

October 24, 1963.

H.14

CAPITAL MARKET DEVELOPMENTS (Supplement)

Long-term Security Financing of Corporations and State and Local Governments During the First Half of 1963

Part I: Corporations

Net proceeds (gross proceeds less costs of flotation) from corporate security issues sold during the first half of this year totaled \$6.3 billion, 14 per cent more than in the corresponding period last year but one-eighth less than the record January-June total of 1961. Flotations for the purpose of raising new capital totaled \$5.2 billion, slightly less than last year and one-fifth below the record first half of 1957, but refunding issues aggregated \$1.1 billion, over four times as much as a year earlier and the largest first half since 1946. (For further details on corporate security refundings in the capital market, see Capital Market Developments in the United States for the week of July 8). A substantial volume of foreign corporate financing is also included in the total net proceeds figure; such issues amounted to a record \$0.6 billion, three-fourths more than last year. Most of these foreign offerings were by Canadian and Japanese pipeline, telephone and financial companies.

Industrial distribution of new capital issues. The small year-over-year decline in new capital financing reflected primarily smaller security sales by manufacturing and utility corporations, which were only partially offset by an increase in offerings of real estate and finance companies.

New security financing of manufacturing corporations during the first half amounted to \$1.5 billion, 7 per cent less than in the comparable period last year and 35 per cent below the record first half volume of 1957, as these companies financed a larger proportion of their plant and equipment expenditures with internal funds. Largely because of the sale of a \$200 million Socony Mobil Oil Company debenture issue (no issue of \$100 million or more was sold in the first half of 1962) petroleum and refining companies accounted for close to one-fifth of the manufacturing total; otherwise, there was no great degree of concentration in any industry group either this year or last.

Security financing of electric, gas and water utilities, which have tended downward in recent years, aggregated \$1.1 billion during the latest January-June period, down one-fifth from the similar 1962 period and the smallest first half volume since 1948.

Corporations in the financial and real estate field sold \$1.1 billion in securities during the first six months, one-half more than in the comparable period last year but somewhat less than the record 1960 first half total. Long-term security sales of sales and consumer finance firms accounted for \$0.4 billion of this total and were more than double the year-earlier volume; these firms customarily increase their long-term financing

after a period of sustained rise in receivables. Offerings of other financial and real estate issuers, at \$0.8 billion, were a record for the period and up three-tenths from last year.

Type of issue. Gross proceeds from corporate security offerings during the first half amounted to \$6.3 billion, one-eighth more than last year. Private placements were a record \$3.3 billion, three-fifths larger than in January-June 1962, but public offerings, at \$3.1 billion, were down one-sixth from last year.

Bond financing totaled \$5.6 billion, one-fourth more than in 1962. Privately placed bonds (\$3.1 billion) account for all of this rise; publicly offered bond sales at \$2.5 billion, were off slightly from last year. Common stock financing, which has been in small volume since the drop in common stock prices in the spring of last year, totaled about \$0.6 billion, down two-fifths from the corresponding period last year and the smallest first half total since 1958. Preferred stock financing of \$146 million was off one-fourth from last year and less than in any first half since 1943.

#### Part II: State and Local Governments

Bond financing by State and local governments during the first half of this year amounted to a record \$5.8 billion, nine per cent larger than last year's previous record. Sales in both the first and second quarters set successive new peaks of \$2.8 and \$3.0 billion, respectively.

An unusually large portion of this record total reflected sales of refunding issues; bond sales to obtain new capital amounted to \$5.1 billion, down two per cent from the record first half 1962 total. New financing to refund outstanding bonds is usually small, but this year amounted to a record \$0.7 billion, over five times sales for this purpose in the corresponding period last year and one-fifth more than the previous peak annual volume of 1941. This large refunding total reflected to a considerable extent advance refunding issues made attractive by the favorable spread between yields on long-term municipal and short- and intermediate-term U. S. Government securities. (For further details on first half refundings, see Capital Market Developments in the United States for the week of July 15).

