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THE OUTLOOK FOR THE ECONOMY IN 1985

Nineteen eighty-four was another year of substantial economic growth in the United States. Production and employment gains were large, making the expansion of the past two years—with growth in real gross national product averaging 6 percent per year—the strongest cyclical upswing since the early 1950s. Moreover, continued vigor of the economy was accompanied by signs of some further lowering of inflationary expectations. Aggregate price measures rose around 4 percent last year, about the same as during the two preceding years. While prices of services continued to rise 5 to 6 percent, prices of many goods were relatively flat, and underlying wage trends seemed to be moderating.

Economic growth had been extraordinarily rapid in the first half of 1984, and then slowed abruptly around midyear. Although some slowing in growth was widely anticipated, the abruptness of the change raised some question about the continuing strength of expansionary forces. However, during the last few months of the year, output and employment were clearly rising, though at a more moderate pace than earlier in the year.

The strong gains in overall activity during the year drew attention away from a number of continuing problems, but those problems are nonetheless real and serious. The overall rate of unemployment is still uncomfortably high and the joblessness among certain groups—for example, teenagers and blacks—remains well above the average. Sectors of the economy facing intense competition from abroad, such as agriculture and certain mining and manufacturing industries, have not participated in the rapid economic expansion overall and have been under strong financial stress. Strains also remain evident among financial institutions: a number of depository institutions have experienced a deterioration in the quality of their loan portfolios, and the earnings of thrift institutions remain constrained by low-yielding assets accumulated in earlier years.

While it has not been an impediment to economic expansion to date, growth in credit has been exceptionally rapid, and many households and businesses have accumulated substantial indebtedness, often in short-term or variable-rate forms that make them especially vulnerable to unexpected economic developments. Also, despite the impetus from strong U.S. demand, growth in economic activity has been limited in a number of important industrialized countries; and many developing countries, in Latin America and elsewhere, are still struggling to restore satisfactory growth. While progress was made in stabilizing the external finances of some of the largest of those countries, that progress can only be secure in the context of greater stability in their own economies and of sustained growth in the industrialized world.

Many of the problems afflicting particular industries have causes and complications that, at least in part, must be dealt with in direct and specific ways. But it is also evident that the enormous imbalances in our federal fiscal posture and in our trade and current account position have aggravated the problems and made constructive solutions much more difficult. In an expanding economy requiring more private credit, the need to finance the large federal deficits has contributed to the pressures that have held real interest rates at historically high levels. The failure to deal with budgetary deficits also has

1. The charts to the report are available on request from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

sustained doubts in the minds of the public about the ability of the government to continue to curb inflation over the long run.

The large federal deficits are mirrored in our external imbalance. Many foreign investors have been attracted to the comparatively high real rates of return offered on dollar-denominated assets, and U.S. lending abroad has been reduced. Other forces stimulating capital inflows have been at work as well, including political and economic uncertainties in other countries and the relative stability and vigor of our economy. The shift in capital flows has supplemented domestic saving and helped finance the federal government deficit and private investment. But, at the same time, the strong demand for the dollar has driven its value on foreign exchange markets to extremely high levels. As the dollar has appreciated, the demand for our exports has suffered and our purchases of imported goods have increased dramatically, resulting in strong competitive pressures on the manufacturing, mining, and agriculture sectors and leading to calls for protectionist measures. Moreover, the capital inflows lead to mounting financial claims of foreigners that the nation must be prepared to deal with in future years, through reduced imports or increased exports, in either case lowering domestic consumption.

The Economic Projections of the FOMC

Notwithstanding the risks associated with the domestic and international problems just outlined, the weight of the evidence points to reasonably favorable near-term prospects for aggregate economic performance. In recent months, personal income growth has been strong, reflecting continuing substantial gains in employment and helping to support consumer spending. Overbuilding of multifamily residential units and offices in some parts of the country may pose questions about the outlook in these areas, but the lower interest rates that developed over recent months suggest that single-family homebuilding may strengthen. Surveys of businesses indicate plans for continued growth in plant and equipment spending in the coming months, though at a slower pace than last year; meanwhile, some imbalances in business inventories that developed during 1984 appear to be well along in the process of correction, and in some sectors inventories are quite lean relative to sales. Many states and localities are experiencing an improvement in their finances, which portends further support to the expansion from that sector. And, at the federal level, there continues to be a strongly stimulative thrust from fiscal policy.

The smallest increases in nominal wages and compensation in more than a decade have been accompanied by an improvement in productivity and downward pressures on energy and commodity prices. These developments help support the possibilities of continuing restraint in price increases. Also, in the context of an economy expanding at a sustainable rate, they are consistent with continuing growth in average real income.

Taking account of these factors, the members of the Federal Open Market Committee (as well as Federal Reserve Bank Presidents who are not at present FOMC members) now foresee the probable continuation of the economic expansion through its third year, although at a more moderate pace than in the first two years. The central tendency of the members' forecasts indicates the probability of an increase in real gross national product of between 3½ and 4 percent this year. The unemployment rate is expected to decline in 1985 to a level of between 6¾ and 7 percent by the fourth quarter. At the same time, most members expect general measures of price inflation to remain close to recent trends.

When considering the general outlook for 1985, members of the FOMC recognized that persisting problems could become aggravated for particular sectors of the economy, and that there are risks for the economy as a whole. Clearly, there is growing distress in many farm communities. Incomes from farming have been low, land prices are falling, and many producers face heavy debt burdens. In the household and business sectors, higher levels of indebtedness are unlikely to forestall further gains in spending, but unless moderated, they would in time add to financial pressures.

Favorable price performance has been encouraged by the strength of the dollar in the exchange

Economic projections for 1985

Item	FOMC members and other FRB Presidents		Adminis-tration	Congressional Budget Office
	Range	Central tendency		
Change, fourth quarter to fourth quarter (percent)				
Nominal GNP	7 to 8½	7½ to 8	8.5	7.7
Real GNP	3¼ to 4¼	3½ to 4	4.0	3.4
GNP deflator	3 to 4¾	3½ to 4	4.3	4.2
Average unemployment rate in the fourth quarter (percent)	6½ to 7¼	6¾ to 7	6.9	7.0

markets. A sharp and large reversal of that strength could be reflected in at least temporarily stronger inflationary pressures. Greater confidence in prospects for price stability is, of course, dependent over time on suitably restrained growth in the money supply; and that necessary approach and more moderate real interest rates would be facilitated by effective action to reduce substantially the size of federal budget deficits in the upcoming and subsequent fiscal years. Action to restore balance in the government's fiscal position is important to the achievement of an environment conducive to stable, strong economic growth. In their forecasts, the Committee members assumed that the exchange rate would remain within the range of recent months and that effective fiscal action is in prospect.

The "central tendency" forecast of the FOMC members is broadly consistent with that of the administration, as indicated in the *Economic Report of the President*, and that of the Congressional Budget Office. The Administration's projections for both real GNP growth and inflation do fall, however, toward the upper part of the ranges of Committee members' forecasts, while the CBO's estimate of real growth is a bit lower than the central tendency range of the FOMC.

[illegible]

At its meeting of February 12–13, the FOMC set monetary and credit growth ranges for 1985 designed to be consistent with further sustainable economic growth and progress toward reasonable price stability over time. Specifically, the Committee (1) set a growth range for M1 of 4 to 7 percent from the fourth quarter of 1984 through the fourth quarter of 1985, the same as that tentatively selected last July; (2) established target ranges of 6 to 9 percent and 6 to 9½ percent for M2 and M3 respectively, ½ percentage point higher at the upper end of the range than that tentatively set in July; and (3) set an associated monitoring range of 9 to 12 percent for the debt of domestic nonfinancial sectors, 1 percentage point higher than tentatively indicated. The upper end of the range for M1 is 1 percentage point below that of 1984, and the range for M2 is the same as last year's. The upper end of the target range for M3 is slightly above that for last year. That increase, as well as the upward adjustment in the associated monitoring range for the debt of domestic nonfinancial sectors, reflects analysis of developments during 1984 suggesting that growth somewhat greater than anticipated earlier may be consistent with Committee objectives for the year. Expansion within these ranges would represent a significant deceleration in the actual growth of M3 and debt from the experience of last year when the target ranges were exceeded.

In formulating these objectives, the Committee assumed that no new statutory or regulatory developments would be enacted that would appreciably influence the behavior of the monetary and credit aggregates in 1985. Although at the beginning of the year the minimum denomination of Super NOW and money market deposit accounts was reduced from $2,500 to $1,000, to date the promotional activity accompanying this change has been minor, and it appears that M1 and M2 have not been affected significantly.

On average, the behavior of M1 velocity—nominal GNP divided by the money stock—during 1984 was broadly consistent with previous cyclical patterns. Together with other evidence, this development suggests that the factors reavailable domestic savings with the strong private credit demands accompanying further growth of economic activity, keeping interest rates and exchange rates higher than they otherwise would be. Such relatively high interest rates and exchange rates limit expansion in those sectors that are most sensitive to the cost of credit and impair the competitive positions of domestic import-competing and export industries. Decisive and credible actions to reduce federal budget deficits would have favorable effects on investors' expectations and help to lower interest rates, especially longer-term rates, even before these reductions become fully effective. Such actions would work to relieve the imbalances and strains within the economy, contribute to further abatement of inflationary expectations, and so reinforce the prospects for continued growth and stability.

THE PERFORMANCE OF THE ECONOMY IN 1984

The economy recorded major gains in 1984, with the real gross national product up 5½ percent and the unemployment rate down more than 1 percentage point over the year. The growth in output and employment was exceptionally strong in comparison with experience in other post-Korean War expansions. But even more striking, in terms of its departure from past norms, was the extraordinary rise in domestic spending, which again appreciably outstripped growth in domestic production. Over the course of the year such spending rose about 6¾ percent in real terms. Consumers and businesses purchased greatly increased quantities of imported goods, whose relative prices were lowered by the appreciation of the dollar in exchange markets, and the U.S. trade deficit reached record proportions.

Last year's economic gains were achieved without a pickup in inflationary pressures, in part owing to the rise in the exchange value of the dollar. Aggregate indexes of prices rose about 4 percent or less, similar to rates of inflation recorded in 1983. Ample availability of industrial capacity here and abroad helped to contain price increases. Labor cost pressures also were limited, as wage increases actually were slightly lower than a year earlier. Labor markets continued to reflect the still considerable unemployment in the economy as well as the adjustments of wages in some sectors to the realities of forces associated with deregulation and foreign competition. Wage changes also reflected the favorable feedback effect of lower inflation on anticipatory or catch-up pay demands.

Although the nation as a whole has made substantial progress in the past two years toward the goals of sustained growth and high employment along with price stability, important segments of the economy have continued to experience considerable difficulty. One symptom of continuing imbalances has been interest rates that, relative to the prevailing rate of inflation, have remained exceptionally high by historical standards. However, after moving upward during the first half of the year when economic expansion was especially brisk, interest rates retraced their advances in the second half of the year. At year-end, they were, on balance, a little lower.

Federal government tax and spending policies have provided substantial stimulus to aggregate demands for goods and services, but in credit markets the deficits have added strongly to the demands for funds and have been one important force keeping interest rates high. Moreover, there is general agreement that, unless legislative measures are enacted, budget deficits are likely to increase further, even in the context of a reasonably growing economy. This prospect, with its implication of continuing pressures on the supply of savings, has been a factor in the rise in the foreign exchange value of the dollar and the attendant emergence of enormous deficits in our trade and current accounts with other nations. Although, as noted above, the sharply higher value of the dollar has been an important factor in the movement toward price stability, inflationary pressures could become more apparent if the U.S. dollar were to decline sharply—a risk that could increase as fundamentally unsustainable fiscal and external postures are extended.

The Household Sector

The household sector continued to benefit last year from the economic expansion. Adjusting for inflation, the rise in disposable income from the fourth quarter of 1983 to the fourth quarter of

1984 was 5¾ percent, surpassing the large gain in 1983. This strong increase in income supported a rapid rise in spending for consumer goods even as the personal saving rate rose.

Household sector outlays in this expansion have been tilted more toward durable goods than has been typical. In the 1980–82 period, a time of relatively slow income growth and high unemployment, consumers had curtailed discretionary purchases of household goods. Since the end of 1982, however, strong employment and income growth and rising consumer confidence have been translated into an appreciable restocking of household durables.

The strength of automobile purchases in 1984 was a part of this restocking process. As the stock of existing autos has aged, replacement demand has grown. Most recently, reductions in gasoline prices have lowered operating costs. Automobile sales in 1984 rose to 10½ million units, the highest level since 1979. The foreign share of the market declined, owing in large part to the impact of limitations on Japanese units during a period of expanding sales. Indeed, demand for domestic autos proved to be so strong that producers had difficulty supplying many of the more popular models, even though auto companies operated some factories at near full capacity over most of the year. Total auto production was up 14 percent from the preceding year, despite brief strikes in the autumn.

Spending for new homes slowed over the course of 1984, with rising mortgage interest rates through midyear a factor reducing housing activity. However, there were some initial signs of improvement in the housing sector at year-end, associated with earlier declines in interest rates during the fall. From the fourth quarter of 1983 to the fourth quarter of 1984, residential construction outlays, in real terms, were up 3½ percent after an extremely rapid advance in 1983. For 1984 as a whole, 1.7 million new housing units were started. This was below the peak rates in the 1970s, but a marked improvement over the performance of the first years of the 1980s, as housing demand continued to be supported by favorable demographic factors and expanding incomes. Moreover, relatively stable house prices and the growing use of adjustable-rate mortgages made home purchases more accessible for many households.

The second year of strong growth in income and spending was accompanied by significant changes in household balance sheets. Late in 1983 and in the first half of 1984, financial assets declined relative to income—owing primarily to the sluggish performance of stock prices—retracing a portion of the strong gains made earlier in the recovery. However, the subsequent rise in equity prices helped to restore household asset positions to their previous high levels, and since the turn of the year, with stock prices up sharply, asset positions have improved further. Meanwhile, growth of household indebtedness picked up noticeably last year, and consumer installment debt as a share of disposable income moved to near its previous peak in the late 1970s.

Despite the rise in indebtedness, there were few signs of increased financial stress in the household sector. The incidence of payment difficulties on consumer installment debt remained historically low, and home mortgage delinquency rates were about unchanged for the year as a whole. Nonetheless, the proportion of problem loans in the home mortgage market has not receded from its recession high, and there is some special concern about future prospects in this area owing to the added risk exposure of homeowners who took on mortgages carrying adjustable features, especially those made with sizable initial interest rate concessions. The sustained high level of mortgage loan delinquencies to date appears attributable not so much to adjustable-rate loans as to a combination of unemployment that is still high and real estate prices that are more stable than some borrowers had anticipated.

The Business Sector

The increase in business spending for plant and equipment was greater in 1984 than in 1983. In fact, the rise in gross business capital outlays over these two years combined was much larger than in any other economic expansion since World War II. Profits in the nonfinancial corporate sector were up substantially in 1984, although by year-end the level had fallen back a bit owing to the slowing in sales growth.

Growth in business fixed investment spending was strongest in the first half of the year, but continued at a double-digit pace in real terms in the second half. For the year as a whole, large gains were registered for both equipment and structures outlays. The ebullience of total spending reflected a number of factors, including the more favorable tax laws enacted in 1981, the desire to take advantage of technological advances, and the further narrowing of the margin of unused factory capacity under strong demand growth. Continued competitive pressure from foreign producers provided additional impetus for rapid modernization. At the same time, many U.S. producers of capital equipment, especially outside the "high tech" area, did not fully benefit from this spending. Instead, foreign manufacturers captured an increasing share of capital goods purchased by U.S. firms; for domestic equipment spending, this share—approximately 25 percent—was nearly twice that experienced in the late 1970s.

Businesses accumulated inventories in 1984 after reducing stocks in the preceding two years. In real terms, business inventories rose $24 billion, a historically large gain. Those gains were concentrated largely in the first half of the year, alongside the rapid pace of the expansion of final demand. When sales growth slackened in the summer and autumn, businesses quickly cut back on orders and production to avoid severe imbalances.

In order to finance the combined increase in capital spending and inventory investment, businesses relied heavily on external sources of credit. Nonetheless, gross issuance of new equity weakened as stock prices declined early in the year and then failed to surpass earlier highs when they rallied in the summer. After accounting for the retirement of equity associated with merger activity and share repurchases, the net issuance of stock was decidedly negative. Shorter-term borrowing was favored by businesses in the first half of 1984, as firms elected to finance mergers initially through bank loans and commercial paper, and the high level of long-term interest rates discouraged bond issuance. In the second half of the year, merger financing slowed and the decline in interest rates contributed to some movement toward longer-term debt issuance. Even so, the traditional balance sheet ratios used to assess aggregate business financial strength worsened over the year: the ratio of loans and short-term paper to total debt of nonfinancial corporations rose, as did the ratio of debt to equity.

Severe financial strains, in many cases related to the high exchange value of the dollar, persisted in some of the nation's basic industries. Farmers continued to face less favorable export conditions than in much of the previous decade, land prices fell further, on average, and farm income remained depressed. As a result, farmers with large volumes of debt remaining from the late 1970s continue to face serious debt-servicing problems. The metals, agricultural implements, and some equipment industries also continue to face significant problems.

The Government Sector

The expanding economy lifted federal government receipts in 1984. At the same time, outlay growth was limited by further declines in recession-related expenditures and by a drop in agricultural support payments. Nonetheless, the federal budget deficit remained enormous—more than 5 percent of GNP and larger than total domestic personal saving. Moreover, at the end of the year the deficit was again rising.

Federal government purchases of goods and services, the component of the budget that directly adds to GNP and accounts for about a third of total federal outlays, rose strongly last year. Excluding changes in Commodity Credit Corporation farm inventories, federal purchases were up nearly 5½ percent, after adjustment for inflation. A major thrust to federal purchases came from defense spending, which increased almost 7 percent in real terms.

At the state and local government level, real purchases of goods and services rose 3½ percent in 1984, following two years of no change. The renewed growth in such spending followed an appreciable improvement in this sector's fiscal position: state and local governments experienced a sizable operating and capital surplus in 1983 and early 1984 owing to the effects of the economic recovery as well as to increases in tax rates.

The appreciation of the dollar over the past four years directly contributed to the imbalance between exports and imports in 1984. On a trade-weighted average basis, the dollar climbed a further 12 percent during the course of the year, bringing the cumulative appreciation since the end of 1980 to about 65 percent, and the rise has continued into 1985. Part of the dollar's strength in the first half of last year may have been generated by a widening of the differential between real interest rates in the United States and real rates abroad; however, the influence of this factor appears to have been reversed in the second half of the year. The relative dynamism of the U.S. economy and success in curbing inflation helped attract capital from abroad. Conversely, relatively slow economic growth elsewhere and economic and political uncertainties in various countries also may have contributed to the dollar's appreciation throughout the year.

Notwithstanding a further weakening of the international competitive position of U.S. firms owing to the dollar's appreciation, and despite the sluggishness of foreign economies, the volume of U.S. merchandise exports increased 9 percent in 1984. Exports to Canada, some of which are reimported after further fabrication, accounted for about a third of the rise, with Western Europe and Mexico receiving most of the remainder of the increase in exports. Economic growth in many developing nations, oil-producing as well as others, was limited by their debt servicing problems, and demand by those countries for U.S.-produced goods remained generally depressed.

The vigorous expansion of the U.S. economy and the strength of the dollar pushed the volume of merchandise imports sharply higher. Consumer goods, materials, and capital equipment shared in the increase. The merchandise trade deficit rose to about $110 billion. In addition to the growing trade deficit, net service receipts were reduced, and the current account deficit was about $100 billion in 1984, compared with $42 billion in 1983.

Labor Market Developments

Developments in labor markets continued to be favorable during the second year of expansion. Reflecting the strength of activity and improved employment prospects, growth of the labor force picked up last year. But the number of new jobs expanded even more rapidly, and the unemployment rate was 7.2 percent in the fourth quarter, more than a percentage point below the rate at the end of 1983. Indeed, since the recession low in late 1982, nonfarm payroll employment has increased nearly 7 million, the largest two-year gain in three decades.

In 1984, employment growth continued to be widespread across industries. The trade and service sectors each added more than one million jobs. And there was a gain in construction employment, owing in large part to a rise in nonresidential building. Government employment was up a quarter of a million, reflecting the rise in spending by state and local units. The manufacturing sector, which has borne the brunt of increased foreign competition, registered a large increase of almost three-quarter million in 1984; even so, the level of manufacturing employment remained below its pre-recession peak.

Wage developments in 1984 were more favorable to the control of inflation; even though labor market slack was reduced substantially further during the year, wage rates increased less than in 1983. The employment cost index, a comprehensive measure of change in wages and benefits, rose just 4 percent in 1984, nearly 1 percentage point less than the year earlier. Moreover, major collective bargaining agreements during the year showed no acceleration in nominal wage rates, even in those industries with improved economic conditions.

These wage developments suggest that inflationary expectations continued to moderate this past year; to an increasing degree, workers and managers now appear to be focusing on improving job security and on enhancing productivity, often in an attempt to remain competitive with foreign producers. Productivity increases in 1984 were substantial in the first half of the year, when output grew rapidly, and helped keep overall cost pressures down. Over the course of the year, labor productivity increased 2¼ percent, partly reflecting a cyclical adjustment to higher levels of output as well as some improvement apparently in the underlying trend rate of growth from the very low pace of the 1970s. The combination of moderate compensation increases and favorable productivity developments held down cost pressures on prices; unit labor costs rose 2 percent over 1984, less than a fifth of the rate experienced in 1979 and 1980.

Price Developments

Over 1984, the consumer price index rose 4 percent and the implicit deflator for the gross national product 3½ percent. The increases in these broad indexes represent little change from inflation rates that have prevailed since the beginning of the expansion. The producer price index for finished goods, which excludes the prices of services, rose less than 2 percent last year; basic commodity prices, which had advanced more than 30 percent early in 1983, fell during most of 1984.

The relative softness of demand in worldwide markets and the strength of the dollar against foreign currencies played a large role last year in holding down prices of basic commodities. Importantly, energy prices, which have been a major factor in inflation rate movements for more than a decade, moved down. The weakness of demand during the recession and early recovery period restrained energy prices in 1981 and 1982; moreover, conservation measures and additional oil production capacity in many countries have continued to relieve energy price pressures.

Food prices at the retail level rose about in line with overall prices in 1984. Early in the year, food prices jumped sharply because farm supplies were limited by the 1983 summer drought and a winter freeze. However, supplies again became plentiful as the year progressed, reflecting more favorable harvests and sagging export volume.

