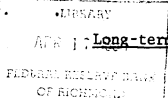


April 15, 1964.

H. 14
(Supplement)

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

Part I: Corporations

Final data for 1963 show net proceeds (gross proceeds less costs of flotation) from corporate security financing totaled \$12.1 billion, 14 per cent more than in 1962, but 6 per cent less than the record 1961 volume. Proceeds for new capital purposes amounted to \$10.6 billion, 8 per cent larger than a year earlier, but one-eighth smaller than in 1961 and 15 per cent less than the 1957 record. Refunding volume, however, totaled \$1.5 billion, twice the 1962 total and the largest volume since 1954. (For further details on corporate security refundings in the capital markets, see Capital Market Developments in the United States for the week of January 20.) Included in the net proceeds total is a record \$0.7 billion of security financing by foreign corporations, one-fourth more than in 1962. Most of this occurred prior to the proposal of an interest equalization tax on foreign securities last July; foreign financing in the second half of the year amounted to only \$158 million.

Industrial distribution of new capital issues. The year-over-year gain in new capital financing reflected a sharp rise in security sales by real estate and finance companies and smaller increases in manufacturing and transportation corporation offerings; on the other hand, these gains were partially off-set by year-over-year declines in the volume of financing by utilities and communication corporations.

New capital financing of manufacturing corporations totaled \$3.3 billion in 1963, one-tenth more than in 1962, but one-fifth less than the record 1957 total, as these companies financed a larger portion of their plant and equipment expenditures with internal funds. Largely because of the sale of \$200 million of debentures by Socony Mobil Oil Company, petroleum and refining company financing rose sharply last year and accounted for close to one-sixth of the manufacturing total; otherwise, there was no unusual concentration in any other sub-industry group in either 1962 or 1963.

Flotations for new capital by electric, gas and water utilities aggregated \$1.9 billion last year, about one-fifth less than in 1962, despite a rise in plant and equipment expenditures. Both security financing and plant and equipment expenditures by utilities have tended downward since their 1957 peaks, but the decline in the former has been much sharper because of substantial growth in internal funds.

Corporations in the financial and real estate field sold a record \$2.9 billion in securities during 1963; two-thirds more than a year earlier and one-fifth larger than the previous--1960--record. Long-term security offerings of sales and consumer finance companies totaled \$1.1 billion, over twice the 1962 volume, but one-fifth less than in 1960. Last years' increase in sales finance company long-term financing reflected the funding of a portion of the 1962-63 increase in receivables, which had been financed initially--as is customary--largely by sale of short-term paper. Commercial banks sold about \$0.3

billion in securities (these data are probably incomplete because banks are not required to register new issues with the Securities and Exchange Commission), three times the year earlier volume; included were \$230 million in capital notes and debentures--a type of financing only recently authorized by bank regulatory authorities. Other financial and real estate firms sold a record \$1.5 billion in new issues, up three-tenths from 1962.

Type of issues. Gross proceeds from corporate security offerings (including cost of flotation and refunding) totaled \$12.2 billion, 14 per cent more than in 1962, but 7 per cent less than the record 1961 total. All of the increase in financing from 1962 to 1963 was in private-placements; these were a record \$6.4 billion, two-fifths larger than the previous year, and exceeded public offerings for the first time. Public offerings (\$5.8 billion) were 5 per cent less than the previous year and one-third below the record 1957 total.

Bond financing totaled a record \$10.9 billion, one-fifth more than the previous year and almost one-tenth greater than the previous 1957 peak. Privately-placed bonds (\$6.2 billion) were up sharply from 1962, while publicly offered bonds, (\$4.7 billion) were only moderately larger; as a result the ratio of privately-placed debt to total debt offerings rose from 50 to 57 per cent, the highest proportion since 1951. Despite the rise in stock prices to new highs, common stock financing amounted to only \$1.0 billion, three-tenths less than in 1962 and the smallest total for any year since 1950. Preferred stock financing of \$342 million was off one-fifth from 1962 and less than in any year since 1943.