Purpose of issue. Financing of school building construction continued to be the most important single purpose of bond sales but, at \$1.6 billion in the first half, was almost one-seventh under last year's record first half total. Bond sales to finance highways, bridges and tunnels also dropped off from the record total of last year, amounting to \$0.4 billion, about one-half the 1962 amount. Financing of sewer and water facilities, residential buildings and miscellaneous public service enterprises, however, was larger than in the first half of 1962. Sewer and water bonds amounted to a record \$0.8 billion, up one-fourth; bonds sold to finance residential buildings totaled a record \$0.4 billion, an increase of two-fifths; and financing of miscellaneous public service enterprises aggregated \$0.4 billion, three-fourths larger than in the first six months of 1962.

Issuing authority. Bond sales by special authorities--units generally established by State law to perform a variety of specified functions and sell bonds in their own name, but subject to varying degrees of State control--totaled a record \$2.1 billion, an increase of close to two-fifths over the first half record last year. Sales by municipalities amounted to a record \$1.7 billion, up one-tenth from the comparable period last year. Long-term securities sold by States and by school districts, however, at \$0.9 billion each, were off about one-twelfth and one-seventh, respectively, from the comparable 1962 period, reflecting the decline in schools and highway financing.

Type of issue. Revenue bond sales rose sharply in the first half to a record \$2.3 billion, almost 50 per cent greater than in the corresponding period last year and three-tenths more than the record January-June 1959 total. This rise reflected the increased importance of financing of facilities of a type customarily paid for by user-charges and the refinancing of earlier issues of this type. Sales of general obligation bonds still accounted for the bulk of all municipal bond sales but, at \$3.2 billion, were one-tenth less than last year's record.

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

Table 1

Corporate Security Offerings by Type of Business  
of Issuer and Use of Proceeds  
First Half 1958-63  
(Net proceeds in millions of dollars)

	1963	1962	1961	1960	1959	1958
Total corporate offerings	6,252	5,505	7,212	4,679	4,835	6,121
New capital	5,198	5,264	6,504	4,527	4,771	5,762
New money	4,492	4,615	5,920	4,152	4,313	5,347
Other purposes	707	648	584	375	458	415
Refunding	1,054	241	709	152	64	359
Memo: Foreign issues	563	325	231	96	84	n. a.
Manufacturing						
New capital	1,538	1,650	1,981	809	1,109	1,542
New money	1,281	1,356	1,636	690	967	1,363
Other purposes	257	294	346	119	142	178
Refunding	85	105	204	15	33	127
Electric, gas & wtr. utilities						
New capital	1,120	1,415	1,462	1,406	1,791	2,095
New money	1,107	1,328	1,419	1,371	1,710	2,020
Other purposes	13	86	43	36	81	75
Refunding	478	101	51	24	10	76
Communication						
New capital	457	688	1,176	338	149	930
New money	404	680	1,168	337	146	927
Other purposes	53	7	8	1	2	3
Refunding	273	1/	378	1	1/	117
Railroad						
New capital	184	84	82	90	108	127
New money	161	84	82	90	108	127
Other purposes	23	--	--	--	--	--
Refunding	72	--	21	35	--	29
Other transportation						
New capital	331	172	341	230	385	276
New money	328	170	297	223	370	211
Other purposes	3	1	43	7	15	65
Refunding	--	1	3	3	10	--
Commercial and other						
New capital	275	404	370	294	409	104
New money	241	337	315	232	299	87
Other purposes	33	68	55	62	110	16
Refunding	24	9	31	9	7	3

Table 1 (con't)

Corporate Security Offerings by Type of Business of Issuer and Use of Proceeds

	1963	1962	1961	1960	1959	1958
Mining						
New capital	150	114	110	159	70	115
New money	106	101	101	87	65	102
Other purposes	44	13	9	71	5	13
Refunding	1	1	2	1	2	<u>1/</u>
Financial and real estate						
New capital	1,143	737	982	1,200	750	574
New money	864	558	901	1,121	647	510
Other purposes	280	179	80	79	103	64
Refunding	121	23	18	64	2	6
(Sales and consumer finance)	386	146	390	646	356	277
(Other finance, etc.)	757	591	592	554	394	297

1/ Less than \$500,000.

