES AND FUNCTIONS. 1974. 125 pp.
ANNUAL REPORT.
FEDERAL RESERVE BULLETIN. Monthly. $20.00 per year or $2.00 each in the United States, its possessions, Canada, and Mexico; 10 or more of same issue to one address, $18.00 per year or $1.75 each. Elsewhere, $24.00 per year or $2.50 each.
BANKING AND MONETARY STATISTICS. 1914–1941. (Reprint of Part I only) 1976. 682 pp. $5.00.
BANKING AND MONETARY STATISTICS, 1941–1970. 1976. 1,168 pp. $15.00.

ANNUAL STATISTICAL DIGEST
1971–75. 1976. 339 pp. $4.00 per copy for each paid subscription to *Federal Reserve Bulletin;* all others $5.00 each.
1972–76. 1977. 377 pp. $10.00 per copy.
1973–77. 1978. 361 pp. $12.00 per copy.
1974–78. 1980. 305 pp. $10.00 per copy.
1970–79. 1981. 587 pp. $20.00 per copy.

FEDERAL RESERVE CHART BOOK. Issued four times a year in February, May, August, and November. Subscription includes one issue of Historical Chart Book. $7.00 per year or $2.00 each in the United States, its possessions, Canada, and Mexico. Elsewhere, $10.00 per year or $3.00 each.
HISTORICAL CHART BOOK. Issued annually in Sept. Subscription to Federal Reserve Chart Book includes one issue. $1.25 each in the United States, its possessions, Canada, and Mexico; 10 or more to one address, $1.00 each. Elsewhere, $1.50 each.
SELECTED INTEREST AND EXCHANGE RATES—WEEKLY SERIES OF CHARTS. Weekly. $15.00 per year or $.40 each in the United States, its possessions, Canada, and Mexico; 10 or more of same issue to one address, $13.50 per year or $.35 each. Elsewhere, $20.00 per year or $.50 each.
THE FEDERAL RESERVE ACT, as amended through December 1976, with an appendix containing provisions of certain other statutes affecting the Federal Reserve System. 307 pp. $2.50.
REGULATIONS OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
PUBLISHED INTERPRETATIONS OF THE BOARD OF GOVERNORS, as of June 30, 1980. $7.50.
BANK CREDIT-CARD AND CHECK-CREDIT PLANS. 1968. 102 pp. $1.00 each; 10 or more to one address, $.85 each.
REPORT OF THE JOINT TREASURY-FEDERAL RESERVE STUDY OF THE U.S. GOVERNMENT SECURITIES MARKET. 1969. 48 pp. $.25 each; 10 or more to one address, $.20 each.
JOINT TREASURY-FEDERAL RESERVE STUDY OF THE GOVERNMENT SECURITIES MARKET; STAFF STUDIES—PART 1. 1970. 86 pp. $.50 each; 10 or more to one address, $.40 each. Part 2, 1971. 153 pp. and Part 3, 1973. 131 pp. Each volume $1.00; 10 or more to one address, $.85 each.
OPEN MARKET POLICIES AND OPERATING PROCEDURES—STAFF STUDIES. 1971. 218 pp. $2.00 each; 10 or more to one address, $1.75 each.
REAPPRAISAL OF THE FEDERAL RESERVE DISCOUNT MECHANISM. *Vol. 1.* 1971. 276 pp. *Vol. 2.* 1971. 173 pp. *Vol. 3.* 1972. 220 pp. Each volume $3.00; 10 or more to one address, $2.50 each.
THE ECONOMETRICS OF PRICE DETERMINATION CONFERENCE, October 30–31, 1970, Washington, D.C. 1972. 397 pp. Cloth ed. $5.00 each; 10 or more to one address, $4.50 each. Paper ed. $4.00 each; 10 or more to one address, $3.60 each.
FEDERAL RESERVE STAFF STUDY: WAYS TO MODERATE FLUCTUATIONS IN HOUSING CONSTRUCTION. 1972. 487 pp. $4.00 each; 10 or more to one address, $3.60 each.
LENDING FUNCTIONS OF THE FEDERAL RESERVE BANKS. 1973. 271 pp. $3.50 each; 10 or more to one address, $3.00 each.
IMPROVING THE MONETARY AGGREGATES: REPORT OF THE ADVISORY COMMITTEE ON MONETARY STATISTICS. 1976. 43 pp. $1.00 each; 10 or more to one address, $.85 each.
ANNUAL PERCENTAGE RATE TABLES (Truth in Lending—Regulation Z) *Vol. I* (Regular Transactions). 1969. 100 pp. *Vol. II* (Irregular Transactions). 1969. 116 pp. Each volume $1.00; 10 or more of same volume to one address, $.85 each.
FEDERAL RESERVE MEASURES OF CAPACITY AND CAPACITY UTILIZATION. 1978. 40 pp. $1.75 each; 10 or more to one address, $1.50 each.
THE BANK HOLDING COMPANY MOVEMENT TO 1978: A COMPENDIUM. 1978. 289 pp. $2.50 each; 10 or more to one address, $2.25 each.
IMPROVING THE MONETARY AGGREGATES: STAFF PAPERS. 1978. 170 pp. $4.00 each; 10 or more to one address, $3.75 each.
1977 CONSUMER CREDIT SURVEY. 1978. 119 pp. $2.00 each.
FLOW OF FUNDS ACCOUNTS. 1949–1978. 1979. 171 pp. $1.75 each; 10 or more to one address, $1.50 each.
INTRODUCTION TO FLOW OF FUNDS. 1980. 68 pp. $1.50 each; 10 or more to one address, $1.25 each.
PUBLIC POLICY AND CAPITAL FORMATION. 1981. 326 pp. $13.50 each.
NEW MONETARY CONTROL PROCEDURES: FEDERAL RESERVE STAFF STUDY, 1981.