Part II: State and local government

Total bond financing by State and local governments during 1963 totaled a record \$10.5 billion, 19 per cent larger than the previous peak a year earlier. Bond sales to obtain new capital were also a record, rising 7 per cent to \$9.2 billion. New financing to refund outstanding securities is usually quite small, but last year rose to a record \$1.4 billion (including advance refunding); this was over five times sales for this purpose in 1962 and roughly three times the previous 1941 peak. (For further details on municipal refunding in the capital markets, see Capital Market Developments in the United States for the week of January 27.)

Purposes of issue. Financing of school building construction continued to be the most important single purpose of bond sales and, at \$3.0 billion, last year, was in record volume, 2 per cent greater than the 1962 peak. Financing of sewer and water systems, miscellaneous public service facilities and residential building construction were also in record volume last year. Sales of sewer and water bonds amounted to \$1.5 billion, up over one-fifth from the previous year and one-tenth larger than the 1961 peak; miscellaneous public service enterprise bonds totaled \$0.9 billion, twice the 1962 total and slightly larger than the 1959 record; bonds sold to finance construction of residential buildings had par value of \$0.6 billion, 15 per cent more than in the previous year. Bond sales to finance highways, bridges and tunnels totaled \$0.8 billion, but were one-fourth less than in 1962.

Issuing authority. Largely reflecting the increased importance of refunding, most of the year-over-year increase in municipal bond sales was accounted for by special authorities; these authorities--units established by State law to perform a variety of specified functions and to sell bonds in their own name--sold a record \$3.6 billion of bonds, up two-fifths from the previous year. Sales by municipalities totaled a record \$3.1 billion, one-fifth more than in 1962. Offerings by States amounted to \$1.6 billion, 14 per cent more than the previous year, but one-sixth under the 1961 peak. Bond sales by school districts (\$1.6 billion) and by counties and townships (\$0.6 billion), however, were in slightly smaller volume than in 1962.

Type of issue. Reflecting to a considerable extent the large volume of refunding financing by special authorities, revenue bond sales rose sharply last year to a record \$4.2 billion, almost three-fifths more than in 1962. Sales of general obligation bonds, however, still accounted for the bulk of all State and local government bond sales and, at \$5.9 billion, were in record volume, 5 per cent larger than the previous year and slightly above the 1961 peak.