Apart from the food and energy areas, consumer price inflation was little changed from a year earlier. The rise in consumer goods prices slowed appreciably, owing in part to the relatively small increase in prices of imported goods, as well as the accompanying competitive pressures on domestic products. Service prices rose more rapidly over 1984 than in 1983, although the rate of inflation in the sector remained well below those rates recorded in the early 1980s.

MONETARY POLICY AND FINANCIAL DEVELOPMENTS IN 1984

Monetary policy in 1984 aimed basically at supporting sustainable economic growth within the context of long-term progress toward price stability. The target ranges for the monetary and credit aggregates chosen by the Federal Open Market Committee last February, and reaffirmed in July, called for growth rates ½ to 1 percentage point below those set for 1983. Measured from the fourth quarter of 1983 to the fourth quarter of 1984, the target ranges for the monetary aggregates were 4 to 8 percent for M1, and 6 to 9 percent for M2 and M3. The associated monitoring range for the debt of domestic nonfinancial sectors was fixed at 8 to 11 percent.

Underlying these objectives was the Committee's expectation that the special factors distorting monetary growth rates in 1982 and 1983 would be less important in 1984, and that relationships among the monetary aggregates—particularly M1—and economic activity and inflation would be more consistent with historical trends and cyclical patterns. Portfolio adjustments associated with the previous introduction of new deposit accounts and with the steep drop in interest rates during the 1982 recession appeared to have ended. Furthermore, the economic expansion seemed to be reducing uncertainties about employment and income prospects that earlier had boosted demands for liquid precautionary balances.

Over the year, increasing evidence suggested that M1 was in fact behaving more in line with historical experience. As a result, this aggregate was given more weight in policy implementation than had been the case during the latter part of the cyclical downswing and the early phase of the economic recovery. However, all of the monetary and credit measures continued to be evaluated in light of the outlook for the economy and domestic and international financial markets.

Money, Credit, and Monetary Policy

The actual growth rates of M1 and M2 over 1984 were well within the target ranges established by the Federal Reserve, with M1 expanding 5.2 percent, somewhat below the midpoint of its range, and M2 increasing 7.7 percent, a bit above its midpoint. As had been anticipated in the midyear policy report to the Congress, growth of M3 and domestic nonfinancial debt, at 10.5 percent and 13.4 percent respectively, exceeded their ranges.[2] The relatively wide divergence between M2 and M3 growth rates reflected mainly substantial issuance of large CDs and other managed liabilities by thrift institutions and commercial banks in the face of heavy credit demands.

Credit growth last year was the most rapid on record, and much stronger relative to GNP expansion than historical trends would suggest. An unusually large volume of mergers and related activity, including "leveraged buyouts," involving nonfinancial corporations accounted for about 1 percentage point of the growth of overall debt. Around $75 billion of equity was liquidated in this process, with much of it replaced, at least for a time, with short-term debt. In addition, more than $10 billion of equity was retired through corporate share repurchases, frequently in defensive maneuvers to ward off unfriendly takeover attempts.

Even after allowance is made for the unusually large volume of merger-related borrowing, it is clear that total credit demands were exceptionally strong last year. Federal debt expansion, at more than 16 percent, was unprecedented for the second year of an economic expansion, both in absolute terms and in relation to income. Private domestic nonfinancial debt grew about 11½ percent (abstracting from growth of merger-related debt issues), also faster than, but much closer to, comparable stages of previous recoveries.

The behavior of M1 velocity in 1984 was broadly consistent with past cyclical patterns. In contrast to the unusual weakness of the previous two years, M1 velocity in 1984 increased 4 percent, only a little above the average rate of growth during the second year of previous economic expansions. M2 velocity increased 1½ percent, reversing two consecutive yearly declines. The strengthening of velocity over 1984 apparently reflected, in part, some unwinding of the precautionary and other motives that had swelled demands for liquid assets in 1982 and early 1983, as well as the rise of short-term interest rates in the first part of the year and, in the case of M2, the abatement of dramatic inflows to money market deposit accounts (MMDAs) associated with the initial authorization of these accounts.

Demands for M1 balances, and for bank reserves to support deposit growth, were robust early in the year as the economy expanded rapidly. Credit demands also were very strong, and market interest rates began rising even as the Federal Reserve, through open market operations, was keeping the degree of pressure on bank reserve positions unchanged. In early spring, with credit and money demands continuing unabated and with economic growth continuing at an extraordinary pace, the FOMC adopted a somewhat more restraining posture toward supplying reserves, and both short- and long-term interest rates rose further as banks relied more heavily on discount window credit to meet their reserve needs.[3] Borrowing for adjustment and seasonal purposes increased to around $1

[illegible]

Percentage changes

Period	M1	M2	M3	Domestic nonfinancial sector debt
Fourth quarter to fourth quarter				
1979	7.5	8.1	10.3	12.1
1980	7.5	9.0	9.6	9.6
1981	5.1 (2.5)[2]	9.3	12.4	10.0
1982	8.8	9.1	10.0	9.1
1983	10.4	12.2	10.0	10.8
1984	5.2	7.7	10.5	13.4
Quarterly growth rates				
1984:1	6.2	7.2	9.2	12.9
2	6.5	7.1	10.5	13.1
3	4.5	6.9	9.5	12.7
4	3.4	9.0	11.0	12.7

1. M1, M2, and M3 incorporate effects of benchmark and seasonal adjustment revisions made in February 1985.

2. M1 figure in parentheses is adjusted for shifts to NOW accounts in 1981.

2. The figures cited herein for the monetary aggregates are based on recent benchmark and seasonal adjustment revisions. Before those revisions, the 1984 increases were measured at 5.0 percent for M1, 7.5 percent for M2, and 10.0 percent for M3.

3. Annual seasonal and benchmark revisions to the monetary aggregates subsequently lowered somewhat the growth of M1 in the first half of 1984 relative to what was estimated during the period.

billion in March and April after averaging about \$650 million during the first two months of the year. In April, the discount rate was raised ½ percentage point, to 9 percent, to bring this rate into better alignment with short-term market rates.

Despite the absence of any further tightening of reserve availability by the Federal Reserve, pressures on private short-term interest rates intensified around early May in reaction to the well-publicized liquidity problems of Continental Illinois Bank.[4] Uncertainties related to the international debt situation also added to market concerns. In this environment, quality differentials between yields on private money market instruments and Treasury securities widened substantially.

While M1 growth early in the year remained in the upper part of the FOMC's target range, M2 increased at a pace slightly below the midpoint of its range even as the economy expanded rapidly. Growth in M2 relative to income may have been damped by substantial inflows to IRAs and Keogh accounts, which are excluded from the monetary aggregates. Also, as market interest rates firmed, sizable spreads developed between these rates and yields on retail deposits and money market mutual funds, likely encouraging some investors to place funds directly in credit market instruments. M3, meanwhile, pushed above its longer-run range, as banks and thrift institutions issued large CDs and other managed liabilities to accommodate rapidly rising credit demands.

After midyear, economic expansion slowed markedly, particularly during the summer, tending to reduce transaction demands for money. Growth in M3, though remaining somewhat above the upper limit of its range, also moderated as demands for short-term business credit slackened and as some banks adopted more cautious lending and funding policies in light of the strains on financial markets.

Initially, the slowing in M1 was not resisted, as it reversed a bulge that had brought M1 growth well above the midpoint of the FOMC's target range. However, by late August and early September, as evidence appeared of much slower economic growth, with financial tensions high and with the dollar rising rapidly on foreign exchange markets, the Federal Reserve moved to lessen the degree of restraint on bank reserve positions. That process continued through much of the rest of the year. Borrowing at the discount window receded, reaching levels of around \$575 million by late in 1984 and dropping further to around \$340 million, on average, during January 1985. Total reserves and nonborrowed reserves, which had shown little expansion since June, increased markedly in the final two months of the year and into early 1985.

Mirroring the easing of reserve market conditions, short-term interest rates dropped considerably from their late-summer highs. Moreover, quality spreads on various money market instruments returned to within normal ranges as the strains related to the problems of Continental Illinois Bank remained contained and progress was made in Latin American debt negotiations. Responding to the provision of reserves and the reduced rates on alternative outlets for liquid funds, M1-type balances rose rather sharply in late 1984 and early 1985. Growth of M2 also was very rapid, as open market interest rates fell below average yields on MMDAs, small-denomination time deposits, and money market mutual fund shares.

The easing in financial markets during the second half of 1984 was reflected in, and to an extent encouraged by, two successive reductions in the discount rate, first to 8½ percent in November and then to 8 percent in December. By year-end, short-term interest rates were 2½ to 3½ percentage points lower than they had been during the summer, and ¾ to 1½ percentage points below their levels at the beginning of the year—in some cases near their cyclical lows of early 1982.

Long-term interest rates also declined in the second half of the year, in part reflecting some moderation of inflationary expectations. But for the year as a whole, most long-term rates declined less than ½ percentage point, and remained above their earlier cyclical lows. The still relatively high level of long-term rates appears to be influenced by the continuing budgetary uncer-

4. Large discount window borrowing by Continental Illinois Bank, beginning in May, was offset in terms of its impact on overall reserve supplies through open market operations.

tainties, current strong demands for total credit, and lingering, though lessened, fears of inflation.

Foreign savings financed a large share of the domestic borrowing in 1984. Net inflows of capital from abroad were more than double the already advanced pace of 1983, thus supplementing domestic saving and enabling the financing of the massive federal deficits at the same time that private investment expanded rapidly. Banks continued to intermediate substantial amounts of these inflows, and sales of Eurobonds by U.S. corporations reached record levels. Direct investment in the United States also was very strong, reflecting several large takeovers of domestic firms by foreign corporations.

Much of the credit market borrowing—particularly that related to merger activity—was at short term. Commercial paper debt of nonfinancial businesses surged more than 50 percent, offsetting two consecutive years of runoffs. With strong loan demands in business, real estate, and consumer areas, total loans at commercial banks grew more than 14 percent.

Given only moderate inflows to core deposits in the face of this brisk loan growth, commercial banks increased their outstanding CDs in 1984 more than 14 percent, after having allowed a large volume of CDs to run off during 1983. Credit growth at banks was especially rapid during the first half of last year, reflecting a wave of bank-financed mergers. The bulk of the CD issuance was concentrated in this period and likely would have been even greater had not banks also borrowed heavily from their foreign offices. In the second half, loan expansion slackened appreciably, and large time deposit growth tapered off, as some earlier merger-related loans were repaid with the proceeds from issuance of commercial paper and other debt obligations and from selective sales of assets of the merged companies.

Strains on some sectors of the economy, as well as the effects of overly aggressive lending policies by some institutions, continued to be reflected in relatively high levels of nonperforming and other troubled loans in a number of depository institutions. As the year wore on, there were signs of more forceful efforts to deal with these problems and their consequences. Loan-loss provisions were significantly increased, and steps are being taken to correct weaknesses in credit standards. The largest bank holding companies generally improved their capital positions over the year, partly in response to supervisory guidelines to raise capital ratios. These approaches will take time to bear full fruit, and progress in strengthening balance sheets will be dependent on reasonable profitability as well as on developments external to the banking system. In that connection, the strains in agricultural areas, on heavily indebted foreign countries, and in sectors of the energy industry pose continuing challenges.

In long-term markets, municipal bond offerings achieved new highs in 1984. Tax-exempt offerings were relatively light over the first half of the year as authority to issue single-family housing revenue bonds lapsed and as the market anticipated the imposition of retroactive ceilings on issuance of industrial development bonds (IDBs). But volume rebounded in early summer after passage of the Deficit Reduction Act, which reauthorized housing bonds and stimulated a flood of issues toward year-end to avoid stricter rules for IDBs and student loan bonds, effective January 1, 1985. Financial and nonfinancial corporations also raised record amounts through bond offerings; however, the maturities of new issues tended to be much shorter than in previous years, and many offerings carried provisions that essentially transformed these obligations into short-term or variable-rate debt.

Variable-rate instruments exhibited increasing popularity within the home mortgage sector as well. Adjustable-rate mortgages (ARMs) accounted for almost two-thirds of the number of conventional first mortgages on homes at major institutional originators in 1984, up considerably from only one-quarter of such originations the previous year. Thrifts, in particular, preferred to acquire ARMs rather than fixed-rate mortgages in an attempt to reduce their already acute exposure to interest rate risk. The widespread acceptance of ARMs by consumers was attributable partly to substantial initial rate advantages offered on ARMs compared with fixed-rate mortgages, as well as to other features that limited borrower exposure to higher future interest payments, at least for several years. Large initial rate discounts became less prevalent after the adoption of somewhat tighter standards both for purchases by federal credit agencies and for the underwriting of ARMs by private mortgage insurers. Yet, despite the shift toward ARMs during 1984 and increased consumer and business lending, the assets of thrifts remained heavily concentrated in relatively low-yielding instruments. □

Staff Studies

The staffs of the Board of Governors of the Federal Reserve System and of the Federal Reserve Banks undertake studies that cover a wide range of economic and financial subjects. From time to time the results of studies that are of general interest to the professions and to others are summarized in the FEDERAL RESERVE BULLETIN.

The analyses and conclusions set forth are those of the authors and do not necessarily indicate concurrence by the Board of Governors, by the Federal Reserve Banks, or by the members of their staffs.

Single copies of the full text of each of the studies or papers summarized in the BULLETIN *are available without charge. The list of Federal Reserve Board publications at the back of each* BULLETIN *includes a separate section entitled "Staff Studies" that lists the studies that are currently available.*

STUDY SUMMARY

COMPLIANCE COSTS AND CONSUMER BENEFITS OF THE ELECTRONIC FUND TRANSFER ACT: RECENT SURVEY EVIDENCE

Frederick J. Schroeder—Staff, Board of Governors
Prepared as a staff study in the fall of 1984.

An understanding of the economic and institutional effects of the Board's consumer protection regulations is important if the Board is to carry out the responsibilities given to it by the Congress. The Board requires information on compliance efforts to ascertain that statutory consumer protections are implemented and that regulations are not unduly burdensome or complex. Furthermore, recent laws require that the Board review all of its regulations with a view to minimizing compliance costs and eliminating unnecessary burdens that compliance imposes on small businesses.

The number of financial institutions offering electronic fund transfer (EFT) services, the number of consumers demanding those services, and the volume of consumer electronic transactions have steadily accelerated in the past decade. This study examines the compliance costs and consumer benefits of Regulation E, which regulates consumer EFTs. To ascertain the costs of complying with Regulation E, the Board's staff conducted a survey of financial institutions in 1981–82. Respondents represented a wide variety of sizes, geographic regions, state branching laws, and bank holding company affiliations. The results of the survey are analyzed in this study.

The survey was designed to determine start-up and ongoing compliance costs separately. Several conclusions may be drawn. Larger institutions tended to have higher ratios of start-up costs to ongoing costs. Smaller institutions devoted, on average, greater shares of their expenditures for compliance to legal, administrative, and training costs than larger institutions did. For all institutions as a group, the change in data processing systems was the most expensive start-up function, and labor was the most costly ongoing function. Larger institutions tended to have lower compliance costs per EFT transaction and per million dollars of total deposits; a possible inference is that some small institutions experience a cost disadvantage in compliance.

Econometric estimation of a cost relation showed that start-up compliance costs varied directly and significantly with the size of consumer transaction deposits and with the provision of automated teller machines. Ongoing compliance costs varied directly and significantly with the number of EFT transactions. There was no indication that the deposit growth rate, the branching structure of the institution, or the size of the parent firm significantly affected compliance costs. The econometric results provide evidence of economies of scale in compliance and imply that, as EFT transactions increase in volume and importance at an institution, average compliance cost per transaction is likely to fall.

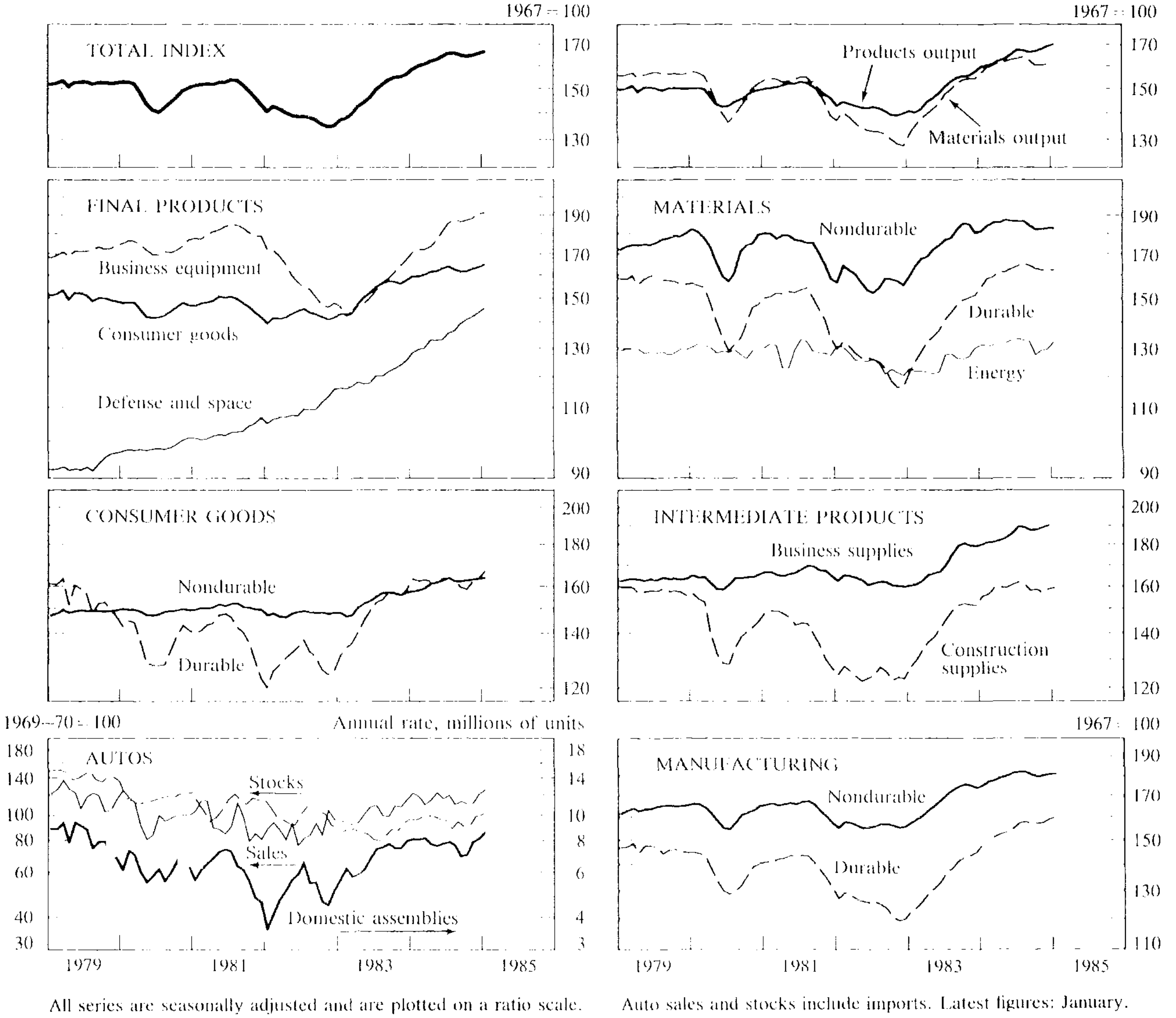
Consumer rights in EFT do not appear to be a problem, and available evidence indicates that the number of account errors and unauthorized transfers is negligible both in absolute terms and relative to the volume of EFT transactions occurring in the payments system. □

Industrial Production

Released for publication February 15

Industrial production increased an estimated 0.4 percent in January following gains of 0.5 percent in December and 0.4 percent in November. The overall rise for January is based on strong gains in automotive products, defense equipment, and energy materials, with relatively little change elsewhere. At 166.6 percent of the 1967 average, the index for January was 5.1 percent above a year earlier.

In market groupings, output of consumer goods rose 0.7 percent in January as production of durable consumer goods increased 2.0 percent. Automobiles were assembled at an annual rate of 8.6 million units in January following a rate of 8.1 million in December. Production of home goods rose 0.5 percent. Nondurable con-



All series are seasonally adjusted and are plotted on a ratio scale. Auto sales and stocks include imports. Latest figures: January.

Grouping	1967 = 100		Percentage change from preceding month					Percentage change, Jan. 1984 to Jan. 1985
	1984	1985	1984				1985	
	Dec.	Jan.	Sept.	Oct.	Nov.	Dec.	Jan.	
	Major market groupings							
Total industrial production	**165.9**	**166.6**	**−.6**	**−.4**	**.4**	**.5**	**.4**	**5.1**
Products, total	169.2	170.1	−.5	.3	.5	.8	.5	6.5
Final products	167.7	168.8	−.3	.4	.7	.8	.7	7.2
Consumer goods	163.6	164.7	−.6	.0	.8	.4	.7	3.3
Durable	163.7	166.9	−1.8	−.6	2.1	1.0	2.0	2.1
Nondurable	163.5	163.8	.0	.2	.3	.2	.2	3.7
Business equipment	190.9	191.4	−.6	.5	.6	1.3	.3	12.1
Defense and space	144.1	145.7	2.0	1.1	.9	1.3	1.1	13.6
Intermediate products	174.6	175.0	−1.2	.2	−.1	.8	.2	4.3
Construction supplies	158.9	159.3	−1.7	.3	−.9	1.1	.3	2.4
Materials	160.7	161.3	−.7	−1.5	.1	.1	.4	3.0
	Major industry groupings							
Manufacturing	168.0	168.4	−.6	−.2	.3	.8	.2	5.6
Durable	159.2	159.8	−.4	.0	.3	1.0	.4	7.5
Nondurable	180.7	180.8	−.8	−.5	.3	.4	.1	3.2
Mining	124.6	125.2	.3	−4.0	1.0	−.2	.5	.3
Utilities	181.2	184.9	.2	.2	2.3	−1.9	2.0	2.2

NOTE. Indexes are seasonally adjusted.

sumer goods increased slightly again in January. Output of defense and space equipment continued to be strong, increasing 1.1 percent. However, business equipment rose only about 0.3 percent following a gain of 1.3 percent in December. Output of construction supplies also rose slightly in January. Production of both durable and nondurable *materials* continued to show little change, but energy materials increased 2.2 percent in January.

In industry groupings, manufacturing output rose 0.2 percent in January as durable goods increased 0.4 percent, and nondurable goods output was little changed. Steel production, although still at depressed levels, posted gains in both January and December. Mining output rose 0.5 percent in January. Utilities gained 2.0 percent, following a decline of 1.9 percent in the previous month, reflecting a larger-than-seasonal shift to winter weather between December and January.