CONSUMER EDUCATION PAMPHLETS

Short pamphlets suitable for classroom use. Multiple copies available without charge.

Alice in Debitland
The Board of Governors of the Federal Reserve System
Consumer Handbook To Credit Protection Laws
The Equal Credit Opportunity Act and . . . Age
The Equal Credit Opportunity Act and . . . Credit Rights in Housing
The Equal Credit Opportunity Act and . . . Doctors, Lawyers, Small Retailers, and Others Who May Provide Incidental Credit
The Equal Credit Opportunity Act and . . . Women
Fair Credit Billing
The Board of Governors of the Federal Reserve System
The Federal Open Market Committee
Federal Reserve Bank Board of Directors
Federal Reserve Banks
Federal Reserve Glossary
Monetary Control Act of 1980
How to File A Consumer Credit Complaint
If You Borrow To Buy Stock
If You Use A Credit Card
Truth in Leasing
U.S. Currency
What Truth in Lending Means to You

STAFF STUDIES

Studies and papers on economic and financial subjects that are of general interest.

Summaries Only Printed in the Bulletin

Requests to obtain single copies of the full text or to be added to the mailing list for the series may be sent to Publications Services.

TIE-INS BETWEEN THE GRANTING OF CREDIT AND SALES OF INSURANCE BY BANK HOLDING COMPANIES AND OTHER LENDERS, by Robert A. Eisenbeis and Paul R. Schweitzer. Feb. 1979. 75 pp.

MEASURES OF CAPACITY UTILIZATION: PROBLEMS AND TASKS, by Frank de Leeuw, Lawrence R. Forest, Jr., Richard D. Raddock, and Zoltan E. Kenessey. July 1979. 264 pp.

THE GNMA-GUARANTEED PASSTHROUGH SECURITY: MARKET DEVELOPMENT AND IMPLICATIONS FOR THE GROWTH AND STABILITY OF HOME MORTGAGE LENDING, by David F. Seiders. Dec. 1979. 65 pp.

PERFORMANCE AND CHARACTERISTICS OF EDGE CORPORATIONS, by James V. Houpt. Feb. 1981. 56 pp.

BANKING STRUCTURE AND PERFORMANCE AT THE STATE LEVEL DURING THE 1970s, by Stephen A. Rhoades. Mar. 1981. 26 pp.

FEDERAL RESERVE DECISIONS ON BANK MERGERS AND ACQUISITIONS DURING THE 1970s, by Stephen A. Rhoades. Aug. 1981. 16 pp.

REPRINTS

Most of the articles reprinted do not exceed 12 pages.

Measures of Security Credit. 12/70.
Revision of Bank Credit Series. 12/71.
Assets and Liabilities of Foreign Branches of U.S. Banks. 2/72.
Bank Debits, Deposits, and Deposit Turnover—Revised Series. 7/72.
Rates on Consumer Instalment Loans. 9/73.
New Series for Large Manufacturing Corporations. 10/73.
The Structure of Margin Credit. 4/75.
Industrial Electric Power Use. 1/76.
Revised Series for Member Bank Deposits and Aggregate Reserves. 4/76.
Industrial Production—1976 Revision. 6/76.
Federal Reserve Operations in Payment Mechanisms: A Summary. 6/76.
The Federal Budget in the 1970's. 9/78.
Implementation of the International Banking Act. 10/79.
Perspectives on Personal Saving. 8/80.
The Impact of Rising Oil Prices on the Major Foreign Industrial Countries. 10/80.
Federal Reserve and the Payments System: Upgrading Electronic Capabilities for the 1980s. 2/81.
U.S. International Transactions in 1980. 4/81.
Survey of Finance Companies, 1980. 5/81.