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

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

Billions of dollars

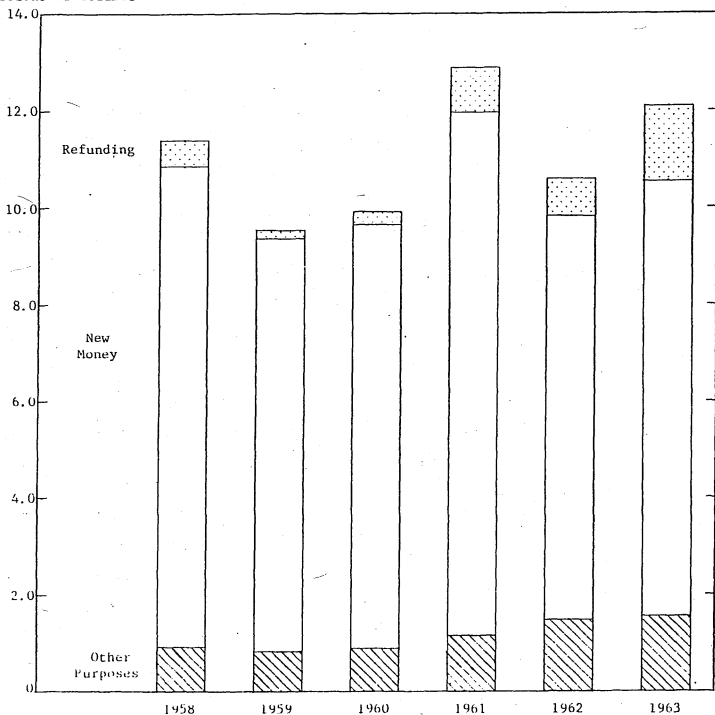


CHART 2
CORPORATE SECURITY OFFERINGS FOR NEW CAPITAL
BY TYPE OF BUSINESS
1958-63

Billions of dollars
14.0

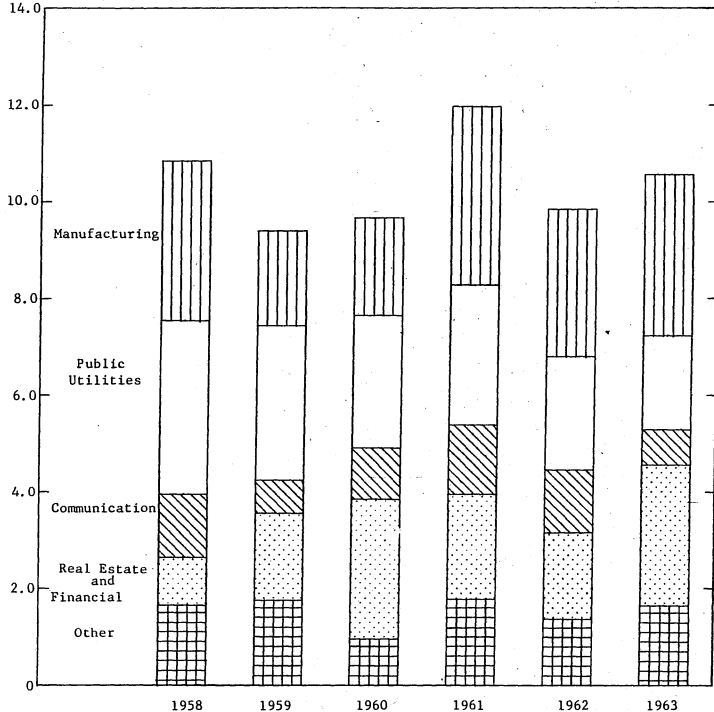


CHART 3
CORPORATE SECURITY OFFERINGS
BY TYPE OF ISSUE
1958-63

Billions of dollars

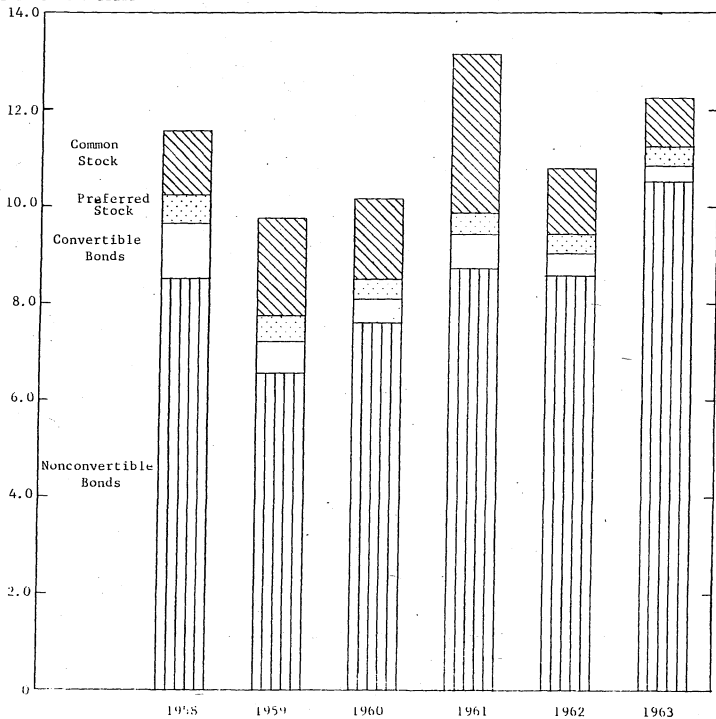


CHART 4

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

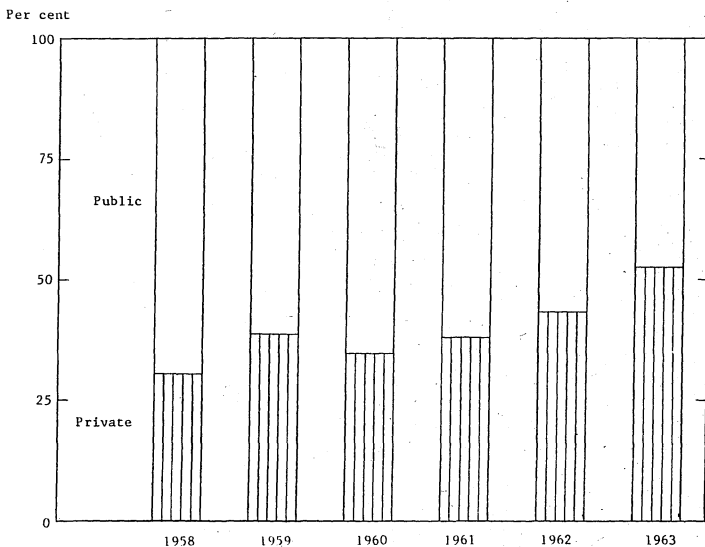


CHART 5
LONG-TERM SECURITY ISSUES OF STATE AND LOCAL GOVERNMENT
BY ISSUING AUTHORITY
1958-63

Billions of dollars
12.0

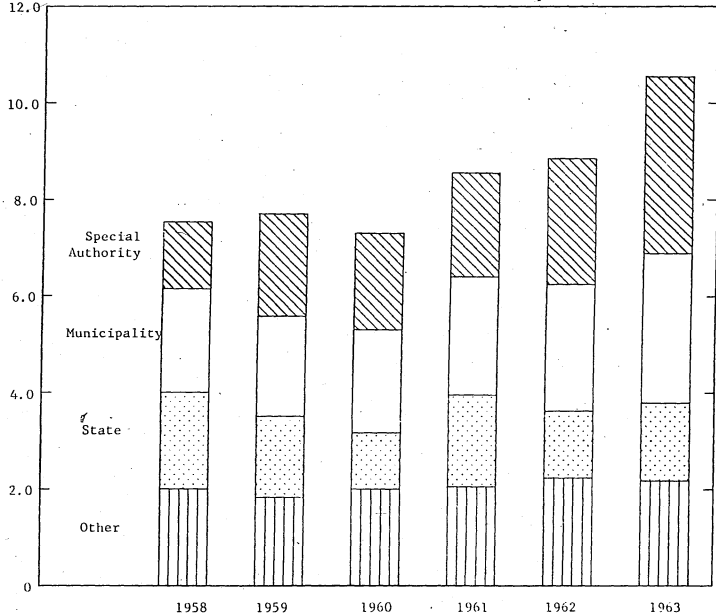


CHART 6
LONG-TERM SECURITY ISSUES OF STATE AND LOCAL GOVERNMENT
BY PURPOSE OF ISSUE
1958-63

Billions of dollars

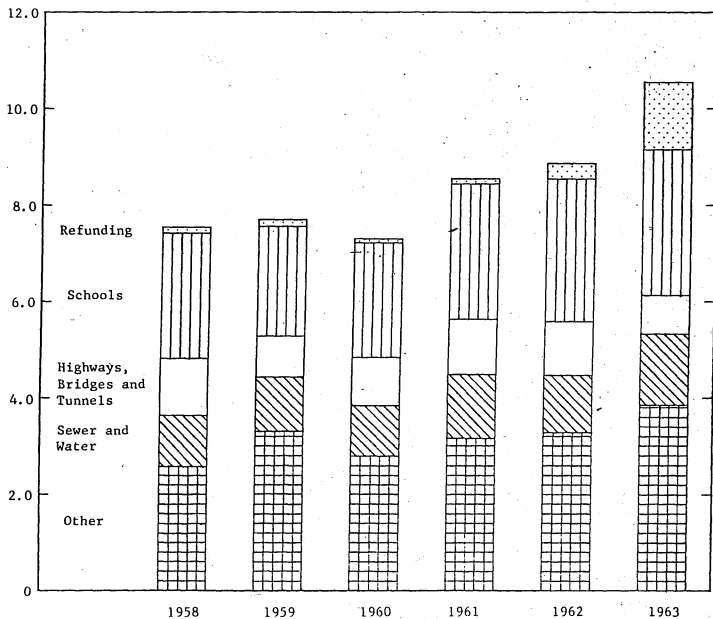


CHART 7

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

Billions of dollars
12.0

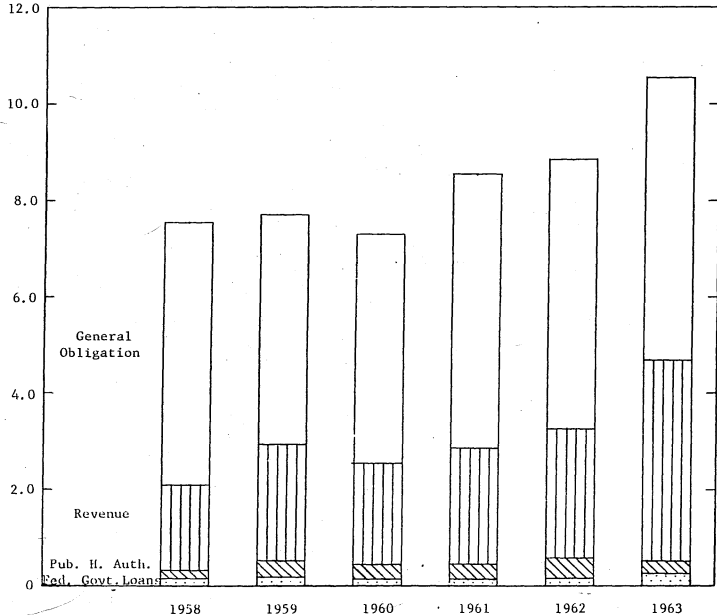