Statements to Congress

Statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System, before the Joint Economic Committee of the U.S. Congress, February 5, 1985.

I am pleased to appear once again before this committee to discuss the economic situation. As you know, the Federal Reserve will be submitting its semiannual report on monetary policy to the Congress in about two weeks. My testimony then will provide a full account of recent monetary developments and will report on the decisions to be taken shortly by the Federal Open Market Committee regarding money and credit targets for 1985. Therefore, in my prepared remarks this morning, I will limit myself to a broader view of the current economic setting, with some emphasis on the interrelationships between domestic and international developments.

Two years ago, when the current business expansion was just beginning, I expressed to this committee my belief that, through a difficult period of economic and financial adjustment, we had potentially been laying the groundwork for sustained growth and prosperity. I felt then, and I feel now, that restoring and maintaining a greater sense of price stability would be central to that effort.

Today, I think it is fair to say that that bright promise for the longer run remains. Economic growth has, in fact, been strong over the past two years, and inflation has remained at or very close to the much lower levels reached at the start of the recovery period. Since 1985 started, most observers have shared the view that prospects for further growth remain good, and expectations of stronger inflationary pressures as the expansion period is extended, quite prevalent earlier, have been at the least muted.

Nonetheless, clear risks and obstacles remain to making good on our own potential both for stability and growth, and to accomplishing that, as we must, in the context of a more prosperous world. To a considerable degree, the "buts" and "ifs" are well understood. Yet, that intellectual understanding will be for naught if the appropriate policy responses are lacking, whether because of unwarranted complacency bred by current performance, because of the inherent political difficulty of reaching the necessary consensus, or because of some combination of the two.

Evidence of Progress

The clearest evidence of progress toward our long-run aims lies in the combination of better-than-anticipated growth and lower-than-anticipated inflation over the past two years. To be sure, the current expansion began from a low level, and unemployment has not yet been reduced to levels we have enjoyed historically and want to regain. But after widespread doubts about our economic prospects, the recovery of 1983 has blossomed into what has been one of the strongest expansions of the postwar period.

Real gross national product grew more than 5½ percent over the course of 1984, bringing the cumulative gain in domestic output over the past two years to about 12 percent. The rise in production has been associated with an increase in employment of more than 7 million since the end of 1982, and the unemployment rate has fallen about 3½ percentage points over that period, to about 7¼ percent. As part of that general improvement, there has been a sharp rebound in profits and a surge in business investment, factors that should bode well for our future growth potential. Spending for innovative, high-technology capital has grown especially rapidly. Productivity has grown more strongly, although there are still important questions as to how much the underlying trend has improved.

The recent monthly data on consumer and producer prices continue to show only very small increases for a wide range of goods. For some important commodities, including petroleum and a number of raw materials, price declines have been more common than price increases. Prices of most services have continued to increase at a substantially more rapid rate—averaging 5 to 6 percent at the consumer level. Most of our economy today is, in fact, a "service" economy. Those services are generally subject less directly to competitive pressures from overseas. Moreover, labor-intensive sectors of the economy, such as many services, may have less opportunity for productivity growth. Nevertheless, the rate of price increase for services has been significantly less than in the late 1970s and the first years of the 1980s.

Further improvement will be necessary in these areas to maintain progress toward stability. In a direct sense, that depends in considerable part on whether the rate of nominal wage increases continues to decline in service industries to levels more characteristic of the rest of the economy.

With inflation down, workers in general have apparently felt less need to press for large increases to make up for past price increases or to stay ahead of expected inflation. Businessmen and workers in manufacturing, mining, and construction have also recognized that they often operate in a more competitive and more international environment—one in which there are obvious perils in rising costs and prices and a premium on efficiency. The restraint on wages and costs generally need not mean, however, reduced prospects for gains in real income. To the contrary, the "payoff" in a growing economy, with rising productivity and more stable prices, is more jobs and higher real incomes for the average worker.

Success in containing inflation can help to breed further success. It is indispensable to prospects for achieving and *maintaining* a lower level of interest rates, which, despite declines in recent months, have remained historically high. Over time, expectations of greater price stability should become increasingly woven into the fabric of household, business, and financial decisionmaking. Efficiency and productivity should benefit as less energy is spent in the largely futile search for ways to "beat" inflation. Pressures for "precautionary" wage and price increases have diminished. As borrowing and lending horizons are lengthened, the financial structure should be strengthened, and less "inflation insurance" will be built into long-term interest rates.

Obstacles and Risks

After all the disappointments of the past with failed anti-inflationary efforts, that process inevitably takes time. Meanwhile, we cannot simply assume that inflation has been conquered, or that we have in fact reached a new era of sustained growth. There are still too many obstacles to permit that kind of satisfaction.

To put it bluntly, there are large and unsustainable imbalances in our economy, and in the world economy. In the midst of the overall improvement that I cited earlier, those imbalances are reflected, for instance, in the intensity of the strains in agriculture and in a number of other basic industries. There have been exceptionally high levels of unemployment in many other industrialized countries, and, looking ahead, too few signs of really significant improvement in that respect. That outlook bears on our own markets. Moreover, the financial position of the heavily indebted developing countries remains vulnerable, and their difficulties can feed back on our economic outlook and financial system. And, as I noted earlier, interest rates remain high relative both to historical experience and to recent rates of inflation.

These difficulties arise, in part, out of structural problems unique to one sector or another, and to that extent must be addressed at that level. The painful pressures on some businesses, farms, and financial institutions also reflect the strain of adjusting to a less inflationary environment, when their financial decisions had, implicitly or explicitly, been based on expectations of accelerating inflation. But these strains are being aggravated by financial pressures and dislocations related to our budgetary problems. Until that underlying problem is dealt with appropriately, we will unnecessarily be putting at risk all those bright prospects for stability and growth of which I have spoken.

The distortions in the economy are manifest in our massive trade and overall current account deficits, which reached levels of almost $110 billion and $100 billion respectively during 1984.

It is not a coincidence that those external deficits are accompanied by an enormous internal budget deficit—a deficit that, according to both administration and Congressional Budget Office estimates, will tend to grow further in the absence of corrective action, even assuming healthy economic growth.

Given the deep recession and high levels of unemployment in 1982, the sluggishness of the world economy, and the strains on developing countries, sizable deficits in our budget and trade accounts could and did serve an important *transitional* function in helping to encourage recovery here and abroad. Specifically, the domestic deficit helped sustain and increase domestic purchasing power, and the more favorable tax treatment for investment helped encourage capital spending. The growth of our markets has probably been the single greatest expansionary force for other countries over the past two years, and our economy absorbed the brunt of the necessary efforts of the heavily indebted Latin American countries to restore external financial and economic equilibrium.

At the same time, the strength of the dollar in the exchange markets, together with the ready availability of goods from abroad, has been a potent factor in damping inflationary forces and satisfying our consumption demands. What then, it might be asked, is the difficulty? Why not rest content?

The answer, most fundamentally, is that economic analysis and common sense coincide in telling us that the budgetary and trade deficits of the magnitude we are running at a time of growing prosperity are simply unsustainable indefinitely. They imply a dependence on growing foreign borrowing by the United States that, left unchecked, would sooner or later undermine the confidence in our economy essential to a strong currency and prospects for lower interest rates. At the same time, the hard fact is that the budget deficit, on top of the private investment needed to support growth and productivity, outruns our internal savings potential. The largest and richest economy in the world has perforce been required for the time being to draw on savings generated abroad; in that real sense we are living beyond our means. As we continue to draw so heavily on the world's savings, there is a drag on internally generated expansion elsewhere, feeding back on our trading prospects. And, the resulting imbalances and financial strains generate political pressures, here and abroad, for counterproductive protectionism, for economic nationalism, and for excessive money creation that would, if implemented, undercut and jeopardize all the progress we have made.

The External Dimension

While much of our rhetoric still skirts the issue, the time has passed when we can intelligently assess our performance and our policies without considering the external dimension—the implications for international trade and capital flows, exchange rates, and economic and financial conditions elsewhere. Like it or not, world financial markets and economies are integrated as never before. Over time, I believe, we derive enormous benefits from that fact. But it imposes disciplines of its own.

The complications in analysis and the potential for good or ill were amply illustrated in 1984. As you know, the growth of economic activity slowed abruptly during the summer and early fall. Following the exceptionally rapid growth over the first half of the year, some slowdown should not have been surprising, given the fluctuations in consumption and inventory imbalances common as an expansion period is extended. By year-end, there was evidence once again of more positive trends in household spending and some inventory imbalances appeared to be at least partially corrected.

But as domestic demands slowed, the more fundamental imbalances remained and became more obvious. Throughout this recovery, domestic purchases of goods and services have increased faster than domestic production. In essence, a lot of demand generated in this country has flowed abroad through our rising trade deficit, providing stimulus for production overseas rather than in this country. The increase in imports did not seem to matter much so long as output and employment generally were expanding so rapidly. But even then, important sectors of the economy, in a real sense, did not share at all fully in the overall recovery, with trade pressures aggravating deep-seated structural problems. As soon as domestic *demand* dropped from the extraordinarily rapid rate of the first half of the year, the effects of the demand slowdown on production were amplified by the rising trade deficit.

From 1982 to the second half of 1984, the current account deteriorated about $100 billion, pushing us into an external deficit equivalent to 2½ to 3 percent of the gross national product. Just as for a household or a business, current spending abroad can exceed current income only to the extent that we can draw on foreign assets or that debt is increased. As a consequence, the United States is in the process of moving from being the world's largest creditor to being the world's largest debtor.

Thus far in the expansion, the net inflow of capital needed to finance the current account deficit has been readily forthcoming, so much so that the dollar exchange rate has persistently strengthened even as the U.S. current account has deteriorated. No single factor appears to account for that flow. Relatively high interest rates in this country, our success in reducing inflation, and perceptions of political stability and economic vitality all have contributed. But political and economic uncertainties abroad appear to have played a part as well.

The strong flow of funds from abroad has been a key factor helping to ameliorate financial stresses in this country, as expansion generated large new demands for private financing on top of the continuing federal deficit. Two tables illustrate the point.[1]

As indicated, net domestic savings—personal, business, and state and local government—have increased appreciably as the economy has expanded. The ratio of net savings to the GNP is near the top of its historical range. But those domestic savings have not been nearly enough to finance both rising private investment and the federal deficit. Those requirements, relative to the gross national product, have risen about 4¾ percentage points in the past two years to about 11½ percent of the GNP, far above past relationships. About half of the increase was met by higher savings from abroad.

I do not believe we can escape the conclusion that, without the ready availability of savings from the rest of the world, pressures on our financial markets would have been greater and domestic interest rates would have been still higher, at some point undermining the outlook for domestic housing and investment.

The kind of obvious "crowding out," so widely anticipated a year or two earlier, has been avoided. But, in a real sense, important sectors of our economy are paying the price. Those dependent on foreign markets and those competing with imports are being "crowded." To put the point in perspective, the $100 billion deterioration in our current account—a measure of "lost" markets for U.S. producers—is equivalent in size to about two-thirds of the entire residential housing sector.

As I emphasized earlier, viewed in a world context, our ability and willingness to run a sizable trade and current account deficit during a period of strong domestic recovery had constructive implications for others. But, as we look ahead, neither we nor other countries can expect growth to be maintained indefinitely on a shaky foundation of large and growing trade deficits, massive capital flows to the United States, and accelerating international indebtedness.

The visible strains in some sectors of our economy and interest rates that have remained historically high are clear warning signals. Perhaps less obvious, but nonetheless real, the drain of savings from other countries to the United States and the related tendency for their currencies to depreciate vis-à-vis the dollar appear to be inhibiting more forceful policies to encourage "home grown" expansion abroad. A healthy world economy—and better export markets for the United States—are ultimately dependent on that expansion. The dilemma is that so long as demands on our own capital markets exceed our capacity to save, the stability of our own financial markets is, in effect, hostage to a large continuing inflow of foreign capital.

That flow, in turn, is dependent on the maintenance of confidence in our own prospects and in our own currency. But so long as the imbalance in our trade persists and increases, the greater the risk that that confidence will be eroded, disturbing our financial markets and jeopardizing our growth. It is that apparent inconsistency that must be confronted.

1. The attachments to this statement are available on request from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

The Role of Monetary Policy

While I will be testifying with respect to Federal Reserve policy in some detail shortly, a few general observations about monetary policy are appropriate in this context. That policy, in the most general terms, is directed toward encouraging the process of restoring price stability while providing enough money to support sustainable growth in demand and output. Reasonable progress in those directions was made in 1984. Indeed, the strength of the dollar, despite the larger current account deficit, helped to reconcile strong growth in demand over the year as a whole with restraint on prices. But, as I indicated a few moments ago, the rising trade deficit, as more of the domestically generated demand spilled over abroad, clearly raises questions of the sustainability of a process dependent on large inflows of capital.

Monetary policy can stimulate growth in the money supply, but it cannot create the real savings necessary to finance high levels of investment and excessive budget deficits simultaneously. That depends upon all the factors inducing individuals and businesses to save for the future. Efforts to, in effect, paper over the difficulty by financing the huge budget deficit with excessive money creation would surely be counterproductive. We would undermine the growing confidence in prospects for stability. That confidence is a necessary ingredient in any effort to see lower interest rates in the years ahead. It is also essential to maintain the flow of capital from abroad upon which we are for the time being dependent.

In sum, I see no realistic escape from our dilemma by reverting to inflationary monetary policies. They could only accelerate the disturbances we want to avoid. Indeed, without action on the budget and other fronts, the possibility of a reduced flow of capital from abroad would, if it materialized, constrict the flexibility of monetary policy.

The Protectionist "Solution"

The current trade imbalances and the strong pressures on particular economic sectors certainly lead to strong pressures for protection from affected industries. But that approach toward "relief" is symptomatic, not fundamental. Indeed, yielding to those pressures could only aggravate the difficulties, so long as the underlying financial imbalances persist.

Suppose, for instance, strong protectionist measures actually had a pronounced effect in closing our trade deficit. Then, the capital inflow from abroad would also be reduced, and the interest rate and inflationary pressures would be increased. The benefits to one industry would be offset by greater financial market pressures and damage to others. Or, if the capital inflows were maintained, the dollar would presumably be driven still higher, shifting the burden to exporters and unprotected industries.

More realistically, protectionism here would be matched, or more than matched, abroad, with devastating consequences for world trade and growth.

A Constructive Approach

One lesson from our experience seems clear. The progress that has been made toward greater efficiency, cost restraint, and innovation needs to be continued and encouraged by public policy in a variety of ways rather than discouraged by a retreat into protectionism or new permanent federal subsidies that distort the economy and aggravate the deficit.

I do not want to suggest all the burden of sustaining a favorable economic climate and restoring external equilibrium rests on the United States. A number of industrialized countries might reasonably review their own possibilities for stimulus in the light of their high levels of unemployment and rather sluggish growth, and they could constructively work to remove the structural impediments to their growth. There is too much protection of markets abroad, and the efforts to deal with that need to be maintained.

There is no single "magic pill" to restore equilibrium and assure growth. But neither can there be real doubt that it is within our capacity to take a large step, here and now, to ease the necessary adjustments in agriculture and industry at home, to make us less dependent on foreign savings, to improve trade prospects, and thus to reinforce prospects for growth and stability. That step would be to make decisive reductions in our budget deficit. Those reductions, to be credible, should be large enough and assured enough to have an impact on expectations and confidence, even if they cannot be fully effective for some time.

That is, of course, by now a familiar plea—but it is no less urgent for its familiarity. To the contrary, the sharply increased size of our external deficit, the tendency for the budget deficit to grow even as the economy expands strongly, and the still high interest rates should be warning enough that we are on an ultimately unsustainable path.

Deficits that are relatively benign in the depths of recession or in the early stages of recovery turn destructive at a time of relative prosperity. They are reflected in imbalances in our own economy. At the same time, our dependence on foreign savings can only impede the prospects for self-sustaining growth abroad—and we cannot indefinitely be virtually the only engine for world expansion.

Action now, and action large and forceful enough to be seen to be decisive, is the constructive way to resolve the impasse and to work toward international balance. In the process, it will help enormously to ensure those bright prospects for growth and stability of which I spoke at the start. □

Statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System, before the Committee on the Budget, U.S. Senate, February 8, 1985.

I am pleased to appear once again before this committee to discuss the economic situation and, in that context, some implications of the budgetary choices that you must make for the economy, for financial markets, and for our international position. I realize that the task that confronts you in dealing with the budgetary position is extremely difficult. Those difficulties are matched by their significance for the well-being of our economy and, indeed, of the world economy generally.

Earlier this week I testified before the Joint Economic Committee. That testimony reviewed our economic progress, the obstacles and risks before us, and attempted to place questions of monetary and fiscal policy in that setting.

Suffice it to say that the past two years have demonstrated highly encouraging progress toward returning the economy to a path of sustained growth and stability. Most observers concur that the immediate prospects remain favorable. But at the same time there are large imbalances in our economic performance and points of severe strain here and abroad. There are particular factors helping to account for many of those strains, and they must be dealt with directly. But it is also true that most of those specific difficulties are reflected in and aggravated by our twin deficits—in our budget and in our external trading accounts. Those two deficits are themselves related to each other.

Until those underlying problems are adequately addressed, we will be putting at risk our hard-won gains and the bright promise for the future. It is difficult for me to see a constructive solution to those problems without going to their source. The implication seems clear to me—we need to deal effectively with the reality of an enormous budget deficit at a time of growing prosperity and with the clear threat that, left untended, that deficit will rise over future years even in the context of a growing economy.

As background for your deliberations, I would emphasize the linkage of our budgetary posture to the external side of the economy. The simple fact is that we can no longer view our economy in isolation from the rest of the world. As you know, the imbalances in our economy are most obviously manifested in our massive trade and current account deficits, which reached about \$110 billion and \$100 billion respectively during 1984. It is not a coincidence that these external deficits have developed alongside the internal budget deficit.

That budget deficit, together with the rising investment needed to support growth and productivity, must be financed either internally or externally. We do not have the capacity now or prospectively, given the size of the federal deficit, to save enough domestically to meet those needs. We have become perforce dependent on a growing net inflow of foreign savings to supplement our own.

The two tables illustrate the point.[1] Even as domestic savings have grown, about one-quarter of our net needs for investment and for deficit financing have had to be met from foreign sources. So far, that capital has been readily available, partly because more new funds have poured in from abroad and partly because our banks are lending less to other countries. That flow has had the effect of containing pressures on interest rates and on our capital markets, even though interest rates, as you know, have remained high historically and relative to the current rate of inflation.

But the implications of that capital inflow are not all favorable, and the adverse implications are mounting. The mirror image of a capital inflow is the trade and current account deficits, with adverse impacts on all those industries that look to export markets or that compete with imports. One effect is that sizable sectors of the American economy have not participated at all fully in the recovery. The drain on foreign savings and the related depreciation of their currencies vis-à-vis the dollar seem to be inhibiting prospects for internally generated growth abroad. At the same time, our capital markets and interest rates have become hostage to a continuing flow of foreign capital. Over time, the interest cost of those foreign borrowings will compound upon themselves.

A basic objective of monetary policy is, of course, to provide enough money to sustain growth in domestic demand in a framework of moving toward greater price stability. Sometimes the suggestion is made that we can go further and somehow resolve the imbalance between domestic savings and investment by expanding the money supply. But printing money is not a substitute for the real savings necessary to finance high levels of investment and budget deficits simultaneously. Excessive money creation would be counterproductive in two respects. To the extent it stirred new inflationary fears, after all the progress that has been made, those fears would sustain the level of interest rates and even drive them higher. By undermining the growing confidence in prospects for stability, it could discourage the capital inflow on which, for the time being, we are dependent.

The Federal Reserve, the administration, and the Congress have no magic wands to restore equilibrium and to assure growth in one easy stroke. Efforts must be made in a number of directions to sustain the bright promise of the economy. But the key ingredient in the policy mix seems clear enough. Steps now toward decisive, creditable reductions in our budget deficits—large enough to have an impact on expectations and confidence in markets—would provide the necessary sense of reassurance while working to alleviate the underlying imbalance between our capacity to save and the demands on those resources.

I am sensitive to the difficult, practical, and political decisions that must be made. But I also know the longer the choices are delayed, the greater the risks and the larger the task. As we saw in the 1970s, confidence can be a fragile thing. It needs to be nourished and defended.

It will take action, and strong action, to get the deficit on a downward trend. Then growth can help to do the rest. And your action on the budget will help enormously in assuring that growth can be sustained in a framework of greater price stability. □

1. The attachments to this statement are available on request from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, February 20, 1985.

I appreciate this opportunity to appear before you to present the Federal Reserve's monetary policy objectives for 1985. In accordance with the Humphrey–Hawkins Act, the semiannual report of the Federal Reserve was transmitted to you this morning. That report reviews in detail economic developments and monetary policy in 1984, and sets forth for 1985 the plans for policy by the Federal Open Market Committee. This morning I would like to discuss the Committee's decisions and the outlook for the economy in the context of some important unfinished business facing all of us responsible for economic policy.

The Economic Setting

The familiar objective of monetary policy is to foster sustained economic growth and employment in a context of reasonable price stability. Stated so generally, that objective can hardly be challenged: it indeed encompasses the broad goals of economic stabilization policy generally.

Measured in those terms, there is clear reason for satisfaction in the performance of the economy last year. In summary, with real gross national product up 5½ percent over the year, and about 12 percent in two years, we have enjoyed the strongest expansion since the Korean War period. On top of the gains in jobs in 1983, employment increased more than 3 million last year. The unemployment rate fell one full percentage point to 7.2 percent at year-end. Real incomes for the average American are up.

Prospects for sustained growth and productivity over time rest importantly on success in achieving and maintaining an environment of greater stability of prices and financial markets. In that light, it is encouraging that, contrary to widespread earlier expectations, the strong growth of 1984 took place without inflation increasing appreciably from the sharply reduced levels of 1982 and 1983. Specifically, the consumer price index increased about 4 percent last year, little changed from the previous two years, and prices of most goods (in contrast to services) at the wholesale and retail levels rose less than that. While the evidence is less tangible, there are also encouraging signs that chronic expectations of future inflation have been damped.

The behavior of actual prices and nominal wages, which by some measures rose more slowly in 1984 than in 1983 despite expanding demands for labor, may in some part reflect those changes in attitude. Businessmen and workers no longer seem so preoccupied with a need to anticipate inflation in their pricing and wage decisions. And declines in bond yields after midyear seemed to reflect, to some degree, less fear of future inflation.