Index to Statistical Tables

References are to pages A3 through A68 although the prefix "A" is omitted in this index

ACCEPTANCES, bankers, 10, 25, 27
Agricultural loans, commercial banks, 18, 19, 20, 26
Assets and liabilities (*See also* Foreigners)
  Banks, by classes, 17, 18–21
  Domestic finance companies, 39
  Federal Reserve Banks, 11
  Foreign banks, U.S. branches and agencies, 22
  Nonfinancial corporations, current, 38
  Savings institutions, 29
Automobiles
  Consumer installment credit, 42, 43
  Production, 48, 49

BANKERS balances, 17, 18–20 (*See also* Foreigners)
Banks for Cooperatives, 35
Bonds (*See also* U.S. government securities)
  New issues, 36
  Yields, 3
Branch banks, 15, 21, 22, 56
Business activity, nonfinancial, 46
Business expenditures on new plant and equipment, 38
Business loans (*See* Commercial and industrial loans)

CAPACITY utilization, 46
Capital accounts
  Banks, by classes, 17
  Federal Reserve Banks, 11
Central banks, 68
Certificates of deposit, 21, 27
Commercial and industrial loans
  Commercial banks, 15, 17, 22, 26
  Weekly reporting banks, 18–22, 23
Commercial banks
  Assets and liabilities, 3, 15, 17, 18–21
  Business loans, 26
  Commercial and industrial loans, 15, 17, 22, 23, 26
  Consumer loans held, by type, 42, 43
  Loans sold outright, 21
  Nondeposit funds, 16
  Number, 17
  Real estate mortgages held, by holder and property, 41
Commercial paper, 3, 25, 27, 39
Condition statements (*See* Assets and liabilities)
Construction, 46, 50
Consumer installment credit, 42, 43
Consumer prices, 46, 51
Consumption expenditures, 52, 53
Corporations
  Profits and their distribution, 37
  Security issues, 36, 65
Cost of living (*See* Consumer prices)
Credit unions, 29, 42, 43
Currency and coin, 5, 17
Currency in circulation, 4, 13
Customer credit, stock market, 28

DEBITS to deposit accounts, 12
Debt (*See specific types of debt or securities*)
Demand deposits
  Adjusted, commercial banks, 12, 14
  Banks, by classes, 17, 18–21
  Ownership by individuals, partnerships, and corporations, 24

Demand deposits—Continued
  Subject to reserve requirements, 14
  Turnover, 12
Depository institutions
  Reserve requirements, 8
  Reserves, 3, 4, 5, 14
Deposits (*See also specific types*)
  Banks, by classes, 3, 17, 18–21, 29
  Federal Reserve Banks, 4, 11
  Turnover, 12
Discount rates at Reserve Banks (*See* Interest rates)
Discounts and advances by Reserve Banks (*See* Loans)
Dividends, corporate, 37

EMPLOYMENT, 46, 47
Eurodollars, 27

FARM mortgage loans, 41
Federal agency obligations, 4, 10, 11, 12, 34
Federal and federally sponsored credit agencies, 35
Federal finance
  Debt subject to statutory limitation and types and ownership of gross debt, 32
  Receipts and outlays, 31
  Treasury operating balance, 30
Federal Financing Bank, 30, 35
Federal funds, 3, 6, 18, 19, 20, 27, 30
Federal Home Loan Banks, 35
Federal Home Loan Mortgage Corporation, 35, 40, 41
Federal Housing Administration, 35, 40, 41
Federal Intermediate Credit Banks, 35
Federal Land Banks, 35, 41
Federal National Mortgage Association, 35, 40, 41
Federal Reserve Banks
  Condition statement, 11
  Discount rates (*See* Interest rates)
  U.S. government securities held, 4, 11, 12, 32, 33
Federal Reserve credit, 4, 5, 11, 12
Federal Reserve notes, 11
Federally sponsored credit agencies, 35
Finance companies
  Assets and liabilities, 39
  Business credit, 39
  Loans, 18, 19, 20, 42, 43
  Paper, 25, 27
Financial institutions, loans to, 18, 19, 20
Float, 4
Flow of funds, 44, 45
Foreign banks, assets and liabilities of U.S. branches and agencies, 22
Foreign currency operations, 11
Foreign deposits in U.S. banks, 4, 11, 18, 19, 20
Foreign exchange rates, 68
Foreign trade, 55
Foreigners
  Claims on, 56, 58, 61, 62, 63, 67
  Liabilities to, 21, 56–60, 64–66