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 1958-63

(Net proceeds in millions of dollars)

	1963	1962	1961	1960	1959	1958
All Manufacturing	1,538	1,650	1,981	809	1,109	1,542
Petroleum and refining	290	196	177	6	11	225
Foods	141	85	72	34	65	27
Primary nonferrous metals	138	20	23	32	65	287
Nonelectrical machinery	127	164	120	78	64	69
Other transportation equipment	117	45	119	63	53	89
Electrical machinery	99	204	200	123	149	115
Chemicals	92	170	81	108	78	92
Rubber products	85	11	27	25	42	8
Textiles and apparel	66	107	41	24	36	8
Fabricated metal products	50	24	15	39	38	94
Stone, clay and glass products	41	68	91	23	6	42
Paper	32	60	88	17	57	122
Printing	18	29	54	8	11	22
Lumber, wood products	18	13	23	53	18	12
Primary iron and steel	17	93	439	31	231	55
Beverages	7	30	3	--	15	98
Motor vehicle and equipment	3	6	29	13	1/	17
Tobacco	1	--	47	--	40	--
Other <u>2/</u>	196	325	332	132	130	160

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 1958-63

(Gross proceeds in millions of dollars)

Type of issue	1963	1962	1961	1960	1959	1958
Total corporate offerings	6,334	5,628	7,344	4,802	4,947	6,216
<u>Type of offering</u>						
Public	3,080	3,646	4,998	3,113	3,168	4,520
Private	3,254	1,982	2,346	1,688	1,780	1,696
<u>Type of security</u>						
Bonds and notes	5,623	4,482	5,121	3,574	3,476	5,374
Public	2,497	2,544	2,965	2,008	1,747	3,748
Private	3,127	1,938	2,156	1,566	1,729	1,626
(Memo: Convertible)	(176)	(229)	(299)	(198)	(338)	(957)
Preferred stock	146	196	288	211	315	336
Common stock	565	950	1,936	1,017	1,157	506

Source.--Securities and Exchange Commission.

Table 4

Long-term Security Issues of State and Local Governments  
First Half 1958-63

(In millions of dollars)

	1963	1962	1961	1960	1959	1958
<u>Issuing authority:</u>						
State	865	939	1,022	686	933	1,299
County and township	317	382	345	279	240	281
Municipality	1,681	1,515	1,376	1,165	1,201	1,214
School district	856	1,008	870	863	714	849
Special authority	2,080	1,501	963	1,165	1,605	830
<b>Total</b>	<b>5,799</b>	<b>5,344</b>	<b>4,576</b>	<b>4,158</b>	<b>4,693</b>	<b>4,473</b>
<u>Purpose of issue:</u>						
New capital total	5,092	5,208	4,561	4,133	4,639	4,436
Schools	1,629	1,884	1,557	1,363	1,238	1,467
Highways, bridges and tunnels	442	864	541	398	500	809
Residential buildings	406	288	149	272	235	200
Hospitals and institutions	156	88	68	58	83	150
Sewer and water	834	666	717	559	700	557
Misc. public service enterprises	426	240	267	130	748	218
Veterans' aid	--	125	313	151	203	213
Other	1,199	1,052	950	1,204	932	821
Refunding	707	137	15	25	54	37
<b>Total</b>	<b>5,799</b>	<b>5,344</b>	<b>4,576</b>	<b>4,158</b>	<b>4,693</b>	<b>4,473</b>
<u>Type of issue:</u>						
General obligation	3,173	3,526	3,146	2,687	2,654	3,229
Revenue	2,262	1,530	1,250	1,260	1,723	1,029
Utility	1,057	466	524	697	1,210	662
Quasi-utility	768	839	522	389	317	85
Special tax	28	15	29	56	118	204
Rental	409	209	175	118	79	77
Public Housing Authority	247	214	123	154	229	139
Federal Government loans	116	75	57	57	87	76
<b>Total</b>	<b>5,799</b>	<b>5,344</b>	<b>4,576</b>	<b>4,158</b>	<b>4,693</b>	<b>4,473</b>

n.a.--Not available.

Note.--Details may not add to totals because of rounding.

Source.--Investment Bankers Association of America.