To be sure, a number of factors that may not be lasting have helped to hold price increases down. The continuing appreciation of the dollar and strong competition from imports have placed strong pressures on prices and wages in some manufacturing and mining industries. Widespread declines in commodity prices cannot persist indefinitely. Unemployment is still higher than we would like to see. But it is also true that progress against inflation, as it is prolonged, can potentially feed on itself by encouraging restrained price and wage behavior.

As we start 1985, the immediate economic outlook appears reasonably favorable in these respects. Projections of Federal Open Market Committee members that I will be reviewing later in my testimony broadly parallel those of the administration, the Congressional Budget Office, and many other observers; economic growth is expected to remain strong enough in 1985 to produce some further decline in unemployment, with little if any pickup in inflation.

But we must not be beguiled by those tranquil forecasts into any false sense of comfort that all is well. If the enormous potential of the American economy for growth and stability—not just for 1985 but for the years beyond—is to become reality, we need a sense of urgency, not of relaxation.

For one thing, with the general price level still rising in the neighborhood of 4 percent a year—and with prices of services that today account for so much of the economy rising more rapidly than that—we should not confuse evidence of progress against inflation with ultimate success. Indeed, the more favorable price expectations I noted a few moments ago could prove fragile—

highly vulnerable to any indications that public policy is prepared to accept and to accommodate inflationary forces. That must be of particular concern in the conduct of monetary policy.

Perhaps more immediately, despite the strength of the overall expansion, some important areas of the economy are under strain and there have been recurrent international and domestic credit problems. Those strains and pressures are aggravated by underlying imbalances that, unless dealt with effectively, will undercut the long-term outlook.

One of those imbalances was highlighted by the slowdown in growth of gross national product we experienced in the third quarter. Such a "pause" is not an unusual feature of an expansion period. Demand does not grow smoothly, and occasional inventory imbalances will develop that require production adjustments. What was unusual last summer was that the slowing of demand growth was accompanied by a surge in imports, magnifying the effects on domestic producers. That summer import surge was reversed by year-end, but the underlying trend toward higher imports is clear. Our trade deficit increased to about $110 billion in 1984, far higher than ever before, and the entire external current account deficit—counting both goods and services—has deteriorated about $100 billion since 1982. The sustainability of that trend, politically as well as economically, is, to say the least, questionable.

The rising trade deficit helps account for the failure of a number of important sectors to participate at all fully in the expansion. Agriculture, heavy capital equipment producers, and the metals industry, all of which face difficult structural problems in any event, are examples. They are further pressed by interest rates that, as you know, remain historically high, both in nominal terms and relative to recent inflation.

Looking abroad, growth in many industrial countries remains sluggish amid continuing high levels of unemployment, and depreciation of their currencies vis-à-vis the dollar seems to be one factor inhibiting more expansionary policies. Important developing countries are still struggling to restore stability and maintain growth while laboring under heavy debt burdens. In this interdependent world, these difficulties feed back on our own prospects.

It is no coincidence that the record external imbalance and continued high interest rates have been accompanied by large federal budget deficits—deficits that according to projections of both the administration and the Congressional Budget Office will only deepen in the years ahead in the absence of decisive corrective action.

Government deficits can be relatively benign, and even useful, in boosting incomes and purchasing power in the slough of recession and when private investment and credit demands are weak. It is also true that our growing volume of imports over the past two years has provided an impetus for growth in other countries when other expansionary forces were weak. Moreover, the kind of obvious squeeze on, or "crowding out" of, domestic housing and investment that many anticipated as the expansion has developed has not been apparent.

We have been able to reconcile high deficits, sharply rising imports, and strong investment mainly for one reason: we have been able to attract an enormous amount of savings from abroad to supplement our own. The net capital inflow approached $100 billion last year, and it will probably need to be still larger this year. Domestic net savings—by individuals, businesses, and state and local governments—are running at about $325 billion, so the supplement from abroad adds close to a third to net savings generated internally. The net capital inflow was equivalent last year to more than half the budget deficit.

That same inflow of funds has encouraged a very strong dollar. The strong dollar, in turn, contributes importantly to the huge and growing trade deficit. Our policy dilemma is simple but perhaps not fully understood. We cannot logically welcome the capital inflow from abroad in one breath and complain about the trade deficit in the next. They are two sides of the same coin.

We are managing to finance the deficit and maintain housing and investment expenditures with the help of imported capital. At the same time, the exporter, those competing with imports, and the farmer are being "crowded out."

Looking ahead, the stability of our capital and money markets is now dependent as never before on the willingness of foreigners to continue to place growing amounts of money in our markets. So far, they have been not only willing but eager to do so. But we are in a real sense living on borrowed money and time.

It is up to all of us to make constructive use of both the money and the time. In essence, that is the challenge for all of us—for monetary and fiscal policy, and for all the other policies that can contribute to a productive, growing economy.

Monetary Policy in 1984

As you will recall, the economy was expanding particularly rapidly during the early part of 1984, and demands for money and credit—and for bank reserves to support monetary growth—were also strong. By early spring, data available at the time showed M1 increasing at rates well into the upper portion of its range for the year, which targeted growth at 4 to 8 percent.[1] At the same time, driven by the financing needs generated by rising levels of private spending and by the federal government, M3 and nonfinancial credit were expanding around or above the upper end of their long-term ranges.

The strong expansionary forces in the economy were reflected in some limited upward movements in interest rates in February and March, and early in the spring the Federal Reserve began to exert some additional restraint on reserves being supplied through open market operations. Consequently, depository institutions were forced to rely increasingly on borrowing at the discount window to satisfy demands for reserves. With credit demands and the economy continuing to expand strongly, and with markets concerned about the possibility that inflationary forces might reassert themselves as the period of strong expansion lengthened, interest rates moved noticeably higher in the spring. In April the Federal Reserve increased its discount rate ½ of a percentage point to 9 percent to bring this rate into better alignment with market rates and to discourage reserve adjustment at the discount window.

1. The data in this testimony for the monetary aggregates reflect recent seasonal and benchmark revisions. While the changes for the year as a whole were small, the revised data for M1 for the first half of the year are lower, and the second half higher, than had been reported earlier.

Growth ranges for the aggregates for 1984 compared with actual growth

Percentage increases, fourth quarter to fourth quarter

Aggregate	Ranges	Actual Growth
M1	4 to 8	5.2
M2	6 to 9	7.7
M3	6 to 9	10.5
Domestic nonfinancial debt	8 to 11	13.4

In May, a liquidity crisis developed in one of the largest commercial banks in the country, growing out of continuing concerns over weaknesses in its loan portfolio. The Federal Reserve, the Federal Deposit Insurance Corporation (FDIC), and the primary supervisor of the bank, the Comptroller of the Currency, worked closely together to support the orderly functioning of the institution while more permanent recapitalization and other elements of a long-term solution could be developed. Nonetheless, that incident, together with continuing concerns about international debt problems, for a time contributed to uneasiness in banking markets, and interest rates on short-term private credit instruments rose appreciably above those on government securities.[2]

Demands for money slackened after midyear as the economic expansion slowed. Long-term interest rates began to drop from the higher levels reached in the spring as inflation concerns moderated. With the problems of the Continental Illinois Bank contained and progress made toward restructuring the debts of some important developing countries, the abnormal interest rate spreads began to narrow, but the money markets as a whole remained under some pressure. By late August and September, with M1 growth moving toward the midpoint of its range and M3 expansion slowing toward the upper end of its range, and with some evidence that economic growth had slowed, the Federal Reserve began to ease pressures on reserve positions.

That process continued through the fall, and borrowing at the discount window fell steadily from September through January. Late in the year, total and nonborrowed reserves began to grow rapidly. Short-term interest rates declined

2. Appendixes A and B summarize these and related developments, and the Federal Reserve response, more fully.

between 2½ and 3½ percentage points over the last four months of the year. Reacting to these declines, and to an extent facilitating them, the Federal Reserve in two half-point steps reduced the discount rate to 8 percent, the lowest level since 1978.

Several additional factors influenced judgments about the appropriate degree of easing of reserve positions during the fall. The dollar remained exceptionally strong in foreign exchange markets, potentially increasing pressures on some sectors of the American economy and a source of growing concern among some of our trading partners experiencing depreciating currencies vis-à-vis the dollar. At the same time, relatively favorable incoming data about prices and wages tended to allay concerns about actual and potential inflationary pressures. In fact, prices of many sensitive commodities were falling appreciably. In these circumstances, reserves could be provided more liberally, and growth in the money supply more actively supported without providing a basis for a destructive rise in inflation expectations.

The fall in interest rates and the more generous provision of reserves in the context of some increases in economic activity led to a rather strong revival of M1 and M2 growth around year-end, bringing both aggregates relatively close to the midpoints of their respective ranges. As monetary and credit growth continued at a relatively rapid pace into January, the easing process came to an end.

Unlike the pattern during much of 1982 and 1983, when M1 grew more rapidly than nominal GNP (that is "velocity" slowed), the income velocity of M1 rose 4 percent last year. That is broadly in line with cyclical experience in the past, taking into account both the pattern of interest rate movements and income growth. M2 velocity also increased, rising about 1½ percent after two yearly declines.

These developments provide some support for the view that velocity trends over time, as well as cyclical changes for these aggregates, may be returning to patterns more along the lines of earlier experience. In contrast, in 1982 and 1983, during a period of rapid transition to deregulation of deposit interest rates and substantial economic uncertainty, those earlier patterns had been disrupted and velocity had declined appreciably.

The rise in M3 and credit during 1984 exceeded expectations at the start of the year, and both measures exceeded by a considerable margin the upper limits of their ranges over the year as a whole. In fact, credit increased at its most rapid pace for the entire period since World War II, both in absolute terms and relative to nominal GNP. Debt growth of this magnitude would appear to be much faster than consistent with the long-run health of our economy and financial system. It reflects to some degree the imbalances in our economy I emphasized earlier.

For example, the budget deficit led to expansion of federal debt of 16 percent, an unprecedented rate of growth in the second year of a business cycle. The growth of the debt of nonfederal sectors, at nearly 13 percent, also was high relative to past experience. A portion of this growth in private debt—perhaps about 1½ percentage points—can be attributed to a huge volume of mergers, leveraged buyouts, and stock repurchases by businesses, which had the effect of substituting debt for equity. Despite some sizable sales of new stock, nonfinancial corporations on balance retired about $70 billion of stock last year.

Whatever the circumstances and justification for the particular companies involved, a financial structure that tends toward more debt (and shorter debt) relative to equity becomes more vulnerable over time. More cash flow must be dedicated to debt servicing; exposure to short-run increases in interest rates is magnified; and cushions against adverse economic or financial developments are reduced. These are factors that prudent lending institutions should take into account in evaluating new credits, and reports suggest that some banks did in fact review their policies toward mergers and leveraged buyout financing as the year wore on.

While the effect cannot be isolated, the rapid growth of debt relative to GNP may also reflect the fact that domestic *spending* increased appreciably faster than domestic production, which is what the GNP measures. A new machine, for instance, will require financing, whether purchased at home or abroad, and sharply increasing amounts of capital equipment have in fact been imported. As I indicated earlier, directly or indirectly, that financing may be supplied from abroad, alleviating the pressures on our market.

But the debt burden inevitably rests with the borrower.

MONETARY POLICY IN 1985

At its meeting last week the FOMC agreed to some small changes in some of the ranges for the monetary and debt aggregates tentatively set out last July. The modifications are in response to analysis of information now available and do not represent any change in policy intentions. As shown in the accompanying table, for M1, the Committee reaffirmed the lower tentative range it adopted last July of 4 to 7 percent growth from the fourth quarter of 1984 to the fourth quarter of 1985. M2 is targeted to grow between 6 and 9 percent, the same range as used in 1984. The upper end of that range was increased ½ percent from the tentative range for 1985 set in July. That small adjustment reflects a technical judgment—based on assessment of recent developments—that M2 could expand more in line with income growth this year, in keeping with the historic record of little trend growth in its velocity.

The upper end of the new M3 range of 6 to 9½ percent was also set ½ percent higher than tentatively agreed in July. The associated monitoring range for credit was set at 9 to 12 percent, a percentage point above the 1984 range. Adjustments in both target ranges still contemplate a considerable slowing in these two aggregates from what actually occurred in 1984. Even so, credit growth, fueled in part by the budget deficit, is expected to be quite strong, significantly exceeding the rate of expansion of GNP for the third consecutive year.

The Committee does not anticipate that growth of debt within the targeted range would necessarily pose significant new risks for the economy or the financial system in the year immediately ahead. However, a healthy financial structure will in time require more restraint on borrowing relative to the economic growth that, in the last analysis, provides the wherewithal to service the debt. One continuing problem in that respect is the extent to which the current tax structure tends to favor debt rather than equity financing, a point addressed in the administration's reform proposals.

The ranges for growth in money and credit are

Growth ranges for the aggregates adopted for 1985 compared with tentative ranges and those for 1984

Percentage increases, fourth quarter to fourth quarter

Aggregate	Adopted ranges for 1985	Tentative ranges for 1985 set in mid-1984	Ranges for 1984
M1	4 to 7	4 to 7	4 to 8
M2	6 to 9	6 to 8½	6 to 9
M3	6 to 9½	6 to 9	6 to 9
Domestic nonfinancial debt	9 to 12	8 to 11	8 to 11

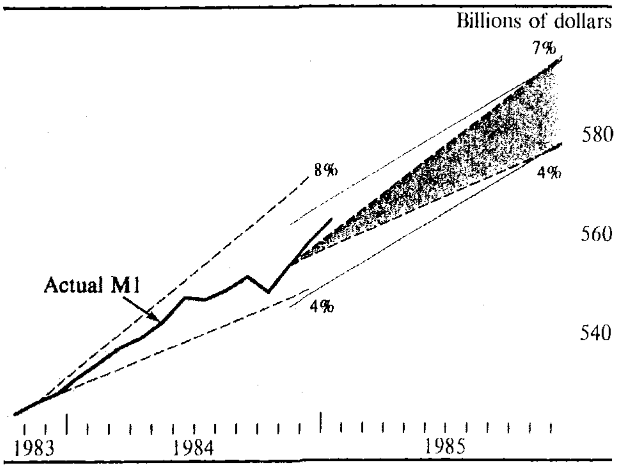
expected by FOMC members and nonvoting Reserve Bank Presidents to support another year of satisfactory economic expansion without an acceleration of inflation. Forecasts of real GNP growth centered around rates of 3½ to 4 percent from the fourth quarter of 1984 to the fourth quarter of 1985—rates anticipated to be sufficient to reduce the unemployment rate to around 6¾ to 7 percent by year-end. Inflation, as measured by the GNP deflator, was expected most frequently to be in a range of 3½ to 4 percent over the year, about the same rate as prevailed in 1984.[3]

In view of the necessarily tenuous nature of any judgment about the outlook for exchange rates, FOMC members in preparing their projections assumed that the dollar would fluctuate in a range encompassing its level of recent months. They also assumed that the federal budget deficit would be reduced significantly in fiscal 1986 relative to base-line projections, a development that would help damp both interest rate and inflationary expectations. Obviously, those assumptions suggest some of the important risks inherent in the outlook.

As I indicated in discussing 1984 developments, we entered 1985 with the various monetary aggregates growing relatively rapidly. The targets for this year take, as usual, the actual average for the fourth quarter of the previous year as a starting point (or "base"). Consequently, we are starting the year with the levels of the aggregates above the target ranges as they have been conventionally illustrated—that is by so-

3. These projections, now regularly set out in our Humphrey-Hawkins Reports, should not be interpreted as indicating "targets" for real growth or inflation in the short or longer run. As discussed in appendix C, the Committee does not target a specific long-range growth path for the economy.

1. M1 target ranges and actual M1



called "cones" starting at a point late the previous year and widening through the current year. (See charts 1 to 4.)

That conventional and widely used "picture" is essentially arbitrary. Interpreted rigidly (and wrongly), the narrowness of a cone in the early part of the year—literally narrower than some *weekly* fluctuations in the money supply—would attach policy importance to levels or movements in the various aggregates that in fact have no significance.

We have sometimes considered, and others have suggested, a better "pictorial" approach would be to illustrate the targets by a different (but also necessarily arbitrary) convention—parallel lines drawn back from the outer bounds of the specified fourth quarter target ranges to the base period, as shown in the charts. The target range is then portrayed as maintaining the same width throughout the year. The current levels of the aggregates, as you can see in the charts, are within such parallel lines.[4]

As a matter of economics and policy, rather than graphics, the Committee is not disturbed by the present level of M1 and M2 relative to its intentions for the year. It contemplates that, as the year progresses, growth will slow consistent with the target ranges.

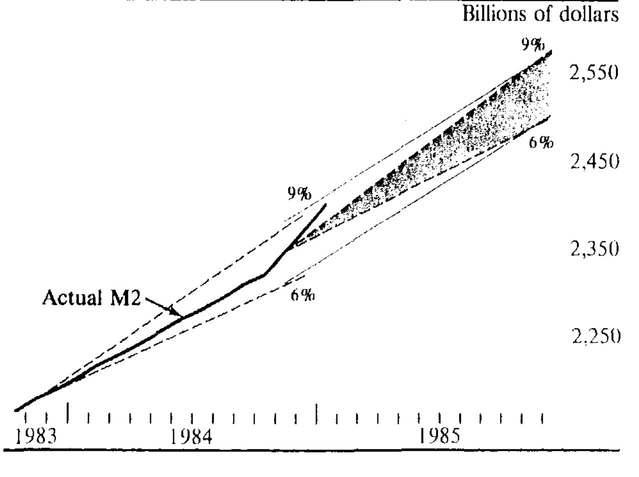
Consistent with that approach, as I indicated earlier, the progressive process of easing reserve positions undertaken in the latter part of 1984 has ended. The provision of reserves through open market operations is currently being conducted a bit more cautiously to guard against inadvertent "overshoots" in supplying reserves. Any further change in approach will, as always, depend upon assessments of the trend of monetary growth in the period ahead, evaluated in the context of the flow of information in the economy, on prices, and on domestic credit and exchange markets.

The annual target ranges for M1 and M2 assume that trends in velocity are returning to a more normal and predictable pattern. However, there is some analysis that suggests the trend of velocity over time may be a little lower than the trend of 3 percent or so characteristic of much of the postwar period when interest rates were trending higher. Should developments during 1985 tend to confirm that somewhat lower velocity growth, and provided that inflationary pressures remain subdued, the Committee anticipates that those aggregates might end the year in the upper part of their ranges. The lower part of the M1 range would be consistent with greater cyclical growth in velocity than now thought likely. As usual, these ranges will be reviewed at midyear, in accordance with Humphrey–Hawkins Act procedures.

THE CHALLENGE AHEAD

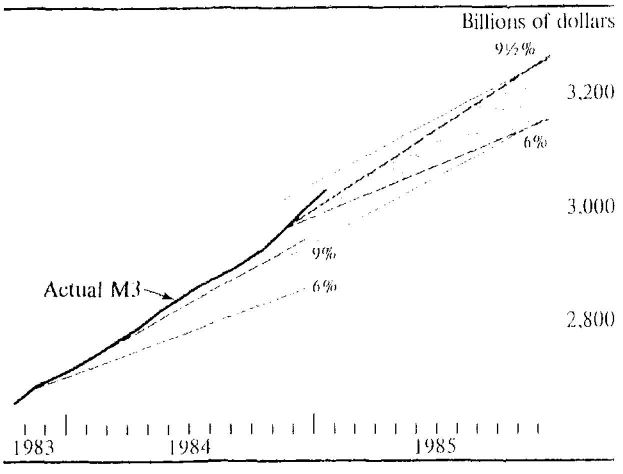
The approach toward monetary policy that I have outlined for 1985 is designed to promote, as

2. M2 target ranges and actual M2



4. Appendix D addresses the different but related questions of the appropriate "base" used in setting and illustrating targeted growth ranges.

3. M3 target ranges and actual M3



best we can, our common objectives of sustained growth and stability. We can build on the strong progress of 1983 and 1984. There is forward momentum in the economy. The public at large seems to sense a greater degree of control over inflation than for many a year—and I sense some chance of further progress toward price stability this year even as the economy grows.

Happily, despite the strength of the economic advance and the financing of a huge deficit, interest rates are today little above those of two years ago. The threats of financial dislocation growing out of the debt problems of much of the developing world, or from more purely domestic financial pressures, have been well contained. Points of strain will, without doubt, require continuing attention this year. But, in the context of a healthy economy, they are capable of resolution.

By encouraging appropriate growth in money and credit, in discharging our supervisory responsibilities, in performing when necessary the essential functions of lender of last resort, and in our general surveillance of the financial system, the Federal Reserve can help build on that progress. We aim to do so. But it is equally important to understand clearly what monetary policy and the Federal Reserve cannot do.

The progress against inflation, the strength of the dollar and the competition from abroad, and some margins (if diminishing) of capacity and manpower have provided a certain degree of flexibility in the conduct of monetary policy. But that limited flexibility would be abused at our collective peril. Credibility in the effort to deal with inflation is a precious thing. The lesson here and abroad, now and through history, is that, once a sense of price stability is lost, it can be restored only with pain and suffering.

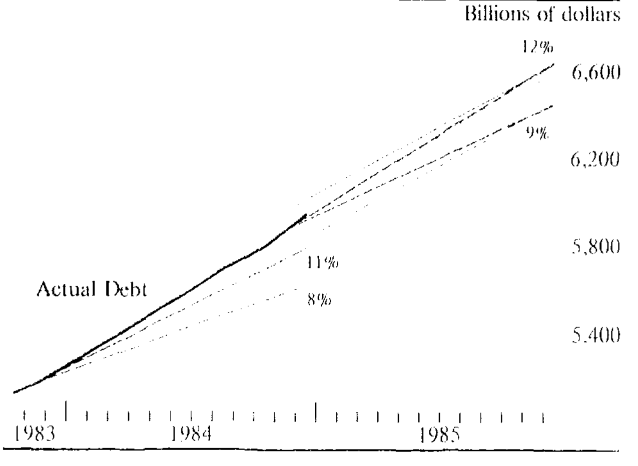
The Federal Reserve can theoretically run the modern equivalent of the printing press—we can create more money. But more money is not the same as correcting the gross imbalance between our ability to generate real savings and the demands for those savings posed by housing, by investment, and by the federal deficit.

To create money beyond that needed to sustain orderly growth would be to invite renewed inflation—damaging incentives to save in the process. In contrast, to encourage savings from income would be to provide more of the *real* resources we need for future growth—and it would help spur productivity and reduce price pressures in the process.