GOLD
  Certificates, 11
  Stock, 4, 55

Government National Mortgage Association, 35, 40, 41
Gross national product, 52, 53

HOUSING, new and existing units, 50

INCOME, personal and national, 46, 52, 53
Industrial production, 46, 48
Installment loans, 42, 43
Insurance companies, 29, 32, 33, 41
Interbank loans and deposits, 17
Interest rates
  Bonds, 3
  Business loans of banks, 26
  Federal Reserve Banks, 3, 7
  Foreign countries, 68
  Money and capital markets, 3, 27
  Mortgages, 3, 40
  Prime rate, commercial banks, 26
  Time and savings deposits, 9
International capital transactions of the United States, 56–67
International organizations, 56–61, 64–67
Inventories, 52
Investment companies, issues and assets, 37
Investments (*See also specific types*)
  Banks, by classes, 17, 29
  Commercial banks, 3, 15, 17, 18–20
  Federal Reserve Banks, 11, 12
  Savings institutions, 29, 41

LABOR force, 47
Life insurance companies (*See* Insurance companies)
Loans (*See also specific types*)
  Banks, by classes, 17, 18–21
  Commercial banks, 3, 15, 17, 18–21, 22, 26
  Federal Reserve Banks, 3, 4, 5, 7, 11, 12
  Insured or guaranteed by United States, 40, 41
  Savings institutions, 29, 41

MANUFACTURING
  Capacity utilization, 46
  Production, 46, 49
Margin requirements, 28
Member banks
  Borrowing at Federal Reserve Banks, 5, 11
  Federal funds and repurchase agreements, 6
  Reserve requirements, 8
  Reserves and related items, 14
Mining production, 49
Mobile home shipments, 50
Monetary aggregates, 3, 14
Money and capital market rates (*See* Interest rates)
Money stock measures and components, 3, 13
Mortgages (*See* Real estate loans)
Mutual funds (*See* Investment companies)
Mutual savings banks, 3, 9, 18–20, 29, 32, 33, 41

NATIONAL defense outlays, 31
National income, 52

OPEN market transactions, 10

PERSONAL income, 53
Prices
  Consumer and producer, 46, 51
  Stock market, 28
Prime rate, commercial banks, 26
Production, 46, 48
Profits, corporate, 37

REAL estate loans
  Banks, by classes, 18–20, 41
  Mortgage terms, yields, and activity, 3, 40
  Savings institutions, 27
  Type of holder and property mortgaged, 41
Repurchase agreements and federal funds, 6, 18, 19, 20
Reserve requirements, 8
Reserves
  Commercial banks, 17
  Depository institutions, 3, 4, 5, 14
  Federal Reserve Banks, 11
  Member banks, 14
  U.S. reserve assets, 55
Residential mortgage loans, 40
Retail credit and retail sales, 42, 43, 46

SAVING
  Flow of funds, 44, 45
  National income accounts, 53
Savings and loan assns., 3, 9, 29, 33, 41, 44
Savings deposits (*See* Time deposits)
Savings institutions, selected assets and liabilities, 29
Securities (*See also* U.S. government securities)
  Federal and federally sponsored agencies, 35
  Foreign transactions, 65
  New issues, 36
  Prices, 28
Special drawing rights, 4, 11, 54, 55
State and local governments
  Deposits, 18, 19, 20
  Holdings of U.S. government securities, 32, 33
  New security issues, 36
  Ownership of securities of, 18, 19, 20, 29
  Yields of securities, 3
Stock market, 28
Stocks (*See also* Securities)
  New issues, 36
  Prices, 28

TAX receipts, federal, 31
Thrift institutions (*See* Savings institutions)
Time deposits, 3, 9, 12, 14, 17, 18–21
Trade, foreign, 55
Treasury currency, Treasury cash, 4
Treasury deposits, 4, 11, 30
Treasury operating balance, 30

UNEMPLOYMENT, 47
U.S. balance of payments, 54
U.S. government balances
  Commercial bank holdings, 18, 19, 20
  Member bank holdings, 14
  Treasury deposits at Reserve Banks, 4, 11, 30
U.S. government securities
  Bank holdings, 17, 18–20, 32, 33
  Dealer transactions, positions, and financing, 34
  Federal Reserve Bank holdings, 4, 11, 12, 32, 33
  Foreign and international holdings and transactions, 11, 32, 64
  Open market transactions, 10
  Outstanding, by type and ownership, 32, 33
  Rates, 3, 27
  Savings institutions, 29
Utilities, production, 49