CHART 1  
 CORPORATE SECURITY OFFERINGS  
 USE OF NET PROCEEDS  
 First Half 1958-63

Billions of dollars

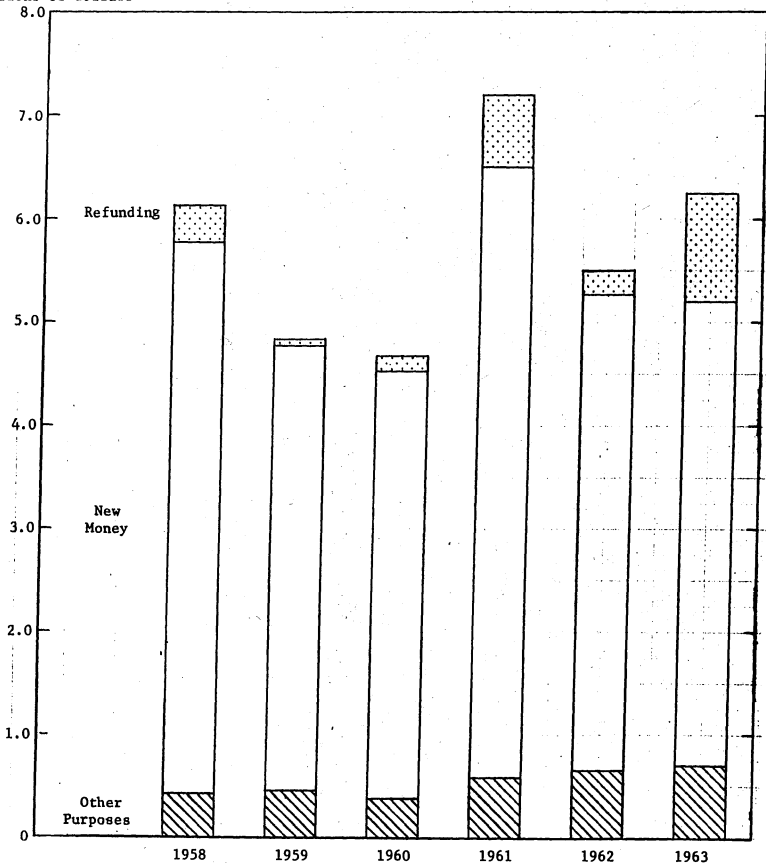


CHART 2

CORPORATE SECURITY OFFERINGS FOR NEW CAPITAL  
 BY TYPE OF BUSINESS  
 First Half 1958-63

Billions of dollars

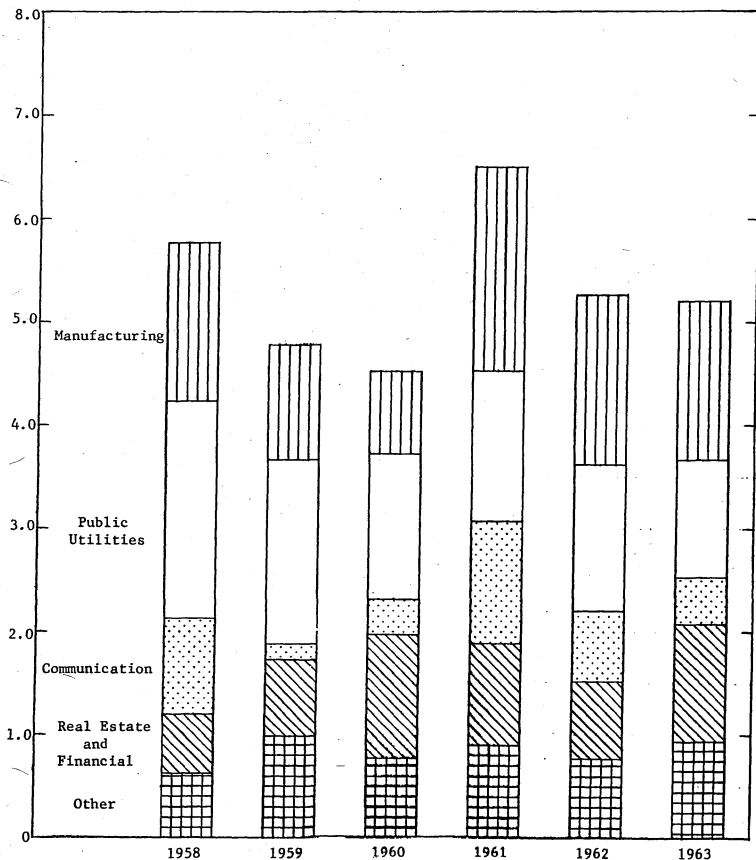


CHART 3

CORPORATE SECURITY OFFERINGS  
BY TYPE OF ISSUE  
First Half 1958-63

Billions of dollars