If that route isn't open to us—and as a practical matter we probably can't do much right now to change ingrained savings behavior—then the only constructive alternative is to attack the problem from the other side of the ledger by reducing the federal deficit.

For the time being, capital from abroad has been readily available to close the growing gap between our domestic savings and the demands upon them, moderating pressures on interest rates. Indeed, the money attracted partly by perceptions of our strength has come so freely we have an exceptionally strong dollar. But that

4. Debt monitoring ranges and actual debt



same strong dollar contributes to a massive trade deficit that strains key sectors of industry and our agriculture, aggravating structural problems.

No doubt *bad* monetary policy could drive the dollar down—a monetary policy that aroused inflationary expectations, undermined confidence, and drove away foreign capital. But then, how would we finance our investment and our budget deficit?

Nor is the process of money creation adapted to relieving particular sectoral strains within our economy. We can and will, in our administration of the discount window and in our actions as lender of last resort, protect the essential financial fabric by supporting creditworthy depository institutions faced with extraordinary needs.

But the evident problems of particular sectors, in the last analysis, will yield only to measures that support their efficiency and broaden their markets. That in itself is a large agenda, for government and those involved alike. And the process will be much easier if we at the same time address the basic imbalance between our capacity to save and our need to invest and to finance the government that I have emphasized today.

CONCLUSION

I fully appreciate the difficulties of the decisions before you as you collectively approach those excruciating budgetary choices. As you do so, I know that you are aware of the priority that progressive reduction of the deficit deserves. That, indeed, would provide the most fundamental kind of reassurance that growth *can* be sustained in an environment of greater stability.

For our part, in the conduct of monetary policy, we in the Federal Reserve will be sensitive to both the opportunities and the dangers before us. We believe the approach I have outlined with respect to the monetary targets and our implementation of policy sensibly reflects and balances the concerns I am sure we share.

APPENDIX A: THE IMPLICATIONS FOR MONETARY POLICY OF THE NEAR FAILURE OF THE CONTINENTAL ILLINOIS BANK

The condition of the Continental Illinois Bank—the seventh largest in the United States at the beginning of 1984—had been a matter of concern to regulatory authorities and market participants for some time, particularly after the failure of the Penn Square Bank in the middle of 1982 brought to light large loan losses and weaknesses in credit policy. Continuing profit and loan problems culminated in rumors of possible impending failure and a liquidity crisis in May 1984, involving withdrawal or failure to renew billions of dollars of deposits in the bank over a few days.

The Federal Deposit Insurance Corporation, the Federal Reserve, and the Comptroller of the Currency, with the cooperation of a group of major banks, developed arrangements to provide temporary capital and liquidity support pending more permanent solutions and reorganization. The Federal Reserve—acting as lender of last resort—provided large amounts of funds through the discount window to maintain the bank's liquidity. That lending rose irregularly from about $3 billion during most of May to a peak of more than $7 billion in August. During the autumn the amount of outstanding loans declined to much reduced levels.

Provision of funds through the discount window has the effect of expanding total bank reserves, and unless otherwise offset, the lending to the bank would have had the effect of expanding the money supply well beyond targeted ranges. To maintain consistency of the reserve provision with FOMC intentions, essentially equivalent amounts of reserves were absorbed by open market operations. While the large borrowings necessarily involved some added technical difficulties and uncertainties in the conduct of open market operations, the Committee was able to achieve its reserve objectives.

At the same time, however, the liquidity crisis of Continental Illinois Bank, particularly in an environment in which international debt and other credit problems were attracting attention, generated concern about possible threats to the stability of other financial institutions. As a result, interest rates on banking liabilities rose appreciably relative to interest rates on Treasury securities during the spring. More cautious funding and lending policies by a number of banks appeared to have some effect on maintaining short-term interest rates at higher levels than might otherwise have been the case.

The extraordinary concerns in the marketplace dissipated as the year wore on, reflecting some sense of progress in dealing with both the international debt situation and points of domestic financial strain. Strong liquidity pressures at one of the largest savings and loan organizations during the late summer and fall, requiring sizable liquidity support by the Federal Home Loan Bank System, had lesser effects on market attitudes. The experience of 1984, together with supervisory efforts and the strong continuing pressures on some sectors of the economy have underscored for depository institutions the importance of adequate capital and prudent lending policies, and other means of assessing and controlling risk. Substantial efforts have been made by many of the larger banking organizations to increase capital ratios and to review credit standards. In time, in the environment of a growing economy, these efforts should be reflected in stronger institutions and a reinforced banking system.

Appendix B: The International Debt Situation in 1984

At times during 1984, concerns about the external debt problems of key borrowing countries continued to be an important factor affecting attitudes in financial markets. As the year began, markets had substantial doubts about the viability of the Brazilian adjustment program, the programs of the new Venezuelan and Argentine governments were unknown, and there was some sense of weariness among the borrowing countries and their creditors. Tensions were aggravated by increases in dollar interest rates in the spring and early summer.

Subsequently, concerns in financial markets receded somewhat as interest rates moved lower, clear progress was recorded in narrowing some countries' external imbalances, and plans for long-term debt restructuring were developed for some of the largest borrowers.

The improvements in external accounts in Mexico and Venezuela in Latin America, and in Yugoslavia and Hungary in Eastern Europe, produced current account surpluses last year. Brazil's current account deficit was essentially eliminated, and a number of other countries had reduced deficits.

This progress was faciliated in many cases by significant increases in exports, particularly to the United States, and in most cases was accompanied by a recovery—or at least a slower rate of decline—of imports. Such developments, coupled with continued moderate capital inflows, contributed to sizable increases in the international reserves of many of these countries and to the prospects of reduced demands for extraordinary external financing in the future. At the same time, most of those countries managed to achieve domestic growth.

Against this background, several of the major borrowing countries were able to move on to a second phase in their adjustment and financing programs. One important initiative, when warranted by progress in adjustment, has been planning for longer-term or multiyear restructuring of outstanding debts on terms that reflect stronger creditworthiness and permit planning on a more assured basis for the future. Such arrangements have been agreed in principle between the commercial banks and Mexico and Venezuela; serious negotiations have begun with Brazil and Yugoslavia; and the financing package prepared for Argentina contains some longer-term elements.

However, it is also evident from developments in 1984 and the first months of 1985 that the process of adjustment, which began in 1982, is far from complete, particularly on the internal side. Financial markets will remain sensitive to indications of progress or the lack thereof. Cooperation among borrowing countries, commercial banks, multilateral institutions, and creditor countries will continue to be required. The need for imaginative and constructive solutions to problems faced by individual countries is not over.

Appendix C: Targeting Real Growth

Questions sometimes arise as to whether the Committee's forecasts for real GNP growth or prices are in the nature of short-run targets toward which the Federal Reserve "fine tunes" policy, or whether the Committee has preconceptions about just how rapidly the economy can and should grow over the medium or longer run.

The answer to those questions is no. Monetary policy is, of course, broadly directed toward sustaining the growth process in a noninflationary environment. But the Committee as a group has no preconceived notion as to just how rapid growth can or should be over a particular period of time, without straining our resources or giving rise to price pressures and imbalances that would make it ultimately unsustainable.

Our capacity for growth over time depends on such variables as the trends in productivity, in the labor force, in incentives to save and invest, and in other factors over which monetary policy has essentially no direct or long-run influence. There are other policies, public and private, quite outside the purview of monetary policy that will influence both our growth potential and actual growth paths over time. There are debates in and outside the Federal Reserve as to some of these factors that affect economic growth, but annual monetary targets and operational decisions do not, and need not, rest on such assumptions for the long run.

For instance, the Committee would presumably welcome faster growth than predicted for 1985 if that proved consistent with moderating inflationary forces, and indeed, less inflation than anticipated would tend to encourage greater growth, consistent with our monetary targets. Indeed, the relationship between money and economic growth at any point in time is sufficiently loose that many other factors bear upon actual performance.

In sum, policies are periodically reassessed in light of incoming information about prices, output, exchange rates, and other variables bearing on our growth potential and prospects for inflation. In practice there is sufficient flexibility in our targeting procedures to accommodate information that might suggest greater or lesser growth potential over time.

Appendix D: The Base for Monetary Target Ranges

Some questions have been raised concerning the "base" used by the Federal Open Market Committee in deciding on targets for the monetary and credit aggregates for the calendar year. Consistent with the Humphrey–Hawkins Act procedures, the Committee's target ranges are specified each February as a range of the growth from the fourth quarter of the previous calendar year to the fourth quarter of the current calendar year.

The convention that is usually used, is that the beginning point—or "base" from which growth is measured—is taken to be the fourth quarter average growth of a particular monetary or credit aggregate. Other "bases" could be used—and occasionally have been used—if the conventional base period is seriously distorted, by institutional change or otherwise.

During its recent meeting the Committee, as it has from time to time, discussed the issue of the desirability of choosing a base for 1985 for one or more of the aggregates other than the conventional one. It concluded that none of the fourth-quarter averages for the targeted aggregates were distorted in a manner that strongly suggested the desirability of departing from the usual convention, and that such a departure might indeed confuse communication of the Committee's intentions. It also noted that the average level of both M1 and M2 during the fourth quarter of 1984 was reasonably close to the midpoint of the previous year's range, an alternative base suggested by some. M3 and credit ran significantly above the 1984 ranges. Rebasing those aggregates at the midpoint of the 1984 ranges would thus have implied a wrenching adjustment in the levels of those aggregates, a result that would be contrary to the Committee's intentions. Essentially, such a change would have implied a substantial tightening to bring the growth of those aggregates into the new ranges, or, alternatively, a specification of ranges of growth for 1985 that would have been extraordinarily high and quite out of keeping with longer-range intentions.

More broadly, a decision to regularly target growth from the midpoint of a previous year's range would seem to imply the continuing validity of a judgment made a year earlier that the midpoint of a previous range is in some sense a uniquely "correct" level of a monetary aggregate. The Committee does not share such a conviction. Instead, it believes that the appropriate trend of each aggregate needs to be judged in the light of evidence as to velocity changes and other factors as they emerge over time.

In setting targets for any year, the Committee is, of course, aware of the base level of the aggregate. Adjustments in the new target ranges themselves, or in the conduct of policy within those ranges, can take account of any modest distortions in the base. Such considerations are reflected in the discussion of policy in the testimony.

Chairman Volcker presented identical testimony before the House Subcommittee on Domestic Monetary Policy of the Committee on Banking, Finance and Urban Affairs, February 26, 1985.

Statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System, before the Foreign Relations Committee, U.S. Senate, February 27, 1985.

I am pleased to discuss with you this morning the role of the United States in the global economy. That role, of course, has many dimensions, and I can only touch upon a few of them this morning—specifically on the relationships between our expansion and growth in the world generally, certain aspects of trade and exchange rate policy, and the problem of developing country debt.

As you know, we have enjoyed a strong recovery for more than two years, with the real gross national product rising some 12½ percent from the fourth quarter of 1982 to the fourth quarter of 1984.

GNP is a measure of production. Throughout this period, domestic demand has increased faster than GNP. In essence, a significant fraction of demand currently generated here—more than 2½ percent—is now flowing abroad, providing stimulus to production overseas. Put another way, U.S. purchases of goods and services have increased about 15 percent over the past two years, as compared with the 12½ percent increase in production.

With strong stimulus absent in the rest of the world, the growth of demand in the United States represented 70 percent of the total growth of demand in the Organisation for Economic Cooperation and Development (OECD) area from 1982 to 1984, even though we accounted for only 40 percent of GNP for the OECD in 1982. Moreover, countries outside the OECD area, including importantly many countries in Latin America, have similarly benefited from the vigor of the U.S. recovery.

The difference in economic performance over this period has been starkly evident in employment figures. In the United States, jobs have increased 7 million since the end of 1982. In contrast, there has been virtually no increase in employment in the rest of the OECD area as a whole, and in many of those countries unemployment rates have continued to fluctuate around their post-World War II highs.

At the same time, the growth and relative dynamism of the American economy have helped attract a flow of funds from abroad, strengthening the dollar even as our external trade and current accounts have moved into deep deficit. The growing net capital inflow—now supplementing net domestic savings of individuals, businesses, and state and local governments by nearly a third—has been a critically important factor in enabling us to finance both rising investment and the enormous federal deficit. The strength of the dollar and the ready availability of goods from abroad have also been potent factors restraining price increases for manufactured goods in the United States.

From one perspective, those results are gratifying for us, and our trading partners have benefited as well. But there are, of course, serious flaws—flaws that unless dealt with constructively, will undermine all the progress. Strains and distortions are evident, for instance, in pressures on our farmers, miners, and producers of heavy capital equipment. There have been exceptionally high levels of unemployment in many other industrialized countries, and, looking ahead, too few signs of significant improvement in that respect. Moreover, the financial position of the heavily indebted developing countries remains vulnerable. Those difficulties feed back on prospects for our exports and for our financial system. Interest rates remain high relative both to historical experience and to recent rates of inflation.

Those strains have specific causes and potential remedies. But it is also true that they are all aggravated by underlying imbalances in our trade and budgetary accounts. U.S. trade and overall current account deficits reached levels of almost $110 billion and $100 billion respectively, during 1984. Such deficits seemed almost unimaginable a few years ago; yet the present prospect is that those external deficits could rise still further. And it is not a coincidence that those external deficits are accompanied by internal budget deficits of unprecedented size during a period of prosperity—deficits that, according to estimates of both the administration and the Congressional Budget Office, will tend to grow further in the absence of corrective action even assuming healthy U.S. economic growth.

Economic analysis and common sense coincide in telling us that the budgetary and trade deficits of the magnitude we are running are not sustainable indefinitely in a framework of growth and prosperity. They imply a dependence on foreign borrowing by the United States that, left unchecked, will sooner or later undermine the confidence in our economy essential to a strong currency and to prospects for lower interest rates. But the hard fact is that we have come to rely on that foreign borrowing to finance the combination of a budget deficit and the private investment demands generated by a growing economy. The largest and richest economy in the world has perforce been required for the time being to draw on savings that might otherwise have been invested abroad. Indeed, the inflow of savings from abroad is equal to something on the order of 15 percent of net savings (or about 8 percent of gross savings) in all other OECD countries combined. And, the related exchange rate pressures, trade imbalances, and financial strains generate political as well as economic pressures toward economic nationalism and protectionism.

It seems to me essential that those pressures be resisted. There are powerful reasons why such an approach is not in our economic interest whatever the response abroad.

For instance, we have encouraged developing countries to adopt policies that will enable them to service their debts, to enhance over time their productive capacity, and to grow. Success is dependent upon their ability to increase exports—and as their exports grow they will also import, from the United States and other industrialized countries. But that success will be denied if the United States and other industrial countries protect their own markets from fair competition by developing countries.

Even if we could somehow shield developing countries from broad protectionist measures—and it is not clear that in practice we could do so—there are other high economic costs from widespread protectionism. Quotas, new tariffs, or import surcharges all act directly to raise prices, and the problem would not be temporary if the effect would be to refuel inflationary expectations—just at a time when so much progress has been made in changing that psychology. Other things equal, protectionist measures that actually had the effect of appreciably reducing some imports would presumably be reflected in still further upward pressures on the dollar, hurting exporters and industries that were not protected.

Beyond those specifics there are potentially much more damaging risks of a breakdown in a world trading order built up so laboriously after the chaos of the 1930s.

Consider, for example, the proposals now being discussed for a temporary import surcharge. Those proposals are sometimes coupled with other measures to reduce our budget deficit. Such proposals are offered as a relatively painless means of raising government revenue while simultaneously addressing the trade deficit.

One attraction is that an import surcharge effectively taxes foreign exporters as well as domestic residents. But it is also clear that any benefits, either for trade or for the budget, would be temporary. More lasting favorable consequences of the proposals would be derived not from the temporary surcharge but from the accompanying budget measures.

I would question whether the imposition of a surcharge makes those accompanying measures easier, or more difficult, to enact. In any event, so attractive a tax to the United States would certainly be attractive to others as well. Most countries have budget deficits larger than they would like, and with high unemployment would not be averse to reducing imports. If the surcharge approach is, in effect, legitimized by the United States, wouldn't others find almost irresistible temptations to emulate our example?

Would not that eliminate any net benefits and also have destructive implications for world trade—upon which our hard-pressed farmers, among others, are so dependent?

At a more fundamental level, we cannot logically take actions to reduce our trade deficit and at the same time welcome the associated capital inflows from abroad. The trade deficit and our capital inflow are two sides of the same coin. Unless we reduce our budget deficit, success in improving our trade balance, and thus reducing the capital inflow, will only threaten stronger pressures on our domestic financial markets, jeopardizing housing and investment.

In essence, a lasting solution to the problem of our external imbalance rests on simultaneously restoring internal financial equilibrium. I know of no approach to that problem that promises success other than straightforward measures to reduce our budget deficit over time. Approaches that obscure that basic need will, in the end, be counterproductive.

I do not want in any way to suggest that, important as action with respect to the budget deficit is, that approach will somehow deal with all the problems of the global economy. In particular, other industrial countries have clear responsibility and opportunity to take actions themselves to enhance their economic prospects. The importance of policies to deal with structural rigidities in their economies has often been noted. Moreover, in some important countries where inflationary pressures have been successfully contained, and where credible long-term anti-inflationary monetary policies are firmly in place, there may be scope for action to stimulate their growth by constructive measures to speed tax reductions or otherwise.

Certainly, much remains to be done to restore sustainable growth patterns in much of the developing world. Over the past two years or more, a number of the more advanced and largest developing countries, particularly in Latin America, have made serious efforts to implement appropriate adjustment programs in conjunction with the International Monetary Fund (IMF) and private financing arrangements. Clear progress—in some cases, spectacular progress—has been made in eliminating or narrowing external imbalances. Mexico and Venezuela in Latin America and Yugoslavia and Hungary in Eastern Europe have produced current account surpluses. Brazil's current account deficit was essentially eliminated last year. Happily, most of those countries have also managed to restore a measure of domestic growth. All of that progress was facilitated by access to foreign markets, most importantly in the United States.

In some instances, the progress in adjustment has encouraged and justified longer-term or multiyear restructuring of outstanding debts on terms that reflect stronger creditworthiness and permit planning on a more assured basis for the future. Such arrangements have been agreed in principle between the commercial banks and Mexico, Venezuela, and Ecuador, and serious negotiations are under way with Brazil and Yugoslavia.

However, these signs of progress do not mean that the "debt problem" is behind us—or that, more broadly, the borrowing countries are firmly on a path of sustained, strong growth in a context of political and economic stability. Indeed, some of the more fundamental adjustments necessary to that end are still absent, or only partially in place. Inflation, for instance, remains disturbingly high in many of the countries, and in some is still rising to new peaks. Spontaneous new investment by either domestic firms or from abroad has often been slow to develop, reflecting in considerable part concern in some countries about the role for private investment and the degree of controls and market distortions. Moreover, on the more purely financial side, cooperation among borrowing countries, commercial banks, multilateral institutions, and creditor countries will continue to be required despite the protracted and tedious nature of the process. Rather than impatience, the need remains for energetic and constructive approaches to the longer-term problems faced by individual countries.

I will conclude with a few words about the dollar. Few if any anticipated the degree of strength that the dollar has displayed persistently for some time, nor can it fully be explained by such factors as relative interest rates or differences in inflation rates. No doubt, relative confidence in our economic prospects, in our political stability, and in our business climate have played a part, as has a sharp diminution in our bank lending abroad. At the same time, the widening gap in our trade position suggests that our basic competitive position cannot support so high a dollar indefinitely.

The policy question is what measures can be taken to encourage a reasonably competitive equilibrium over time. I suggest that the general approach I have alluded to today would work in that direction.

Credible measures to reduce the U.S. budget deficit would alleviate one source of inflationary concern and encourage lower real interest rates than would otherwise be the case. In that environment, some other important industrial countries might find it easier to undertake more stimulative policies at home. If they managed at the same time to deal more effectively with some structural rigidities, the perceived contrast between the opportunities in the U.S. economy and the relative sluggishness of European economies could constructively be diminished. If developing countries could reduce inflation and restore more confidence in their own business climate, their own citizens would then employ more of their savings in their own countries, and funds could again be attracted in greater volume from the United States or elsewhere.

At times, forceful official intervention in exchange markets could have a useful role to play. But that role has to be complementary and subsidiary to more basic measures to have lasting impact. That is why measures to deal with the fundamental imbalances in our own financial requirements are so important.

Over the near term, prospects for the economic performance of the United States, and to a lesser extent the rest of the world, appear to be favorable. We want to build sensibly on those strengths and to deal in a lasting way with the imbalances. Purely symptomatic treatment is not adequate—and, in the form of protectionism, will be counterproductive. The more basic approaches necessarily take time, and we have let too much time pass already. But fortunately we can still proceed from a position of strength. I trust we will make the most of the opportunity before us. □

Announcements

Meeting of Consumer Advisory Council

The Federal Reserve Board announced that its Consumer Advisory Council met on March 13 and 14, in sessions open to the public.

The council's function is to advise the Board on the exercise of the Board's responsibilities under the Consumer Credit Protection Act and on other matters on which the Board seeks its advice.

Withdrawal of Citicorp Application

The Federal Reserve Board has announced that Citicorp has withdrawn its application under the Bank Holding Company Act to engage, through a wholly owned subsidiary, in underwriting and dealing in corporate debt securities (including commercial paper), municipal revenue bonds, mortgage-backed securities, and certain other debt obligations. The application was withdrawn before the Board decided whether to publish notice of the proposal in the *Federal Register*, which would have provided an opportunity for public comment on the proposal.

The Citicorp application presented a novel proposal that required an interpretation of the scope of the prohibition in the Glass–Steagall Act against member banks being affiliated with companies engaged principally in underwriting and certain other securities activities and also a finding under the Bank Holding Company Act that these activities are closely related to banking and a proper incident thereto.

Citicorp argued that its subsidiary would not be engaged principally in the proposed securities activities within the meaning of section 20 of the Glass–Steagall Act because the subsidiary would voluntarily limit the volume of these activities to less than 20 percent of its total activity, including underwriting and dealing in U.S. government and other permissible securities. This formula would have allowed bank holding companies to underwrite a volume of securities equal to or greater than that of the largest securities underwriters or, indeed, would have permitted the acquisition by bank holding companies of the largest investment banking firms whose underwriting activities (other than those in government and other permissible securities) constitute only a minor portion of their total activities.

While the Board, in accordance with its established practice, has allowed the withdrawal of the application, the Board's preliminary analysis indicated that the application would be inconsistent with the Glass–Steagall Act.

