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OF RICHMOND

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CAPITAL MARKET DEVELOPMENTS (Supplement)

Corporate Security Offerings in the
First Half of 1962

Net proceeds from corporate security offerings in the first half of 1962 totaled \$5.5 billion, one-fourth below the record first half volume of last year but larger than in 1959 and 1960. Practically all of this year's security financing was to obtain new capital. New issues sold to refund outstanding securities totaled \$244 million, less than one-third of last year's substantial first half volume, even though interest rates this year were not much different than in the first half of 1961.

Corporate security offerings for new capital totaled \$5.3 billion during the first six months of this year, one-fifth less than in the first half of 1961. This decline in new offerings took place even though expenditures on plant and equipment by all industries in 1962 are expected to run about 8 per cent ahead of last year and reflects the substantial rise in internal sources of corporate funds as well as the fact that a portion of last year's financing was done in anticipation of needs. The volume of new financing during the first quarter, at \$2.3 billion, was somewhat larger than the rather small volume last year, but second quarter financing, although it increased seasonally to \$3.0 billion, was one-third less than the record second quarter 1961 volume.

Industrial distribution of new capital issues. The decline in corporate security offerings this year was largest for communication companies, reflecting a smaller volume of financing by AT&T. New issues of manufacturing, other transportation and financial and real estate concerns also were appreciably lower than last year, while offerings of electric, gas and water utilities were off only moderately. New offerings by other industry groups were slightly larger than last year.

New capital issue volume of manufacturing companies totaled \$1.7 billion in the first half of the year, one-sixth less than during the similar period of 1961. In contrast to last year, when these firms repaid \$350 million of bank loans, borrowing from banks this year rose by a similar amount. No large issues of \$100 million or over were sold this year and volume was spread widely among the major industrial classifications. In 1961, a \$300 million issue by U. S. Steel had produced an unusual concentration of financing in the primary iron and steel category.

New financing by electric, gas and water utilities amounted to \$1.4 billion during the first six months of this year, 3 per cent below the January-June volume of last year but slightly larger than during the first half of 1960. Capital expenditure plans of the utilities on plant for 1962 are in about the same magnitude as last year. Repayments of bank loans in the first half were about \$200 million more than a year earlier, reflecting the continuing growth in internal sources of funds available to these firms. The new issue calendar for the second half of the year is currently appreciably smaller than a year ago.

Financial and real estate companies received net proceeds of \$0.7 billion from security offerings during the first half of this year, one-fourth less than in 1961. This decline was due entirely to a large drop-off in new offerings by sales and consumer finance companies. Offerings of these companies amounted to \$146 million, only 37 per cent of last year's volume and the smallest first half total since 1952. Net receivables of the finance companies rose moderately in the first half, but this was financed largely by an increase in sales of directly-placed short-term finance company paper. Net sales of this open-market paper during the first half of the year totaled \$1 billion, over three times the 1961 volume.

Type of issue. Gross proceeds from security offerings, which include refunding and costs of flotation, amounted to \$5.6 billion during the first six months of this year. Publicly offered issues totaled \$3.6 billion, 27 per cent less than during the corresponding period of 1961, while private placements of \$2.0 billion were one-sixth below last year's total.

Bond financing of \$4.5 billion during the first half was about one-eighth under last year's volume. Sales of common stocks dropped much more sharply to \$950 million, which was less than one-half the year earlier volume. If the large AT&T issue sold in April 1961 is excluded, however, the volume of other common stock financing in the first half of this year was down only slightly. Preferred stock financing of \$0.2 billion was 30 per cent below last year and in the smallest volume for any first half since 1943. Financing through convertible bonds (included in total bond sales above) totaled \$0.2 billion, almost one-fourth less than a year earlier and sharply below the first half of most other years.

Capital Markets Section,
Division of Research and Statistics,
Board of Governors of the Federal Reserve System.

Table 1

Corporate Security Offerings for New Capital by Type
of Business of Issuer and Use of Proceeds
First Half 1957-62
(Net proceeds in millions of dollars)

	1962	1961	1960	1959	1958	1957
Total corporate offerings	5,505	7,212	4,679	4,835	6,121	6,688
Refunding	241	709	152	64	359	94
New capital	5,264	6,504	4,527	4,771	5,762	6,593
New money	4,615	5,920	4,152	4,313	5,347	6,128
Other purposes	648	584	375	458	415	465
New capital						
Manufacturing	1,650	1,981	809	1,109	1,542	2,373
New money	1,356	1,636	690	967	1,363	2,100
Other purposes	294	346	119	142	178	273
Electric, gas & wtr. util.	1,415	1,462	1,406	1,791	2,095	2,116
New money	1,328	1,419	1,371	1,710	2,020	2,015
Other purposes	86	43	36	81	75	101
Communication	688	1,176	338	149	930	696
New money	680	1,168	337	146	927	687
Other purposes	7	8	1	2	3	9
Railroad	84	82	90	108	127	210
New money	84	82	90	108	127	210
Other purposes	--	--	--	--	--	--
Other transportation	172	341	230	385	276	195
New money	170	297	223	370	211	192
Other purposes	1	43	7	15	65	3
Commercial and other	407	370	294	409	104	150
New money	337	315	232	299	87	126
Other purposes	68	55	62	110	16	25
Mining	114	110	159	70	115	122
New money	101	101	87	65	102	101
Other purposes	13	9	71	5	13	21
Financial and real estate	737	982	1,200	750	574	732
New money	558	901	1,121	647	510	697
Other purposes	179	80	79	103	64	36
(Sales and consumer finance)	146	r/390	646	356	277	468
(Other finance, etc.)	591	r/592	554	394	297	264

r/--Revised.