Table 1

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

1958-63

(Net proceeds in millions of dollars)

	1963	1962	1961	1960	1959	1958
Total corporate offerings	12,081	10,572	12,874	9,924	9,527	11,372
New capital	10,553	9,814	11,979	9,653	9,392	10,823
New money	8,993	8,323	10,829	8,758	8,578	9,907
Other purposes	1,561	1,491	1,150	895	814	915
Refunding	1,528	757	895	271	135	549
Memo: Foreign issues	718	567	362	152	169	n. a.
Manufacturing						
New capital	3,312	3,020	3,708	1,997	1,941	3,265
New money	2,596	2,203	3,060	1,711	1,684	2,851
Other purposes	716	817	649	286	257	414
Refunding	190	204	306	79	70	195
Electric, gas & wtr. utilities						
New capital	1,935	2,357	2,892	2,754	3,189	3,605
New money	1,912	2,199	2,809	2,656	3,057	3,441
Other purposes	24	158	84	99	132	164
Refunding	699	445	105	51	15	138
Communication						
New capital	726	1,281	1,427	1,036	707	1,294
New money	607	1,221	1,408	1,032	703	1,265
Other purposes	119	60	19	4	4	28
Refunding	356	10	378	1	1	118
Railroad						
New capital	345	208	156	174	172	206
New money	323	200	148	174	172	206
Other purposes	23	9	7	--	--	--
Refunding	82	29	21	35	--	29
Other transportation						
New capital	527	343	524	497	769	572
New money	509	341	478	451	747	474
Other purposes	19	2	47	46	22	97
Refunding	1	1	5	4	15	9
Commercial and other						
New capital	565	616	842	563	670	630
New money	500	520	730	437	526	585
Other purposes	66	96	112	125	144	45
Refunding	54	26	43	21	15	11

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	208	217	254	231	142	237
New money	158	203	182	154	120	184
Other purposes	50	14	72	77	23	53
Refunding	1	4	3	8	12	2
Financial and real estate						
New capital	2,933	1,773	2,176	2,401	1,801	1,014
New money	2,388	1,438	2,015	2,143	1,569	900
Other purposes	545	335	161	258	232	114
Refunding						
Memo: New Capital by-						
(Sales and consumer finance cos.)	1,119	512	717	1,437	758	394
(Banks)	339	111	199	135	155	97
(Othercos.)	1,475	1,150	1,260	828	888	523
Refunding	144	39	36	71	6	47