The Board believes that the Congress is the appropriate forum for resolution of the public policy considerations involved in proposals, such as that advanced by Citicorp, that would dramatically alter the framework established by the Congress in the Glass–Steagall Act for the conduct of commercial banking and investment banking businesses.

The Board believes that certain changes in this framework are appropriate and desirable and has, accordingly, supported legislation to authorize bank holding companies to sponsor, control, and distribute the securities of mutual funds and to underwrite and deal in municipal revenue bonds, one- to four-family residential mortgage-backed securities, and commercial paper. The Board urges early congressional consideration of this and other banking structure issues that need legislative resolution.

Amendment to Regulation J

The Federal Reserve Board has adopted an amendment to Regulation J (Collection of Checks and Other Items and Wire Transfers of Funds) to improve the system of notification for nonpayment of checks of $2,500 or more that are processed through the Federal Reserve. At the same time the Board approved a proposal to improve notification services offered by the Reserve Banks as part of the check collection process. Both actions will become effective in October 1985.

The Board's action, in general, requires a depository institution upon which a large dollar check is drawn (payor institution) to notify the institution of first deposit within a specified time limit that it is returning the check. To assist payor institutions in meeting this requirement, Reserve Banks will enhance their current notification service. An enhanced notification service will also be available to depository institutions for checks collected outside the Federal Reserve.

Proposed Action

The Federal Reserve Board has proposed for comment an amendment to Regulation T (Credit by Brokers and Dealers) that would change the initial margin requirements for the writing of options on equity securities. Comment is requested by March 15, 1985.

Publication of Trust Examination Manual

The *Trust Examination Manual* is now available. This manual provides a clear statement of Federal Reserve trust examination policies, standards, and procedures to provide guidance for examination personnel. It was prepared for use by trust examination personnel of the Federal Reserve Banks and should not be considered a legal reference. The manual will be updated at least twice a year and is available on request at a price of $20 from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Changes in Board Staff

The Board has announced the following changes in the Division of Research and Statistics:

Stephen P. Taylor, Assistant Director, retired, effective March 1, 1985.

David E. Lindsey, Deputy Associate Director, has been promoted to Associate Director, effective February 19, 1985.

Thomas D. Simpson, Assistant Director, has been promoted to Deputy Associate Director, effective February 19, 1985.

Lawrence Slifman, Assistant Director, has been promoted to Deputy Associate Director, effective February 19, 1985.

David B. Humphrey and Richard D. Porter have both been appointed Assistant Directors, effective February 19, 1985.

Mr. Humphrey has a Ph.D. from the University of California at Berkeley and has been chief of the Financial Studies Section since 1980.

Mr. Porter has a Ph.D. from the University of Wisconsin and has been Chief of the Econometric and Computer Applications Section since 1974.

The Board has also announced the temporary appointment of Thomas E. Cimeno, Jr., as Deputy Director in the Division of Banking Supervision and Regulation, effective February 15, 1985. Mr. Cimeno, who is currently Senior Vice President for Bank Supervision and Credit of the Federal Reserve Bank of Boston, will be on loan to the Board for about one year.

Revisions to Money Stock Data

Measures of the money stock have been revised to incorporate annual benchmark and seasonal adjustment changes, including revised monthly and weekly seasonal adjustment factors, which appear in the accompanying tables. Data presented in tables 1.10 and 1.21 of the Bulletin will reflect these revisions beginning with this issue.

Deposits have been benchmarked to recent call reports. In addition, a new survey has been used to benchmark repurchase aggreements (RPs). The net impact of benchmark revisions has been to raise growth of the aggregates somewhat in 1984 and also in 1983. For M3, in which benchmark revisions are largest, the most important source of revisions was term RPs at thrift institutions, which now incorporate information from the new RP survey.

Revisions to seasonal factors were based on an X-11 ARIMA procedure used in recent years. Following the practice introduced last year, the nontransaction portion of M2 has been seasonally adjusted as a whole—instead of being built up from seasonally adjusted savings and small time

1. Seasonal factors used to construct M1, M2 and M3, monthly, 1984–85

Year and month	Currency	Nonbank travelers checks	Transaction deposits[1]	Demand deposits[1]	Nontransaction components	
					M2	M3 only
1984—January	.9931	.9393	1.0180	1.0234	.9994	.9987
February	.9875	.9480	.9785	.9729	1.0013	1.0017
March	.9908	.9517	.9861	.9781	1.0037	1.0029
April	.9966	.9542	1.0187	1.0108	1.0028	.9995
May	1.0005	.9794	.9867	.9830	1.0007	1.0026
June	1.0042	1.0549	.9992	.9959	1.0013	.9975
July	1.0085	1.1230	1.0025	1.0042	1.0015	.9934
August	1.0039	1.1069	.9870	.9880	.9993	1.0019
September	.9982	1.0548	.9924	.9946	.9962	.9992
October	.9977	1.0006	1.0007	1.0052	.9985	.9971
November	1.0046	.9519	1.0042	1.0085	.9978	1.0038
December	1.0138	.9360	1.0256	1.0355	.9961	1.0035
1985—January	.9934	.9384	1.0175	1.0234	.9998	.9975
February	.9877	.9471	.9788	.9729	1.0023	.9997
March	.9911	.9510	.9863	.9778	1.0040	1.0023
April	.9966	.9547	1.0183	1.0103	1.0028	1.0000
May	1.0006	.9800	.9869	.9830	1.0008	1.0029
June	1.0044	1.0560	1.0000	.9964	1.0014	.9984
July	1.0085	1.1237	1.0028	1.0050	1.0014	.9939
August	1.0038	1.1075	.9869	.9880	.9988	1.0025
September	.9981	1.0548	.9924	.9948	.9958	.9993
October	.9977	1.0001	1.0006	1.0054	.9983	.9966
November	1.0046	.9518	1.0039	1.0080	.9978	1.0042
December	1.0133	.9354	1.0253	1.0350	.9962	1.0035

1. Factors for transaction deposits are used to seasonally adjust the sum of demand deposits and other checkable deposits. Seasonally adjusted other checkable deposits are derived as the difference between seasonally adjusted transaction deposits and seasonally adjusted demand deposits.

2. Seasonal factors for selected components of the monetary aggregates, monthly, 1984–85

Year and month	Commercial bank deposits			Thrift institution deposits			Experimental (model-based) factors for M1		
	Savings	Small-denomination time	Large-denomination time	Savings	Small-denomination time	Large-denomination time	Currency	Nonbank travelers checks	Transaction deposits
1984—January	.9964	1.0040	1.0047	.9935	1.0093	.9983	.9935	.9393	1.0189
February	.9916	1.0057	1.0011	.9907	1.0075	1.0014	.9881	.9480	.9778
March	1.0021	1.0030	1.0037	.9993	1.0013	.9947	.9915	.9517	.9827
April	1.0109	.9910	.9910	1.0064	.9958	.9933	.9959	.9542	1.0137
May	1.0104	.9886	.9917	1.0068	.9879	.9995	1.0004	.9794	.9839
June	1.0100	.9896	.9964	1.0133	.9875	.9968	1.0034	1.0549	.9987
July	1.0095	.9947	.9955	1.0133	.9950	.9996	1.0080	1.1230	.9995
August	.9985	1.0028	1.0056	.9965	.9994	1.0081	1.0051	1.1069	.9908
September	.9924	1.0058	1.0051	.9939	1.0014	1.0038	.9981	1.0548	.9979
October	.9954	1.0079	1.0031	.9982	1.0074	1.0081	.9993	1.0006	1.0006
November	.9915	1.0068	.9999	.9950	1.0068	1.0035	1.0075	.9519	1.0089
December	.9903	1.0016	1.0055	.9931	1.0015	.9951	1.0167	.9360	1.0278
1985—January	.9956	1.0043	1.0029	.9929	1.0097	.9965	.9940	.9384	1.0206
February	.9919	1.0055	.9982	.9908	1.0079	.9996	.9879	.9471	.9771
March	1.0026	1.0023	1.0013	.9992	1.0008	.9941	.9909	.9510	.9809
April	1.0111	.9904	.9907	1.0060	.9956	.9938	.9965	.9547	1.0153
May	1.0109	.9878	.9923	1.0071	.9870	.9996	.9999	.9800	.9834
June	1.0107	.9889	.9982	1.0144	.9867	.9972	1.0029	1.0560	.9976
July	1.0095	.9949	.9968	1.0132	.9949	1.0006	1.0085	1.1237	1.0007
August	.9984	1.0031	1.0067	.9965	.9995	1.0090	1.0049	1.1075	.9899
September	.9925	1.0062	1.0061	.9939	1.0015	1.0037	.9978	1.0548	.9973
October	.9956	1.0081	1.0036	.9986	1.0076	1.0084	.9996	1.0001	1.0018
November	.9915	1.0070	.9998	.9953	1.0072	1.0036	1.0065	.9518	1.0080
December	.9900	1.0018	1.0048	.9926	1.0018	.9947	1.0176	.9354	1.0282

3. Seasonal factors for selected components of the monetary aggregates, weekly, December 1984–December 1985

Week ending	Currency	Transaction deposits[1]	Demand deposits[1]	Commercial bank deposits		
				Savings	Small-denomination time	Large-denomination time
1984—December 3	.9999	1.0086	1.0141	.9911	1.0040	1.0024
10	1.0156	1.0252	1.0249	.9948	1.0015	1.0021
17	1.0117	1.0239	1.0329	.9912	1.0002	1.0037
24	1.0212	1.0163	1.0260	.9874	1.0007	1.0072
31	1.0089	1.0371	1.0589	.9876	1.0028	1.0105
1985—January 7	1.0086	1.0692	1.0850	.9979	1.0024	1.0067
14	1.0007	1.0400	1.0493	.9977	1.0041	1.0024
21	.9915	1.0094	1.0137	.9958	1.0054	1.0012
28	.9819	.9720	.9697	.9928	1.0054	1.0025
February 4	.9872	.9937	.9910	.9913	1.0047	1.0007
11	.9942	.9875	.9817	.9922	1.0049	.9988
18	.9909	.9783	.9745	.9921	1.0056	.9967
25	.9793	.9596	.9505	.9912	1.0065	.9968
March 4	.9849	.9849	.9765	.9945	1.0048	1.0004
11	.9958	.9958	.9854	1.0007	1.0039	1.0024
18	.9920	.9898	.9836	1.0017	1.0032	.9988
25	.9871	.9690	.9588	1.0042	1.0014	1.0028
April 1	.9865	.9876	.9810	1.0091	.9987	1.0012
8	1.0046	1.0284	1.0197	1.0182	.9905	.9988
15	1.0020	1.0363	1.0270	1.0138	.9897	.9919
22	.9957	1.0235	1.0140	1.0073	.9902	.9858
29	.9872	.9865	.9799	1.0056	.9904	.9855
May 6	1.0015	1.0017	.9962	1.0085	.9880	.9864
13	1.0054	.9975	.9950	1.0112	.9884	.9889
20	.9999	.9900	.9890	1.0118	.9875	.9918
27	.9982	.9622	.9554	1.0114	.9875	.9975
June 3	.9997	.9967	.9949	1.0112	.9883	.9989
10	1.0107	1.0144	1.0066	1.0129	.9896	1.0025
17	1.0052	1.0115	1.0074	1.0106	.9892	.9962
24	.9989	.9815	.9762	1.0090	.9881	.9947
July 1	1.0000	.9912	.9940	1.0100	.9887	.9993
8	1.0210	1.0225	1.0235	1.0124	.9952	.9946
15	1.0141	1.0209	1.0249	1.0115	.9945	.9931
22	1.0073	.9943	.9952	1.0094	.9945	.9963
29	.9986	.9749	.9759	1.0063	.9947	1.0015
August 5	1.0067	1.0016	1.0031	1.0021	1.0006	1.0028
12	1.0111	.9981	1.0015	1.0011	1.0032	1.0050
19	1.0041	.9904	.9966	.9983	1.0034	1.0063
26	.9946	.9666	.9657	.9962	1.0033	1.0092
September 2	.9983	.9786	.9782	.9940	1.0050	1.0097
9	1.0077	1.0089	1.0082	.9954	1.0065	1.0050
16	1.0001	1.0076	1.0117	.9933	1.0056	1.0020
23	.9934	.9769	.9765	.9901	1.0065	1.0061
30	.9888	.9763	.9796	.9910	1.0060	1.0099
October 7	1.0053	1.0137	1.0166	.9991	1.0075	1.0049
14	1.0053	1.0172	1.0242	.9979	1.0089	1.0037
21	.9977	.9994	1.0050	.9954	1.0080	1.0031
28	.9894	.9779	.9821	.9916	1.0081	1.0056
November 4	.9972	1.0117	1.0148	.9913	1.0087	.9975
11	1.0084	1.0111	1.0139	.9934	1.0086	.9952
18	1.0041	1.0104	1.0188	.9919	1.0068	.9982
25	1.0004	.9852	.9867	.9904	1.0061	1.0048
December 2	1.0061	1.0009	1.0062	.9901	1.0047	1.0033
9	1.0141	1.0229	1.0236	.9943	1.0019	1.0004
16	1.0115	1.0241	1.0318	.9912	1.0007	1.0031
23	1.0184	1.0171	1.0273	.9873	1.0008	1.0055
30	1.0124	1.0305	1.0498	.9863	1.0028	1.0102

1. Factors for transaction deposits are used to seasonally adjust the sum of demand deposits and other checkable deposits. Seasonally adjusted other checkable deposits are derived as the difference between seasonally adjusted transaction deposits and seasonally adjusted demand deposits.

deposits—to reduce distortions caused by sizable portfolio shifts in recent years. A similar procedure has been used to seasonally adjust the non-M2 portion of M3.

Complete historical data also will be available soon on request from the Banking Section, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

System Membership: Admission of State Banks

The following bank was admitted to membership in the Federal Reserve System during the period February 1 through March 1, 1985:

Virginia

Springfield .... Hallmark Bank and Trust Company of Virginia

Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON DECEMBER 17–18, 1984

1. Domestic Policy Directive

The information reviewed at this meeting indicated a mixed pattern of developments, with some sectors showing a pickup from the lull of earlier months. On balance, however, economic activity appeared to be expanding in the current quarter at a rate approximating the considerably reduced pace recorded in the third quarter. Broad measures of prices generally continued to increase at rates close to those in 1983.

After two months of decline, industrial production increased about 0.4 percent in November, largely reflecting a rebound in auto production from strike-reduced levels. Production of business equipment and construction supplies declined further, while output of materials turned up and production of defense and space equipment continued to advance strongly.

The rise in nonfarm payroll employment exceeded 300,000 in November for the second month in a row, compared with monthly increases averaging about 200,000 in the third quarter. There were large gains in the service and retail trade industries, but employment in manufacturing rose only slightly. The civilian unemployment rate fell 0.2 percentage point to 7.2 percent, following four months of virtually no change.

Retail sales, after changing little in October, rose an estimated 1.8 percent in November according to the advance report of the Census Bureau. The November gain was broadly based, but sales were especially strong at stores selling primarily discretionary items such as apparel and general merchandise. Sales of new domestic automobiles were at an annual rate of about 7¼ million units in both October and November, but rebounded to an annual rate of nearly 8¾ million units in the first ten days of December. Nevertheless, sales thus far in the fourth quarter were running at an annual rate about ½ million units below the third-quarter rate of nearly 8 million units.

Total private housing starts, at an annual rate of 1.5 million units in November, were about unchanged from the reduced October pace. However, newly issued building permits for residential construction rose nearly 11 percent in November. The declines in mortgage rates over recent months apparently helped to bolster home sales: in October, sales of new homes rose slightly further after a surge in September and sales of existing homes leveled off after declining for five consecutive months.

The rise in business fixed investment spending had slowed substantially in recent months, following exceptionally rapid growth earlier. Shipments and orders of equipment from domestic capital goods producers declined markedly in October. Nevertheless, recent surveys of business spending plans for 1985 indicated continued, though moderating, growth in expenditures in the quarters ahead.

The producer price index for finished goods rose 0.5 percent in November, after declining 0.2 percent in each of the preceding two months. The reversal reflected in part a 0.7 percent increase in food prices, which had declined on balance since July; prices for a variety of other consumer goods also picked up in November. Thus far in 1984 producer prices for finished goods had risen at an annual rate of less than 2 percent. Through October, the latest month for which data on consumer prices were available, the CPI had increased at an annual rate of about 4¼ percent. The index of average hourly earnings over the first 11 months of the year rose at an annual rate of about 3 percent, compared with an increase of 4 percent in 1983 as a whole.

The foreign exchange value of the dollar appreciated about 5 percent over the intermeeting interval; this rise reversed most of the previous decline from the peak in mid-October. The dollar moved up during the period despite a narrowing in the differential between U.S. and foreign interest rates. In October the U.S. foreign trade deficit was significantly reduced from the rate in the third quarter, mainly because of a sharp decline in non-oil imports.

At its meeting on November 7, 1984, the Committee had adopted a directive that called for a somewhat reduced degree of restraint on reserve positions. The members expected that such an approach to policy implementation would be consistent with growth of M2 and M3 at annual rates of about 7½ and 9 percent respectively, as established at the early October meeting for the period from September to December. Given the appreciable decline in M1 in October, its growth over the three-month period was expected to be at an annual rate of around 3 percent, rather than the 6 percent rate anticipated at the October meeting; however, the members indicated that more rapid growth in M1 than currently anticipated would be acceptable for the quarter. Lesser restraint on reserve positions would be sought if growth in the monetary aggregates was significantly below expectations, evaluated in the context of the strength of the business expansion and inflationary pressures, conditions in domestic and international financial markets, and the rate of growth in domestic nonfinancial debt. Conversely, greater restraint might be acceptable in the event of substantially more rapid growth than expected in the monetary aggregates and evidence that economic activity and inflationary pressures were strengthening significantly. The intermeeting range for the federal funds rate was set at 7 to 11 percent.

In November M1 increased at an annual rate of about 8½ percent, offsetting the decline in October. Since early summer M1 had grown little on balance, and from the fourth quarter of 1983 through November its growth was in the lower half of the Committee's range for 1984. Growth in M2 and M3 was especially rapid in November, at annual rates of about 15 and 16 percent respectively, bringing M2 to the midpoint of its longer-run range and M3 a bit further above the upper limit of its range. Expansion in total domestic nonfinancial debt was estimated to have picked up to an annual rate of about 14 percent in November, reflecting very large government borrowing and continued strong growth in private credit. Thus far in 1984, expansion in domestic nonfinancial debt was running appreciably above the Committee's monitoring range for the year.

Open market operations over the intermeeting interval were directed at achieving some reduction in pressures on bank reserves against the background of lagging growth in the narrow money supply, generally sluggish expansion in the economy, subdued inflation, and continued strength of the dollar in foreign exchange markets. The average level of borrowing by depository institutions at the discount window moved down on balance over the period, and in November nonborrowed and total reserves increased at annual rates of about 17½ and 11¼ percent respectively. The decline in borrowing, along with a reduction in the discount rate from 9 to 8½ percent on November 21, was associated with a drop in the federal funds rate from the 9½ to 10 percent area at the time of the November FOMC meeting to around 8¾ percent recently, with trading on the days immediately preceding this meeting somewhat below that level. Other short-term interest rates also moved down, declining about 50 to 90 basis points; intermediate-term rates fell about 45 to 65 basis points, while most long-term rates declined only modestly. At savings and loan associations, however, the average rate on new commitments for fixed-rate conventional home mortgage loans—which typically move in lagged response to changes in market yields—declined 65 basis points over the period. Most commercial banks reduced their "prime" rate in several steps by 75 basis points to 11¼ percent, and a few banks were lowering their rates further at the time of this meeting.

The staff projections presented at this meeting suggested that growth in real GNP in the short run would be somewhat slower than previously anticipated as some final demands were expected to be satisfied by reductions of inventories rather than through current production. For the year 1985, however, the staff continued to expect a moderate rate of expansion in economic activity. The unemployment rate was projected to edge down over the period and the rate of price increase to remain close to that experienced in 1984.

In the Committee's discussion of the economic situation and outlook, the members differed to some extent on the prospects for economic activity in 1985, but they generally agreed that underlying economic conditions favored further moderate growth during the year, especially in the context of a stimulative fiscal policy and the decline in interest rates that had occurred. While various measures of economic activity continued to indicate a mixed pattern of developments, some recent information suggested a less sluggish overall performance than earlier. With reference to the staff projection, a few members felt that the risks of a deviation were in the direction of somewhat faster growth. Some others saw those risks as about evenly balanced, while several believed there were more risks of a shortfall. Many members were concerned that the projected rate of expansion was in any event inadequate in light of the availability of labor and capacity and other factors.

The members continued to give considerable emphasis to the many risks that could lead to an unexpected outcome, especially in view of potential complications associated with massive and sustained federal deficits and very large imbalances in the nation's foreign trade. Other areas of uncertainty related to various financial strains or other problems in several sectors of the economy, including energy-related industries and especially agriculture, which was experiencing serious difficulties in many parts of the country. It was also noted that the recent tax proposals of the U.S. Treasury might tend to alter business spending plans in uncertain ways as the likelihood of implementation of various elements of the proposals was assessed.

The members recognized that the performance of the economy in the months immediately ahead would depend in important measure on consumer expenditures. The rising incomes of consumers, their large holdings of liquid assets, and an apparently high degree of consumer confidence pointed to continuing growth in consumer spending. In the view of at least some members, however, such spending might remain relatively sluggish during the year ahead. They noted in this regard that consumer expenditures often tended to falter during the third year of an expansion and that the substantial rise that had already occurred in consumer debt might inhibit further increases in debt-financed expenditures. Moreover, a substantial portion of consumer demand might in any event continue to be met from imports, with adverse consequences for domestic production.

Members noted that growth in business fixed investment had moderated considerably in recent months from an exceptionally rapid pace earlier. While continuing growth could be expected in 1985, it would probably contribute much less than earlier to overall gains in economic activity, but uncertainties connected with the recent tax proposals might affect the extent of the slowdown. On the other hand, reduced mortgage rates would make housing a less constraining influence on economic activity than it had been in recent quarters, and the view was expressed that some revival in housing construction was a reasonable prospect for 1985. It was noted, though, that uncertainties about future tax legislation could exert some restraining effect on housing, notably with regard to certain financing activities and particular types of housing such as second homes.

As they had at previous meetings, the members gave a good deal of attention to the effects of the continuing strength of the dollar in foreign exchange markets. The related surge in imports was having a very negative impact on production in many domestic industries, while expansion in exports was being curbed by the appreciated value of the dollar as well as by relatively slow economic growth abroad. Some members commented that they saw little or no prospect for significant improvement in the trade balance in 1985. If the foreign exchange value of the dollar were to decline moderately, foreign suppliers were viewed as likely to absorb some of the exchange loss through their profits, at least in the short run, in order to protect their market shares in the United States, in the process moderating any inflationary impact of the dollar's decline. It was noted that a rapid decline of the dollar might have undesirable effects on confidence or on the stability of markets if it led to a worsening of inflationary expectations.