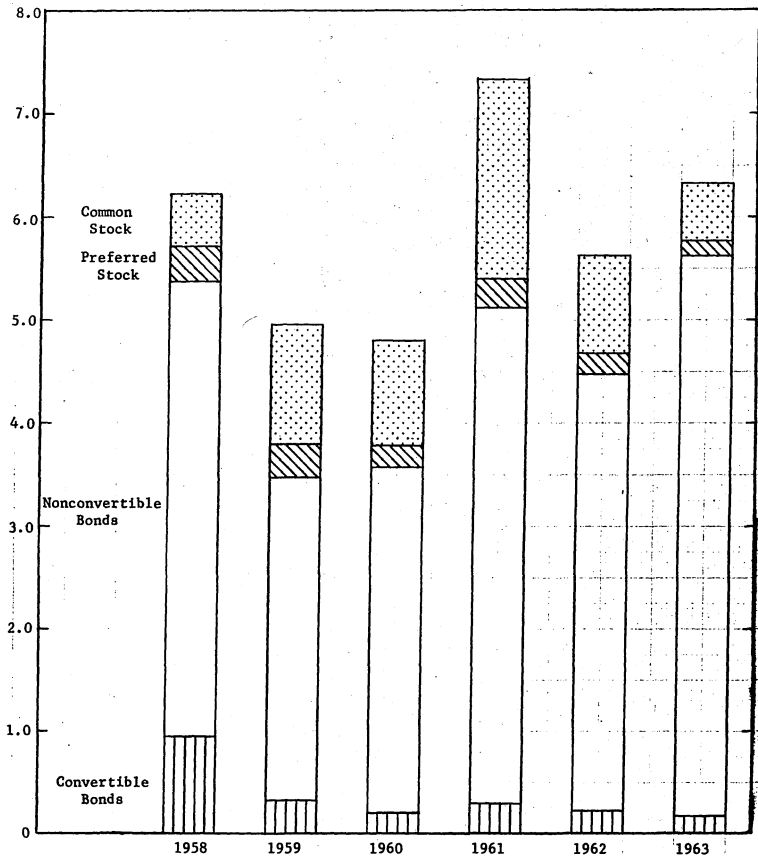


CHART 4

PERCENTAGE DISTRIBUTION OF BONDS SOLD BETWEEN  
THOSE PUBLICLY OFFERED AND PRIVATELY PLACED  
First Half 1958-63

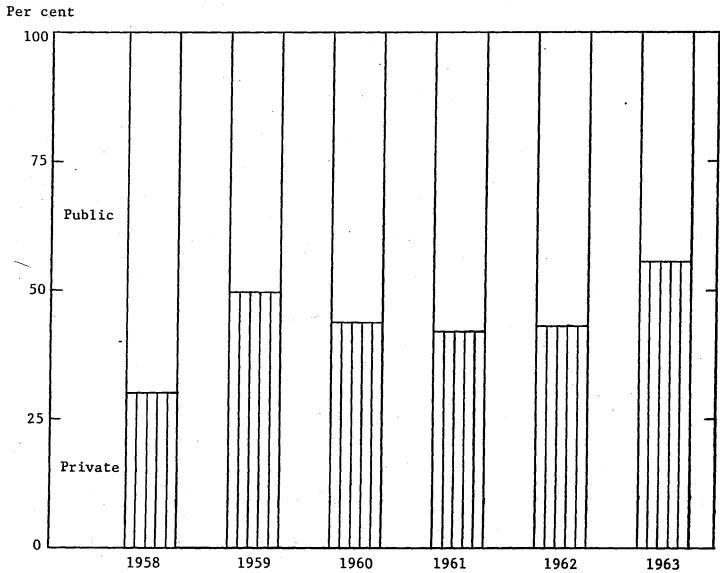


CHART 5

LONG-TERM SECURITY ISSUES OF STATE AND LOCAL GOVERNMENT  
BY ISSUING AUTHORITY  
First Half 1958-63

Billions of dollars

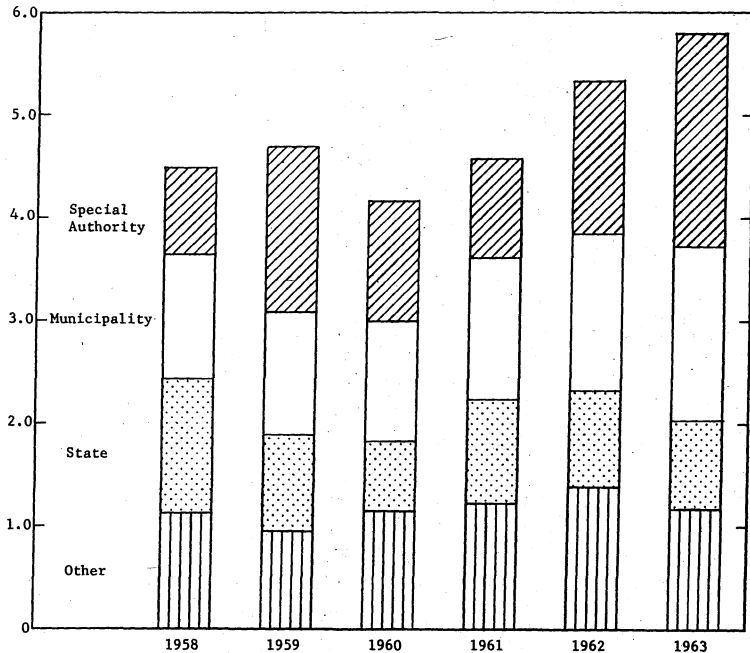


CHART 6