Note.--Details may not add to totals due to rounding.

Source.--Securities and Exchange Commission and Federal Reserve.

Table 2

Security Offerings for New Capital by
Manufacturing Companies
First Half 1957-62

(Net proceeds in millions of dollars)

	1962	1961	1960	1959	1958	1957
All Manufacturing	1,650	1,981	809	1,109	1,542	2,373
Electrical machinery	204	200	123	149	115	58
Petroleum and refining	196	177	6	11	225	441
Nonelectrical machinery	164	120	78	64	69	400
Chemicals	170	81	108	78	92	86
Textiles and apparel	107	41	24	36	8	44
Primary iron and steel	93	439	31	231	55	183
Foods	85	72	34	65	27	39
Stone, clay and glass products	68	91	23	6	42	90
Paper	60	88	17	57	122	78
Other transportation equipment	45	119	63	53	89	38
Beverages	30	3	--	15	98	3
Printing	29	54	8	11	22	20
Fabricated metal products	24	15	39	38	94	69
Primary nonferrous metals	20	23	32	65	287	383
Lumber, wood products	13	23	53	18	12	34
Rubber products	11	27	25	42	8	8
Motor vehicle and equipment	6	29	13	1/	17	168
Tobacco	--	47	--	40	--	--
Other 2/	325	332	132	130	160	231

1/ Less than \$500,000.

2/ Includes issues of foreign manufacturers not further classified.

Note.--Details may not add to totals due to rounding.

Source.--Securities and Exchange Commission and Federal Reserve.

Table 3
Total Corporate Security Offerings by Type of Issue
First Half 1957-62

(Gross proceeds in millions of dollars)

Type of issue	1962	1961	1960	1959	1958	1957
Total corporate offerings	5,628	7,344	4,802	4,947	6,216	6,815
<u>Type of offering</u>						
Public	3,646	4,998	3,113	3,168	4,520	4,949
Private	1,982	2,346	1,688	1,780	1,696	1,866
<u>Type of security</u>						
Bonds and notes	4,482	5,121	3,574	3,476	5,374	5,060
Public	2,544	2,965	2,008	1,747	3,748	3,254
Private	1,938	2,156	1,566	1,729	1,626	1,805
(Memo: Convertible)	(229)	(299)	(198)	(338)	(957)	(639)
Preferred stock	196	288	211	315	336	237
Common stock	950	1,936	1,017	1,157	506	1,519

Source.--Securities and Exchange Commission.