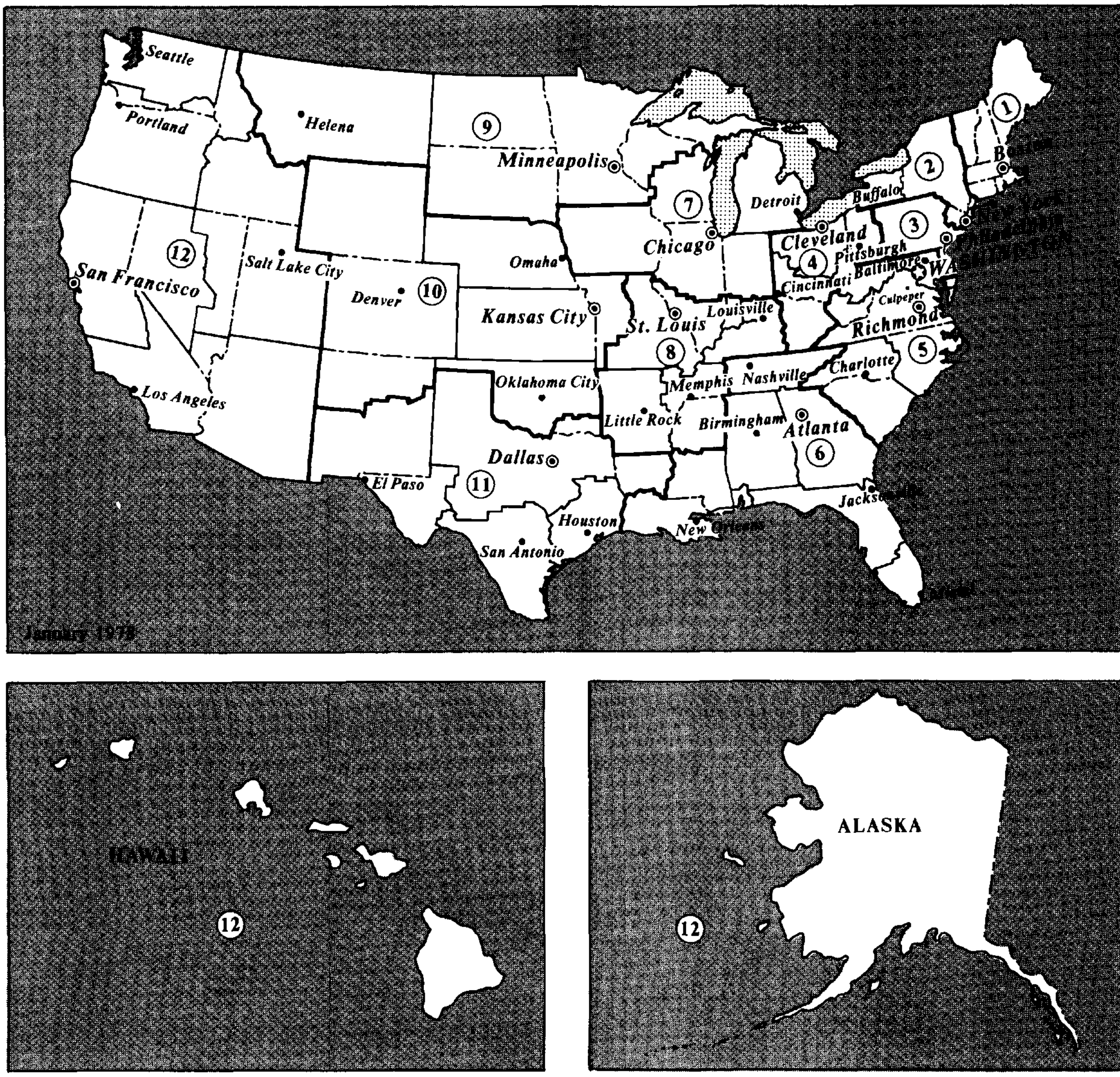
VETERANS Administration, 40, 41

WEEKLY reporting banks, 18–23
Wholesale (producer) prices, 46, 51

YIELDS (*See* Interest rates)

The Federal Reserve System

Boundaries of Federal Reserve Districts and Their Branch Territories



LEGEND

- Boundaries of Federal Reserve Districts
- Boundaries of Federal Reserve Branch Territories
- Board of Governors of the Federal Reserve System
- Federal Reserve Bank Cities
- Federal Reserve Branch Cities
- Federal Reserve Bank Facility