LONG-TERM SECURITY ISSUES OF STATE AND LOCAL GOVERNMENT  
 BY PURPOSE OF ISSUE  
 First Half 1958-63

Billions of dollars

6.0

5.0

4.0

3.0

2.0

1.0

0

Refunding

Schools

Highways,  
bridges and  
tunnels

Sewer and  
water

Other

1958

1959

1960

1961

1962

1963

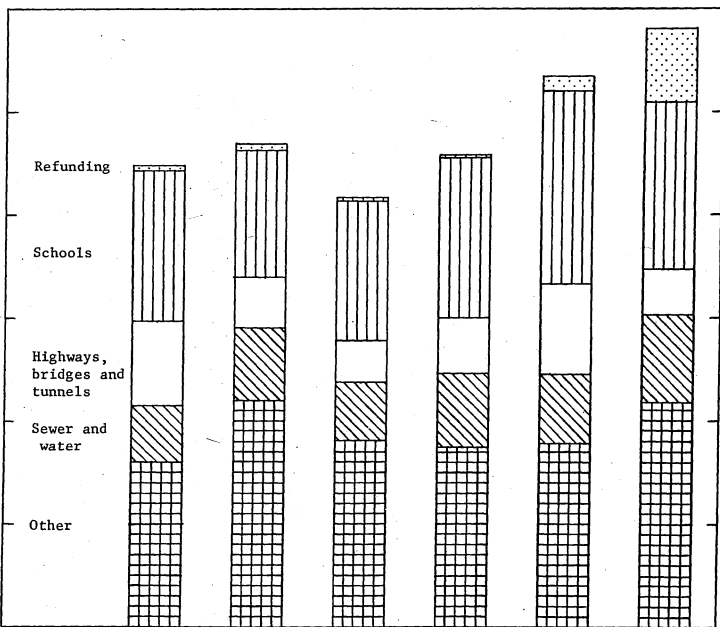


CHART 7

LONG-TERM SECURITY ISSUES OF STATE AND LOCAL GOVERNMENT  
 BY TYPE OF ISSUE  
 First Half 1958-63

Billions of dollars