The members continued to regard the outlook for inflation as relatively favorable in the sense that a moderate expansion in economic activity was not seen as likely to be associated with renewed upward pressures on wages and prices or, absent a sharp decline in the dollar, strong new price pressures from other sources. Members noted that prices of sensitive commodities were still declining and that there appeared to have been a downward shift in inflationary expectations in recent months, with favorable implications for future progress in containing wage and price increases. Indeed, a number of members commented that somewhat faster economic growth than was generally expected at this time might also be compatible with little or no additional inflationary pressures in 1985. At the same time, it was emphasized that the rate of inflation was still too high and needed to be reduced over time. One member also expressed the view that improvements in productivity were likely to contribute to diminishing inflationary pressures over the longer run. On the negative side, a sizable decline in the value of the dollar would in time exert upward pressure on domestic prices, although given the lags that were involved, any such impact might be relatively limited during 1985. Reference was also made to uncertainties about productivity improvements and to a desire to raise profit margins in many industries, even though competitive factors, both domestic and international, might well continue to hold prices down for a time.

At its meeting in July the Committee had agreed on policy objectives that called for tentative growth ranges for the period from the fourth quarter of 1984 to the fourth quarter of 1985 of 4 to 7 percent for M1, 6 to 8½ percent for M2, and 6 to 9 percent for M3. The associated range for total domestic nonfinancial debt was provisionally set at 8 to 11 percent for 1985. At this meeting the Committee reviewed background factors bearing on the ranges for 1985—including how experience in 1984 may affect the establishment and implementation of those ranges—in the expectation that at its next meeting it would reassess and set specific ranges for the year within the framework of the Full Employment and Balanced Growth Act of 1978 (the Humphrey-Hawkins Act).

During the Committee's discussion of policy implementation for the intermeeting period ahead, most of the members expressed a preference for directing open market operations toward some further easing of reserve conditions to encourage satisfactory growth in M1 and to improve the prospects for economic expansion in 1985. The views of these members differed to some extent on the degree of easing that should be sought. A few members, though, wanted essentially to maintain, pending new developments, the lesser degree of reserve restraint that had been achieved recently.

In the discussion of the pressures to be sought on reserve positions, some members stressed the risks of inadequate economic expansion in 1985 and commented that even a relatively rapid pace of economic growth next year would not be likely to incur much risk of stimulating a significant intensification of inflationary pressures. Some observed that despite sizable declines in nominal interest rates, real interest rates were still quite high, partly because of a downward shift in inflationary expectations, and were exerting considerable restraint on economic activity. A number of members also commented that domestic considerations in favor of lesser restraint were reinforced by the need to take account of the strength of the dollar in foreign exchange markets and the severe debt-servicing problems of several developing countries. Other members, particularly those who preferred little or no easing of reserve conditions, noted the possibility that the expansion might turn out to be more vigorous than was generally expected. The impact of reduced interest rates had not yet been fully reflected in the economy and more time was needed to gauge that impact as the Committee endeavored to steer an appropriate policy course that would encourage expansion in economic activity while avoiding an intensification of inflation.

The members concurred that growth in M1 might accelerate over the months ahead, partly in lagged response to sizable declines in short-term interest rates during recent months, but several were of the view that some additional easing of reserve conditions was probably needed to help assure adequate growth in M1. It was noted that there was as yet no clear evidence that the recent easing of reserve conditions and accompanying decline in short-term interest rates would foster a sustained rebound in M1 growth. On the other hand, growth in the broader aggregates appeared to be exceeding the Committee's expectations for the fourth quarter by a substantial margin and it was suggested that the performance of M1 needed to be evaluated in light of that development. With respect to the outlook for the broader aggregates, the members generally anticipated appreciable slowing from the unusually rapid growth experienced in recent weeks, largely because they expected inflows of funds to money market deposit accounts and money market mutual funds to slow substantially as the interest rates paid on such accounts were adjusted down to bring them into better alignment with short-term market rates.

Along with other short-term rates, the federal funds rate had declined considerably in recent weeks and might fall a little more if pressures on reserve positions were eased somewhat further. Under the circumstances, most of the members were in favor of a technical downward adjustment in the current intermeeting range of 7 to 11 percent. It was suggested during this discussion that a rise in the federal funds rate to around the upper limit of the existing range would imply reserve conditions that were inconsistent with the Committee's objectives for monetary growth. On the other hand, some members cautioned that a decline in the rate that was too precipitous or sizable might signal more of an easing to markets than was needed to achieve the Committee's objectives.

At the conclusion of the Committee's discussion, a majority of the members indicated that they favored or could accept a directive that called for some further reduction in the degree of restraint on reserve positions. The members expected that such an approach to policy implementation would be consistent with growth of M1 at an annual rate of around 7 percent during the four-month period from November to March and with expansion of both M2 and M3 at an annual rate of about 9 percent during the same period. Because of the currently estimated shortfall in M1 growth in the fourth quarter compared with the members' expectations at the beginning of the quarter, the Committee decided that somewhat more rapid growth of M1 would be acceptable for the period ahead, particularly if the faster growth occurred in the context of sluggish expansion in economic activity and continued strength of the dollar in foreign exchange markets. The Committee also indicated that greater restraint on reserve positions might be acceptable in the event of substantially more rapid growth in the monetary aggregates than was currently expected and indications that economic activity and inflationary pressures were strengthening significantly. It was agreed that the intermeeting range for the federal funds rate, which provides a mechanism for initiating consultation of the Committee when its boundaries are persistently exceeded, should be reduced by one percentage point to 6 to 10 percent.

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

The information reviewed at this meeting indicates a mixed pattern of developments but on balance suggests that economic activity is continuing to expand in the current quarter at a rate approximating the considerably reduced pace recorded in the third quarter. Nonfarm payroll employment rose substantially further outside of manufacturing in November, and the civilian unemployment rate fell from 7.4 to 7.2 percent. After two months of decline industrial production increased somewhat in November, largely reflecting a rebound in auto production from strike-reduced levels. Retail sales registered a large gain in November after changing little in October. Information on outlays suggests substantially slower expansion in business fixed investment, following exceptionally rapid growth earlier. Since the beginning of the year, broad measures of prices generally have continued to rise at rates close to, or somewhat above, those recorded in 1983, and the index of average hourly earnings has risen somewhat more slowly.

Growth of the monetary aggregates strengthened markedly in November. The November expansion in M1 offset the decline in October, and this aggregate has grown little on balance since early summer; from the fourth quarter of 1983 through November, M1 grew at a rate in the lower half of the Committee's range for 1984. Growth in the broader aggregates was especially rapid in November, bringing M2 to the midpoint of its longer-run range and M3 a bit further above the upper limit of its range. Expansion in total domestic nonfinancial debt is continuing above the Committee's monitoring range for the year, reflecting very large government borrowing and strong private credit growth. Interest rates have fallen further since the November meeting of the Committee, with the largest declines concentrated in short-term markets. On November 21, the Federal Reserve approved a reduction in the discount rate from 9 to 8½ percent.

Since early November the foreign exchange value of the dollar against a trade-weighted average of major foreign currencies has appreciated substantially, reversing most of the previous decline from its mid-October peak. The merchandise trade deficit in October was significantly reduced from the rate in the third quarter, mainly reflecting a sharp decline in non-oil imports.

The Federal Open Market Committee seeks to foster monetary and financial conditions that will help to reduce inflation further, promote growth in output on a sustainable basis, and contribute to an improved pattern of international transactions. In furtherance of these objectives the Committee agreed at the July meeting to reaffirm the ranges for monetary growth that it had established in January: 4 to 8 percent for M1 and 6 to 9 percent for both M2 and M3 for the period from the fourth quarter of 1983 to the fourth quarter of 1984. The associated range for total domestic nonfinancial debt was also reaffirmed at 8 to 11 percent for the year 1984. It was anticipated that M3 and nonfinancial debt might increase at rates somewhat above the upper limits of their 1984 ranges, given developments in the first half of the year, but the Committee felt that higher target ranges would provide inappropriate benchmarks for evaluating longer-term trends in M3 and credit growth. For 1985 the Committee agreed on tentative ranges of monetary growth, measured from the fourth quarter of 1984 to the fourth quarter of 1985, of 4 to 7 percent for M1, 6 to 8½ percent for M2, and 6 to 9 percent for M3. The associated range for nonfinancial debt was set at 8 to 11 percent.

The Committee understood that policy implementation would require continuing appraisal of the relationships not only among the various measures of money and credit but also between those aggregates and nominal GNP, including evaluations of conditions in domestic credit and foreign exchange markets.

In the implementation of policy in the short run, the Committee seeks to reduce pressures on reserve positions consistent with growth of M1, M2, and M3 at annual rates of around 7, 9, and 9 percent, respectively, during the period from November to March. Somewhat more rapid growth of M1 would be acceptable in light of the currently estimated shortfall in growth for the fourth quarter relative to the Committee's expectations at the beginning of the period, particularly in the context of sluggish growth in economic activity and continued strength of the dollar in exchange markets. Greater restraint on reserve positions might be acceptable in the event of substantially more rapid monetary growth and indications of significant strengthening of economic activity and inflationary pressures. 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 6 to 10 percent.

Votes for this action: Messrs. Volcker, Boehne, Boykin, Corrigan, Mrs. Horn, Messrs. Martin, Partee, Rice, Ms. Seger, and Mr. Wallich. Votes against this action: Messrs. Solomon and Gramley.

Mr. Solomon dissented from this action because, although he thought some further easing would be appropriate over the coming period, he believed such action should be relatively gradual. In particular, he was concerned that the provision of reserves sought by the Committee risked an excessive decline in short-term rates and an overreaction in the financial markets. He therefore preferred a more cautious probing towards easier reserve conditions.

Mr. Gramley dissented because he could not accept a directive that called for further easing of reserve conditions. In his view the underlying strength of the economy together with the ongoing effects of earlier declines in interest rates provided the basis for a likely rebound in economic growth during 1985. He also believed that the Committee needed to take greater account of the broader monetary aggregates whose expansion appeared to be exceeding the Committee's expectations by a substantial margin in the fourth quarter. Under current circumstances he was concerned that significant further easing of reserve conditions would foster additional declines in interest rates that would have to be reversed later as economic growth picked up again.

On January 18, 1985, the Committee held a telephone conference to discuss recent foreign exchange market developments in the context of the announcement made by the G-5 Ministers of Finance and Central Bank Governors. Against the background of various measures that could contribute to greater exchange rate stability, that announcement reaffirmed, in light of recent developments, the commitment made at the Williamsburg Summit to undertake coordinated intervention in exchange markets as necessary. It was noted in the course of discussion that the Committee's authorizations for foreign currency operations provided adequate scope for any actions in exchange markets that might be undertaken by the System in this context.

2. *Authorization for Domestic Open Market Operations*

At this meeting the Committee voted to increase from \$4 billion to \$6 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 for the intermeeting period ending with the close of business on February 13, 1985.

Votes for this action: Messrs. Volcker, Solomon, Boehne, Boykin, Corrigan, Gramley, Mrs. Horn, Messrs. Martin, Partee, Rice, Ms. Seger, and Mr. Wallich. Votes against this action: None.

This action was taken on the recommendation of the Manager for Domestic Operations. The Manager had advised that substantial net sales of securities were likely to be necessary during the weeks ahead in order to absorb reserves that had been provided recently to meet increased seasonal needs for currency in circulation and required reserves.

Legal Developments

AMENDMENTS TO REGULATION J

The Board of Governors has amended Regulation J (12 C.F.R. Part 210) to strengthen the current requirement that payor depository institutions provide notice when they are returning unpaid large dollar checks presented through the Federal Reserve. The amendment requires the payor institution to provide timely notice to the depository institution at which the check was originally deposited that the check is being returned unpaid. The Federal Reserve Banks will enhance the notification service they currently provide to assist payor institutions in meeting this requirement. The Federal Reserve's notification service will also be available to depository institutions for checks collected outside the Federal Reserve.

Effective October 1, 1985, the Board amends 12 C.F.R. Part 210 as follows:

Part 210—Federal Reserve Bank Check Collection System

In § 210.12, the last sentence of the section is designated as paragraph (d), and new paragraph (c) is added after paragraph (b) to read as follows:

Section 210.12—Return of Cash Items

* * * * *

(c) *Notification of Nonpayment.*

(1) A paying bank that receives a cash item in the amount of $2500 or more directly or indirectly from a Reserve Bank and determines not to pay it shall provide notice to the first bank to which the item was transferred for collection ("depositary bank") that the paying bank is returning the item unpaid. If the depositary bank is not located in a state, the paying bank shall provide the notice to the bank located in a state that first handled the item for collection.

(2) The paying bank shall provide the notice such that it is received as specified by the operating circular of the paying bank's Reserve Bank by the depositary bank by midnight of the second banking day of the paying bank following the deadline for return of the item as specified in paragraph (a) of this section. If the day the paying bank is required to provide notice to the depositary bank is not a banking day for the depositary bank, receipt of notice on the depositary bank's next banking day shall constitute timely notice under this paragraph. Notice may be provided through any means, including return of the cash item so long as the cash item is received by the depositary bank within the time limits specified in this subparagraph.

(3) The information contained in the notice shall include the name of the paying bank, the name of the payee, the amount of the item, the reason for return, the date of the indorsement of the depositary bank, the account number of the depositor, the branch at which the item was first deposited, and the trace number on the item of the depositary bank, and should otherwise be in accordance with uniform standards and procedures specified by the operating circular of the paying bank's Reserve Bank. A paying bank is not required to provide any information in the notice that it, after exercising ordinary care and acting in good faith, is not able to determine with reasonable certainty from the item itself.

(4) A paying bank is not required to, but may voluntarily, provide notice to the department of the depositary bank or other entity specified by the depositary bank to receive the notice.

(5) If a paying bank provides a notice pursuant to subparagraph (1) of this paragraph and subsequently determines to pay the item, the paying bank shall provide to the depositary bank a second notice as soon as reasonably possible. This second notice should indicate that it is a second notice that is cancelling a previous notice and should contain sufficient information to enable the depositary bank to match the second notice with the previous notice.

(6) A paying bank that fails to exercise ordinary care in meeting the requirements of this paragraph shall be liable to the depositary bank for losses incurred by the depositary bank, up to the amount of the item, reduced by the amount of the loss that the depositary bank would have incurred even if the

paying bank had used ordinary care. A paying bank that fails to act in good faith in meeting the requirements of this paragraph may be liable for other damages, if any, suffered by the depositary bank as a proximate consequence. If the paying bank or the depositary bank prevails in litigation involving the requirements of this paragraph, it may recover its court costs and reasonable attorneys' fees. A paying bank shall not be liable for mistake, neglect, negligence, misconduct, insolvency or default of any other bank or other person in connection with providing notice under this paragraph.

(7) Notwithstanding the provisions of section 210.6 of this subpart, a Reserve Bank that fails to exercise ordinary care in undertaking to provide the notice required in this paragraph on a paying bank's behalf shall be liable to the depositary bank for losses incurred by the depositary bank, up to the amount of the item, reduced by the amount of the loss that the depositary bank would have incurred even if the Reserve Bank had used ordinary care. A Reserve Bank that fails to act in good faith in undertaking to provide the notice required in this paragraph on a paying bank's behalf may be liable for other damages, if any, suffered by the depositary bank as a proximate consequence. If the Reserve Bank or the depositary bank prevails in litigation involving the requirements of this paragraph, it may recover its court costs and reasonable attorneys' fees. A Reserve Bank shall not be liable for mistake, neglect, negligence, misconduct, insolvency or default of any other bank or other person, including the paying bank in connection with providing notice under this paragraph.

(8) Notwithstanding the provisions of section 210.6 of this subpart, a Reserve Bank that undertakes to provide the notice required in this paragraph on a paying bank's behalf shall indemnify the paying bank for any claim brought against it by the depositary bank that results from the Reserve Bank's failure to exercise ordinary care or failure to act in good faith in providing the notice. The paying bank shall indemnify a Reserve Bank that undertakes to provide the notice required in this paragraph on the paying bank's behalf for any claim brought against the Reserve Bank by the depositary bank that results from the paying bank's failure to exercise ordinary care or failure to act in good faith in connection with the provision of the notice.

(9) This paragraph does not apply to an item drawn on the account of the U.S. Treasury or to an item indorsed by, or for credit to, the U.S. Treasury.

* * * * *

Bank Holding Company, Bank Merger, and Bank Service Corporation Orders Issued by the Board of Governors

Orders Issued Under Section 3 of Bank Holding Company Act

Pikeville National Corporation
Pikeville, Kentucky

Order Denying Acquisition of a Bank

Pikeville National Corporation, Pikeville, Kentucky, a bank holding company within the meaning of the Bank Holding Company Act ("Act") (12 U.S.C. § 1841 *et seq.*), has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire 100 percent of the voting shares of First Guaranty Bank of Martin, Martin, Kentucky ("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 the application and all comments received, including those submitted by First Commonwealth Bank and The Bank Josephine, both of Prestonsburg, Kentucky ("Protestants"), in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)).

Applicant, the sixth largest banking organization in Kentucky, controls one bank, Pikeville National Bank ("Pikeville Bank"), with total deposits of $257.6 million, representing 1.3 percent of the total deposits in commercial banks in the state.[1] Upon acquisition of Bank, with deposits of $65.5 million, Applicant's share of deposits in commercial banks in Kentucky would increase by only 0.3 percentage points to 1.6 percent. Accordingly, consummation of this proposal would not have an appreciable effect upon the concentration of commercial banking resources in Kentucky.

Applicant operates 10 banking offices, all of which are located in Pike County, Kentucky. Bank operates one office in Martin, which is in Floyd County, Kentucky. Martin is connected by 23 miles of four-lane highway to Pikeville, where Applicant is located. Applicant claims that Pike County and Floyd County are separate banking markets, and thus, that consummation of this proposal will not eliminate existing competition between Applicant and Bank. Protestants claim, however, that the relevant geographic market should be defined as Floyd County and Pike County, Kentucky. Protestants base their contention that the

1. All banking data are as of March 31, 1984.

relevant market consists of both counties on several factors, including the existence of a four-lane highway that runs through and connects Pikeville and Prestonsburg, the major towns in Pike County and Floyd County, respectively,[2] and shopping facilities that attract Floyd County residents to Pike County.[3]

The Board has previously indicated that the relevant banking market must reflect the commercial and banking realities and should consist of the localized area where the banks involved offer their services and where local customers can practicably turn for alternatives.[4] As the Supreme Court has stated, 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."[5] This area "must be charted by careful selection of the market area in which the seller operates and to which the purchaser can practicably turn for supplies."[6]

Applying these principles to the facts of this case, and after carefully considering the submissions by Applicant, Protestants, and the facts of record, including a field investigation of the Floyd and Pike County area conducted by the staffs of the Board and the Federal Reserve Bank of Cleveland, the Board concludes that the relevant banking market within which to evaluate the competitive effects of this proposal is Pike and Floyd Counties, Kentucky. This conclusion is based on the ready accessibility for a substantial portion of the counties' population to banking services offered by banks in both counties, the proximity of the banks involved, and the demography and economic integration of the region.

Pike and Floyd Counties are located in a mountainous region of southeast Kentucky known as Big Sandy. Pike and Floyd Counties have populations of 81,123 and 48,764, respectively. The nearest major commercial centers are Lexington, which is approximately 140 miles west of Pikeville and the Huntington–Ashland metropolitan area, which is approximately 95 miles northeast of Pikeville. The main industry in both counties is coal mining.

Pikeville, the largest city in this area of the state and the county seat of Pike County, is connected to Prestonsburg, the largest city in Floyd County and the county seat, by a 26-mile section of Route 23, which is a four-lane divided federal highway. Martin, where Bank is currently located, is eight road miles from Prestonsburg and 23 miles from Pikeville via a high quality four-lane connecting highway to Route 23. Although Pikeville and Prestonsburg are the largest towns in Pike and Floyd Counties with populations of 4,756 and 4,011, respectively, the region between the two towns, which includes Martin, where Bank is located, has a population that far exceeds that of either town.[7] The field investigation of the area indicates that virtually all the usable land bordering Route 23 is either occupied by a residence or business or is under development.

The area between and including the two towns is also where a substantial portion of the two counties' commercial activities are centered. A continuous quarter mile shopping area in Pike County that contains a number of national and regional retailers, such as K-Mart and Kroger's, operates within 3.5 miles of the Pike/Floyd County border. The field survey indicated that a substantial number of the customers of the shopping area are from Floyd County. A proposed new shopping mall near the county line in Pike County with the sole outlets of national retailers in that region, such as Sears and J.C. Penney, is likely to attract even more people from Floyd County to Pike County. All of the banks in Pike County propose to have branches in the new mall.

The existing banking activity of Floyd and Pike County banks also reflects the distribution of population and economic activity described above. Three banks operate in Pike County and all of these banks have branches in the area near the county border along Route 23. Interviews with Pike County bankers indi-

2. Protestants also express concern over Bank's plans to change from a state chartered bank to a federally chartered bank and to move Bank from Martin to Prestonsburg, where Protestants are located. The Comptroller of the Currency has granted preliminary approval of the charter. The Board expresses no views regarding Bank's new charter or its proposed move. Inasmuch as Bank would move within Floyd County, the move would not affect the analysis of the proposal under Protestant's proposed market definition.

3. Protestants also requested a hearing on the application. There is no statutory requirement in the Act that the Board conduct such a hearing. Moreover, the Board has examined the written submissions by Protestants and Applicant and is unable to conclude that a hearing would significantly supplement the record or resolve issues that are already discussed in the written submissions. Thus, the Board concludes that the record in this case is sufficiently complete to render a decision and, on this basis, denies the request for a hearing.

4. *Dacotah Bank Holding Company*, 70 FEDERAL RESERVE BULLETIN 347 (1984); *Wyoming Bancorporation*, 68 FEDERAL RESERVE BULLETIN 313 (1982), *aff'd sub nom.*, *Wyoming Bancorporation v. Board of Governors*, 729 F.2d 687 (10th Cir. 1984); *Independent Bank Corporation*, 67 FEDERAL RESERVE BULLETIN 436 (1981).

5. *United States v. Philadelphia National Bank*, 374 U.S. 321, 357 (1963); *United States v. Phillipsburg National Bank*, 399 U.S. 350, 364–65 (1970).