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
1958-63

(Net proceeds in millions of dollars)

	1963	1962	1961	1960	1959	1958
All Manufacturing	3,312	3,020	3,708	1,997	1,941	3,265
Petroleum and refining	509	234	407	63	46	600
Chemicals	363	494	246	232	198	220
Nonelectrical machinery	304	263	289	135	125	233
Foods	263	143	210	71	103	116
Primary nonferrous metals	221	76	149	142	73	306
Other transportation equipment	220	46	170	116	128	218
Electrical machinery	176	253	322	219	251	139
Textiles and apparel	130	183	152	108	69	131
Paper	121	158	180	88	91	207
Rubber products	109	49	45	98	52	12
Printing	89	52	97	30	37	53
Beverages	87	45	132	14	20	111
Stone, clay and glass	72	116	159	39	70	75
Lumber, wood products	68	114	47	67	44	34
Primary iron and steel	68	141	492	258	298	408
Fabricated metal products	63	71	31	119	67	135
Motor vehicle and equipment	49	28	48	14	22	73
Tobacco	1	--	47	--	50	26
Other <u>1</u> /	399	554	485	284	197	268

1/ 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
1958-63
(Gross proceeds in millions of dollars)

Type of issue	1963	1962	1961	1960	1959	1958
Total corporate offerings	12,237	10,770	13,147	10,154	9,748	11,558
<u>Type of offering</u>						
Public	5,823	6,127	8,149	6,657	5,993	8,068
Private	6,413	4,643	4,999	3,497	3,755	3,490
<u>Type of security</u>						
Bonds and notes	10,872	9,016	9,425	8,081	7,190	9,653
Public	4,714	4,487	4,706	4,806	3,558	6,332
Private	6,158	4,529	4,720	3,275	3,632	3,320
(Memo: Convertible)	(346)	(429)	(704)	(462)	(628)	(1,147)
Preferred stock	342	436	449	409	531	571
Common stock	1,022	1,318	3,273	1,664	2,027	1,334

Source.--Securities and Exchange Commission.

Table 4
Long-term Security Issues of State and Local Governments
1958-63
(In millions of dollars)

	1963	1962	1961	1960	1959	1958
<u>Issuing authority:</u>						
State	1,620	1,419	1,928	1,110	1,686	1,993
County and township	603	639	611	538	501	540
Municipality	3,111	2,611	2,444	2,165	2,058	2,152
School district	1,567	1,575	1,418	1,495	1,331	1,471
Special authority	3,636	2,600	2,165	1,984	2,121	1,371
Total	10,538	8,845	8,566	7,292	7,697	7,526
<u>Purpose of issue:</u>						
New capital total	9,151	8,568	8,463	7,247	7,589	7,441
Schools	3,029	2,963	2,821	2,405	2,318	2,617
Highways, bridges and tunnels	812	1,114	1,167	1,007	844	1,164
Residential buildings	598	521	385	426	401	251
Hospitals and institutions	221	139	102	99	110	216
Sewer and water	1,455	1,218	1,313	1,049	1,123	1,079
Misc. public service enterprises	889	450	387	266	862	333
Veterans' aid	--	125	478	201	355	339
Other	2,148	2,037	1,811	1,792	1,575	1,441
Refunding	1,386	276	103	45	108	86
Total	10,538	8,845	8,566	7,292	7,697	7,526
<u>Type of issue:</u>						
General obligation	5,855	5,582	5,724	4,771	4,782	5,447
Revenue	4,180	2,681	2,407	2,095	2,407	1,778
Utility	1,883	846	859	989	1,599	1,007
Quasi-utility	1,512	1,315	1,179	833	404	165
Special tax	43	100	57	79	240	330
Rental	742	420	312	194	165	276
Public Housing Authority	254	437	315	302	332	187
Federal Government loans	249	145	120	125	176	115
Total	10,538	8,845	8,566	7,292	7,697	7,526

Note.--Details may not add to totals because of rounding.
Source.--Investment Bankers Association of America.