CHART 1
CORPORATE SECURITY OFFERINGS;
USE OF NET PROCEEDS
First Half 1957-62

Billions of dollars

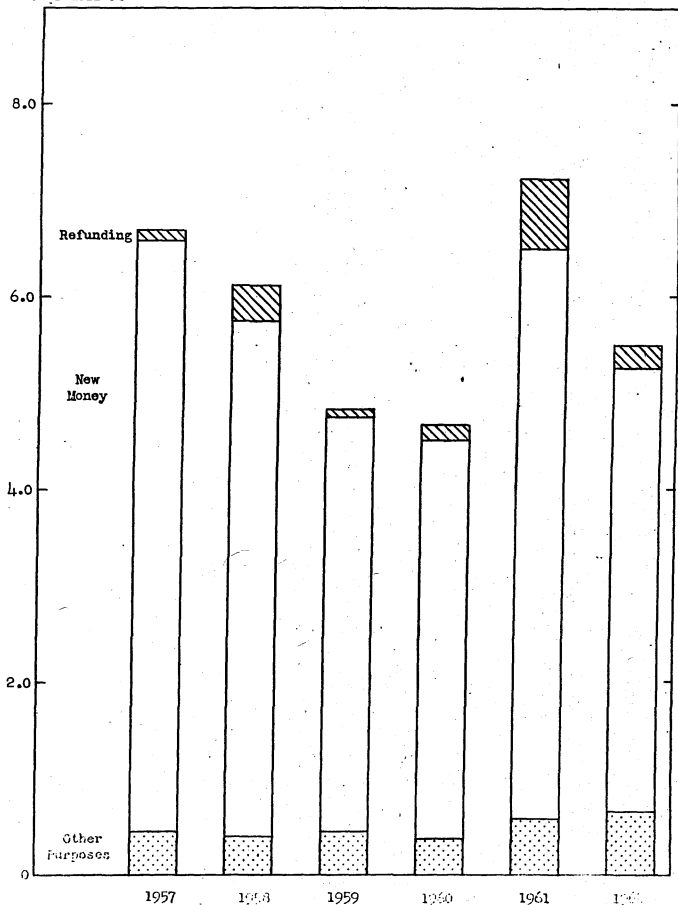


CHART 2

CORPORATE SECURITY OFFERINGS FOR NEW CAPITAL
BY TYPE OF BUSINESS
First Half 1957-62

Billions of dollars

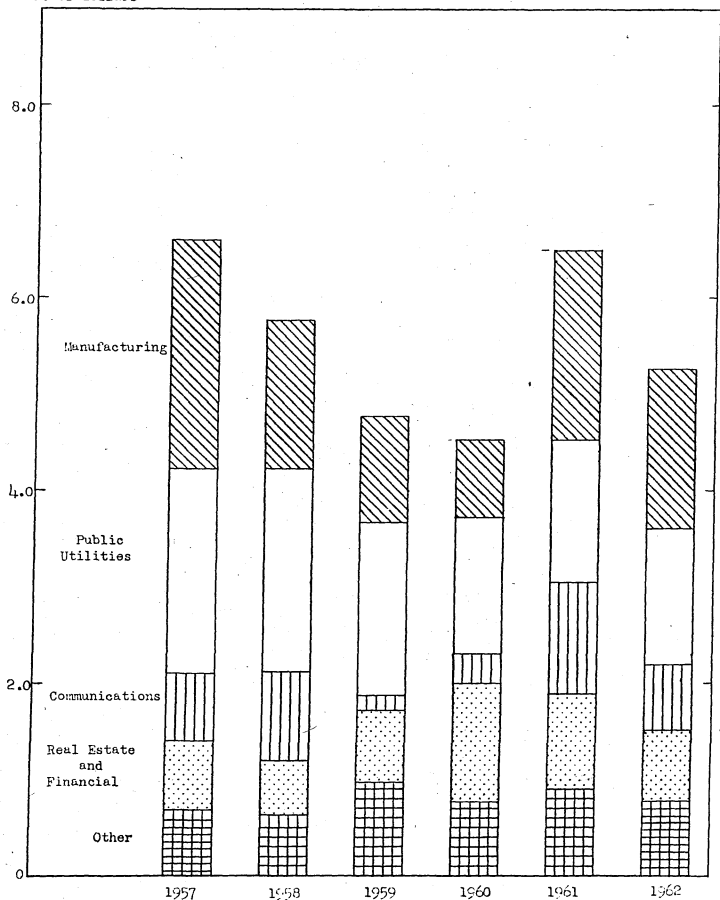


CHART 3
CORPORATE SECURITY OFFERINGS BY TYPE OF ISSUE
First Half 1957-62

Billions of dollars

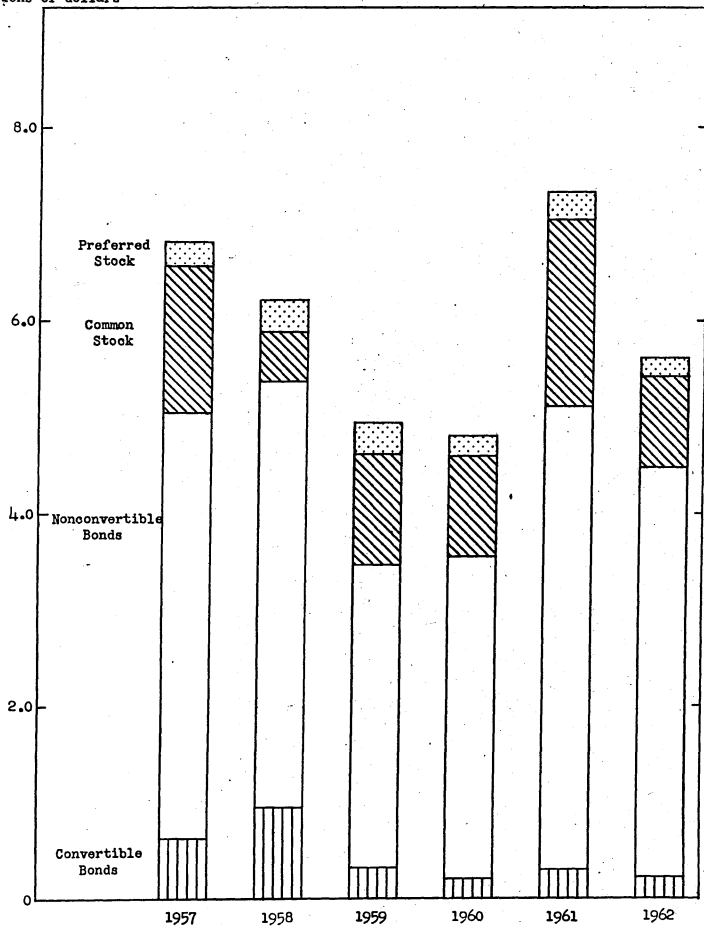


CHART 4

PERCENTAGE DISTRIBUTION OF BONDS SOLD BETWEEN
THOSE PUBLICLY OFFERED AND PRIVATELY PLACED
First Series 1957-62

Per cent