6. 374 U.S. at 359.

7. For example, 1980 census surveys indicate that 9,068 persons live beyond the Pikeville town limits in the Pikeville census division, which spans from Pikeville to the border with Floyd County, and through which Route 23 runs. Approximately 44 percent (22,107) of Floyd County residents live in census divisions bordering on Route 23 between the county border and Prestonsburg or bordering on Pike County to the south of Route 23. Two of these divisions, Mare Creek and Mud Creek, which border Pike County near Route 23, registered population growth in excess of 50 percent in the 1970–80 period. For persons living in and between Pikeville and Prestonsburg, banks in either county offer a reasonable alternative for banking services.

cate that the location of existing and planned branches near the county line was intended to help solicit banking business from the other county. Two of the three banks located in Floyd County have branches within 4 miles of the county border along Route 23. In addition, one of the Floyd County banks and two of the Pike County banks operate branches near the southern border of the counties. Moreover, some of the Pike County banks target businesses in Floyd County for commercial loans.

The Board also has considered the extent to which the Pike County banks are providing banking services to Floyd County residents. Pike County banks generate deposits and loans from Floyd County which are equivalent to 10 percent of the deposits and 12 percent of the loans held by Floyd County banks. Applicant itself obtains approximately 4.5 percent of its deposits and 8.0 percent of its loans from Floyd County residents.[8] Floyd County banks derive 2 percent of their deposits and 1 to 2 percent of their loans from Pike County. Although these statistics indicate that Floyd County banks do not obtain as large an amount of their business from Pike County as Pike County banks do from Floyd County, these statistics are consistent with the substantial economic activity in Pike County that attracts Floyd County residents to Pike County, and demonstrate that there is existing competition between the banks in the two counties. This evidence also indicates that the banks in each county have not regarded the other counties as being so far removed from their major service areas as to warrant a refusal to extend credit to borrowers there.[9]

Although neither county's main newspaper has a wide circulation in the other county, all of the Pikeville banks advertise on the Prestonsburg radio station, which is the only radio station that can reach all of Pike County during the day. In addition, one of the three Floyd County banks advertises in the Pike County newspaper and local radio station.

In the Board's judgment, the proximity of Pike and Floyd Counties, the ready accessibility to residents of either county of banking facilities and other services in either county, and the substantial distance to other comparable commercial centers, indicate that both counties offer to residents of the other an available and practical alternative for a variety of services, including banking services. These facts contradict Applicant's thesis that the two counties are located in separate banking markets, each of which is sufficiently isolated from competitive forces in the other such that residents of one would not turn to the other nearby community for banking services. In fact, the evidence indicates that a significant number of Floyd County residents use Pike County banks as an alternative source of banking services. Based on these and all of the other facts of record, the Board concludes that Floyd and Pike Counties are part of the same relevant geographic market.

Within the relevant banking market, Applicant is the largest of six banking organizations, with total deposits of about \$257.6 million, which represents 32.1 percent of the total deposits in commercial banks in the market. Bank is the sixth largest banking organization in the market, controlling 8.2 percent of the total deposits in commercial banks in the market. As a result of the proposed acquisition of Bank, Applicant would remain the largest commercial banking organization in the market, and its share of market deposits would increase from 32.1 percent to 40.3 percent. The share of deposits held by the four largest commercial banking organizations in the market would increase from 80.6 percent to 88.8 percent, and the Herfindahl–Hirschman Index ("HHI") would increase by 526 points to 2573. Thus, the relevant banking market is and would remain highly concentrated upon consummation of this proposal, and would be subject to challenge under the United States Department of Justice Merger Guidelines.[10]

In its evaluation in previous cases of the competitive effects of a proposal, the Board has indicated that thrift institutions have become, or at least have the potential to become, major competitors of commercial banks.[11] In this case, two thrift institutions compete in the relevant banking market. These institutions are the smallest of all the financial institutions in the market and control deposits of \$28.8 million, which represents only 3.4 percent of the total deposits in commercial banks and thrift institutions in the market.[12]

8. Although a telephone call from most of Floyd County to Pikeville is considered a long-distance call, Applicant installed a phone number for Floyd County residents so they could call Pikeville Bank without incurring a long distance charge.

9. Applicant itself has previously indicated that Pikeville Bank's "local community" for purposes of the Community Reinvestment Act includes Floyd County. Both Prestonsburg banks include a portion of Pike County in their local community under the statute, and the other Pikeville banks likewise include a portion of Floyd County in their community. Delineation of a bank's "local community" for this purpose involves many of the same considerations involved in delineating a geographic market.

10. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), the Department is likely to challenge a merger where the increase in the HHI exceeds 100 points and the HHI substantially exceeds 1800.

11. *NCNB Bancorporation*, 70 FEDERAL RESERVE BULLETIN 225 (1984); *General Bancshares Corporation*, 69 FEDERAL RESERVE BULLETIN 802 (1983); *First Tennessee National Corporation*, 69 FEDERAL RESERVE BULLETIN 298 (1983).

12. There is no evidence in the record that would support the inclusion of 100 percent of the deposits of thrift institutions in the calculation of market concentration. Even if 100 percent of the deposits were included, however, Bank's market share would be 31.0 percent and would increase to 38.9 percent after consummation of the proposal. The HHI would be 1915 and would increase by 490 points to 2405 as a result of this proposal.

The Board is concerned about the proposed acquisition of Bank by the largest competitor in the market because of the limits on entry imposed by state banking law. Kentucky law prohibits an existing bank holding company or an individual who owns one bank from chartering a *de novo* bank and any bank acquired by such a company or individual must have been in existence for five years.[13] In addition, Kentucky law prohibits a bank from branching into a city where a bank is headquartered, such as Prestonsburg.[14] Thus, elimination of the competition between Applicant and Bank would result in an adverse effect on competition that is unlikely to be mitigated by the prospect of *de novo* entry into the market.

Based upon the foregoing and all the facts of record, the Board concludes that the effect of consummation of this proposal may be substantially to lessen competition in the relevant banking market, and that the inclusion of both of the thrift institutions as competitors in the market does not significantly mitigate the anticompetitive effects of the proposal.[15]

The financial and managerial resources of Applicant, its subsidiary and Bank are satisfactory and consistent with approval. The record of this application indicates that Applicant would increase Bank's lending limit and expand the types of services offered by Bank, such as financial planning services, IRAs, discount brokerage services, and variable rate mortgages. Although the affiliation would expand Bank's services, in the Board's view, these considerations do not outweigh the substantially adverse competitive effects of this proposal because Applicant is already providing the services in the market.

13. Ky. Rev. Stat. § 287.900(2) (Supp. 1984).

14. Ky. Rev. Stat. § 287.180 (Supp. 1984).

15. Applicant also argues that this proposal should be approved because the Chairman and President of Applicant and their families own 100 percent of Bank's shares. In a previous case involving the formation of a bank holding company over Bank, the Federal Reserve Bank of Cleveland defined Floyd County and Pike County as two separate banking markets. The Reserve Bank did not undertake an in-depth study of the market because it determined that Applicant's Chairman and President did not control Applicant within the meaning of the Act.

Although these officers of Applicant control 100 percent of Bank, together they control less than 5 percent of Applicant. The determination that these officers of Applicant do not control Applicant is consistent with the definition of control in the Act and the Board's precedents in this area, which require that an individual or group of individuals control at least 25 percent of each bank's voting shares in order to find that the banks are subject to common control. *See, Mid-Nebraska Bancshares, Inc.*, 64 Federal Reserve Bulletin 588 (1978), *aff'd*, 627 F.2d 266 (D.C. Cir. 1980); *Semo Bancshares, Inc.*, 66 Federal Reserve Bulletin 509 (1980); *Mahaska Investment Company*, 63 Federal Reserve Bulletin 579 (1977). In addition, in approving the bank holding company formation, the Reserve Bank relied on the officers' statements that they planned only to act in an advisory position at Bank. Consummation of this proposal, however, would place the shares of Bank under Applicant's control in perpetuity, and thus clearly involves the type of relationship Congress sought to regulate through the Bank Holding Company Act.

Based on the foregoing and other considerations reflected in the record, it is the Board's judgment that the proposed acquisition is not in the public interest and that the application should be, and hereby is, denied.

By order of the Board of Governors, effective February 4, 1985.

Voting for this action: Chairman Volcker and Governors Martin, Wallich, Partee, Rice, Gramley, and Seger.

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

Sun Banks, Inc.
Orlando, Florida

Order Approving Acquisition of Shares of a Bank

Sun Banks, Inc., Orlando, Florida, a bank holding company within the meaning of the Bank Holding Company Act (12 U.S.C. §§ 1841 *et seq.*) ("Act"), has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire up to 15 percent of the voting shares of Peoples Bank of Lakeland, Lakeland, Florida ("Bank"). Applicant currently owns 4.6 percent of the voting shares of Bank.

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

The Board has previously indicated that the acquisition of less than a controlling interest in a bank is not a normal acquisition for a bank holding company.[1] However, the requirement in section 3(a)(3) of the Act that the Board's prior approval be obtained before a bank holding company acquires more than 5 percent of the voting shares of a bank suggests that Congress contemplated the acquisition by bank holding companies of between 5 percent and 25 percent of the voting shares of banks. Accordingly, the Board has previously approved the acquisition by a bank holding company of less than a controlling interest in a bank.[2]

1. *Midlantic Banks, Inc.*, 70 Federal Reserve Bulletin 776 (1984); *State Street Boston Corporation*, 67 Federal Reserve Bulletin 862 (1981).

2. *Id. See also Comerica Incorporated*, 69 Federal Reserve Bulletin 911 (1983); *Lincoln National Company*, 63 Federal Reserve Bulletin 405 (1977); and *First Piedmont Corporation*, 59 Federal Reserve Bulletin 456 (1973).

Section 3(c) of the Act requires the Board in every case under section 3 of the Act to analyze the competitive, financial, managerial, future prospects, and convenience and needs considerations. In accordance with that section, the Board has considered all of these factors in its analysis of this application.

Applicant is the second largest commercial banking organization in Florida. Its 30 subsidiary banks hold total domestic deposits of $7.3 billion, representing 12.5 percent of all deposits in commercial banks in the state. Bank is the twentieth largest commercial banking organization in Florida, with 0.5 percent of all deposits in commercial banks in the state.[3] Applicant and Bank compete in the West Polk County banking market.[4] Bank is the largest of ten commercial banking organizations in the market and controls $290.7 million in deposits, representing 41.1 percent of total deposits in commercial banks in the market. Applicant controls the fifth largest bank in the market, with $68.9 million in deposits, representing 10.2 percent of total deposits in commercial banks in the market.

If this proposal involved the acquisition of control of Bank by Applicant, it appears likely, based on the facts as presented at this time, that consummation of the proposal would substantially lessen competition in the West Polk County banking market.[5] In that event, the Board would be required to deny the proposal.

Based on the facts of record and Applicant's commitments, however, the Board has concluded that Applicant would not acquire control or the ability to exercise a controlling influence over Bank upon consummation of this proposal. The record shows that Applicant has applied to acquire no more than 15 percent of the shares of Bank and that approximately 54 percent of Bank's voting shares are owned by a family which has controlled Bank for at least 32 years and whose members currently serve as chairman and vice chairman of Bank. In addition, Applicant has committed that it will not, without prior consent from the Board:

(1) exercise or attempt to exercise a controlling influence over Bank's management or policies;

(2) take any action causing Bank to become a subsidiary of Applicant;

(3) seek or accept representation in the management or on the board of directors of Bank;

(4) provide any advice regarding the management or policies of Bank; or

(5) conduct a proxy contest in opposition to Bank's board of directors.

The Board's inquiry does not end, however, with its finding that Sun will not control Bank. The Board views such acquisitions with concern and continues to believe that noncontrolling interests in directly competing banks may raise serious questions under the Act. The Board has previously noted that one company need not acquire control of another in order to substantially lessen competition between them.[6] It is possible, for example, that the acquisition of a substantial ownership interest in a competitor or potential competitor of the acquiring firm may alter the market behavior of both firms in such a way as to weaken or eliminate independence of action between the organizations and increase the likelihood of cooperative operations.

Whether a substantial lessening of competition would result from a minority investment in a competing bank must be answered in light of the specific facts of each case. In this case, it is the Board's judgment, based upon careful analysis of the record, that no substantial lessening of competition is likely to result from the acquisition. The record shows that Bank is under the firm and active control of a family, that there will be no officer or director interlocks between Applicant and Bank, and that Applicant intends the acquisition to be strictly a passive investment. Moreover, Bank is an institution of substantial asset size and is the leading institution in the market, controlling four times the market deposits of Applicant's subsidiary bank. The Board also views as significant the fact that six other major bank holding companies compete in the market.

The financial and managerial resources and future prospects of Applicant and its subsidiaries and Bank are satisfactory and consistent with approval of this application, as are considerations related to the convenience and needs of the community to be served.

Based on the foregoing and all of the facts of record, and particularly in light of Applicant's commitments, the Board has determined that this application should be and hereby is approved.[7] The acquisition of shares shall not be consummated before the thirtieth calendar

3. State banking data are as of December 31, 1983.

4. The West Polk County banking market consists of Lakeland, Mulberry, and Fort Meade, Florida. West Polk County data are as of June 30, 1983.

5. Acquisition of Bank by Applicant would increase the Herfindahl–Hirschman Index ("HHI") from 2295 to 3132, an increase of 837 points. If 50 percent of the deposits in thrift institutions in the market are included, the HHI would rise from 1541 to 2015, an increase of 474 points. If 100 percent of thrift deposits are included, the HHI would rise from 1453 to 1758, an increase of 305 points. Under either assumption, the proposal would be likely to be challenged under the Department of Justice Merger Guidelines.

6. *North Platte Corporation*, 66 FEDERAL RESERVE BULLETIN 782 (1980).

7. This approval does not authorize Applicant to hold more than 15 percent of the shares of Bank or to acquire control of Bank. Applicant would be required to file an application under section 3 of the Act to acquire additional shares of Bank, or if circumstances change such that Sun would have control over Bank. In reviewing such an application, the Board would examine the competitive effects of the proposed action as well as the other factors set forth in section 3(c) of the Act in light of the circumstances existing at the time. The Board's approval of this application should not be interpreted to mean that the Board necessarily would approve any such future application.

day following the effective date of this Order, or later than three months after the effective date of this Order, unless that period is extended for good cause by the Board, or by the Federal Reserve Bank of Atlanta pursuant to delegated authority.

By order of the Board of Governors, effective February 1, 1985.

Voting for this action: Chairman Volcker and Governors Martin, Wallich, Partee, Rice, Gramley, and Seger.

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

United Iowa Bancshares, Inc.
Mason City, Iowa

Order Approving Acquisition of Bank

United Iowa Bancshares, Inc., Mason City, Iowa, a bank holding company within the meaning of the Bank Holding Company Act ("Act") (12 U.S.C. § 1841 *et seq.*), has applied for the Board's approval pursuant to section 3(a)(3) of the Act (12 U.S.C. § 1842 (a)(3)), to acquire at least 80 percent of the voting common shares and to retain 99.6 percent of the cumulative convertible preferred stock (the "preferred stock") of North Iowa State Bank, Belmond, Iowa ("Bank").[1]

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

Applicant controls one bank, First Newton National Bank, Newton, Iowa ("Newton Bank"), with total deposits of $45.2 million, representing 0.2 percent of the total deposits in commercial banks in Iowa.[2] Bank is one of the smaller commercial banking organizations in Iowa, with total deposits of $19.9 million, representing less than 0.1 percent of the total deposits in commercial banks in the state. Upon consummation of this proposal, Applicant would control total deposits of $65.1 million, representing approximately 0.3 percent of the total deposits in commercial banks in the state.[3] In the Board's view, consummation of this proposal would have no significant effect on the concentration of banking resources in Iowa.

Bank operates in the Wright County and Hancock banking markets.[4] In the Wright County banking market, Bank is the smallest of eight banking organizations, controlling 3.7 percent of the total deposits in commercial banks in the market. In the Hancock banking market, Bank is the sixth largest of seven banking organizations, controlling 6.1 percent of the total deposits in commercial banks in the market. Applicant does not operate in either of these banking markets. Accordingly, consummation of this proposal would have no significant adverse effect upon existing competition.

The financial and managerial resources and future prospects of Applicant and Newton Bank are satisfactory. As a result of this proposal, Bank's financial and managerial resources will be improved, particularly in light of Applicant's commitments to inject additional capital into Bank. Accordingly, banking factors lend weight for approval. Although Applicant has proposed no new services for Bank, there is no evidence in the record to indicate that the banking needs of the community are not being met. Accordingly, considerations relating to the convenience and needs of the community to be served are consistent with approval of the application.

Accordingly, the Board has determined that consummation of the transaction would be consistent with the public interest and that the application should be approved. On the basis of the record and for the reasons summarized above, the application is hereby approved. The acquisition of Bank's common stock shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Chicago, acting pursuant to delegated authority.

1. The preferred stock represents approximately 46 percent of Bank's total equity and is convertible into approximately 64 percent of Bank's voting common shares three years from the date of its issuance. Under these circumstances, the Board believes that the purchase of these securities required the Board's prior approval under section 3 of the Act. After carefully reviewing the record in this case, however, the Board believes that Applicant's purchase of the preferred stock was not a deliberate attempt to circumvent the purposes or requirements of the Act and does not preclude Board approval of this application.

2. Banking data are as of December 31, 1983.

3. The Board notes that Applicant and Bank are now commonly controlled through certain of their principals. Bank's Chairman of the Board, Mr. Robert H. Isensee, together with his son-in-law, Mr. Gary Kahn, controls approximately 63 percent of Bank's voting shares. These two individuals and Mr. Isensee's sister together control approximately 53 percent of Applicant.

4. The Wright County banking market is approximated by Wright County, Iowa. The Hancock banking market is approximated by all of Hancock County, Iowa, and Forest Township in Winnebago County, Iowa.

By order of the Board of Governors, effective February 15, 1985.

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

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

Security Banks of Montana
Billings, Montana

Order Denying Acquisition of Banks and Bank Holding Companies

Security Banks of Montana, Billings, Montana, a bank holding company within the meaning of the Bank Holding Company Act ("Act"), has applied for the Board's approval under section 3 of the Act (12 U.S.C. § 1842) to acquire Montana Bancsystem Inc., Billings, Montana ("MBI"), and thereby indirectly acquire its 13 subsidiary banks.[1] In connection with this application, Applicant also has applied to acquire 6.2 percent of Bank of Montana System, Great Falls, Montana.

Applicant also has applied for the Board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a)(2) of the Board's Regulation Y (12 C.F.R. § 225.23(a)(2)), to acquire MBI's data processing interests that are conducted directly from the holding company. This activity has been determined by the Board to be closely related to banking and permissible for bank holding companies. (12 C.F.R. § 225.23(b)(7)). Applicant also has applied, under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) to engage indirectly through MBI in the activities of a general insurance agency in towns with populations not exceeding 5,000.

Notice of the applications, affording opportunity for interested persons to submit comments, has been given in accordance with sections 3 and 4 of the Act (49 *Federal Register* 47,933). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)) and the considerations specified in section 4(c)(8) of the Act.

The Board has indicated on previous occasions that a bank holding company should be a source of financial and managerial strength to its subsidiaries, and that the Board will closely examine the condition of an applicant in each case with these considerations in mind.[2] The Board also has indicated and continues to believe that capital adequacy is an especially important factor in the analysis of bank holding company proposals, particularly in transactions where a significant acquisition is proposed, and that it will consider the implications of a significant level of intangible assets arising from a proposed expansion.[3] In the International Lending Supervisory Act of 1983, Congress recognized the importance of capital adequacy to the banking system and authorized the federal banking agencies to establish minimum levels of capital for banking institutions and to take other measures to ensure that banks achieve and maintain adequate capital.[4] The Board has repeatedly expressed its views regarding the need for bank holding companies to have sufficient primary capital, particularly tangible primary capital, and has stated that significant decreases in an institution's capital position would be grounds for denial of a proposal.[5]

Applicant is a well managed company and its banks are in satisfactory condition. Applicant's primary and total capital are above those levels set by the Board's current[6] and proposed Capital Adequacy Guidelines.[7] The Board is seriously concerned, however, with the effect of the proposal on Applicant's resources, particularly the substantial reduction of Applicant's capital and Applicant's increased reliance on debt.

The proposed transaction represents a substantial acquisition for Applicant that would double its size in terms of total assets. Applicant proposes to acquire all of the outstanding shares of MBI for approximately

1. The banks to be acquired are as follows: Montana Bank of Billings, Billings; Montana Bank of Circle, N.A., Circle; Montana Bank of Livingston, Livingston; First National Montana Bank of Missoula, Missoula; Montana Bank of South Missoula, Missoula; Montana Bank of Forsyth, Forsyth; Baker Bancorporation, Inc., Baker (Montana Bank of Baker, N.A., Baker); Bozeman Bancorporation, Inc., Bozeman (Montana Bank of Bozeman, N.A. Bozeman); Butte Bancorporation, Inc., Butte (Montana Bank of Butte, N.A., Butte); Mineral County Bancorporation, Inc., Superior (Montana Bank of Mineral County, Superior); Red Lodge Bancorporation, Inc., Red Lodge (Montana Bank of Red Lodge, N.A., Red Lodge); Roundup Bancorporation, Inc., Roundup (Montana Bank of Roundup, N.A., Roundup); and Sidney Holding Company, Sidney (Montana Bank of Sidney, N.A., Sidney); all located in Montana.

2. *Emerson First National Company*, 67 FEDERAL RESERVE BULLETIN 344 (1981). 12 C.F.R.§ 225.4(a)(1).

3. *National City Corporation*, 70 FEDERAL RESERVE BULLETIN 743 (1984). *Banks of Mid America, Inc.*, 70 FEDERAL RESERVE BULLETIN, 460 (1984). *Manufacturers Hanover Corporation*, 70 FEDERAL RESERVE BULLETIN 452, 453 (1984).

4. 12 U.S.C. § 3907(a) (West Supp. 1984).

5. *Eagle Bancorporation*, 70 FEDERAL RESERVE BULLETIN 728 (1984); *National City Corporation*, 70 FEDERAL RESERVE BULLETIN at 746.

6. Capital Adequacy Guidelines (12 C.F.R. § Part 225 Appendix A).

7. Proposed Minimum Capital Guidelines for Bank Holding Companies, 49 *Federal Register* 30,317 (1984).

$36.4 million, which represents a substantial premium for MBI shares. The acquisition would be funded by a complex transaction involving the issuance of new equity worth $13 million, mandatory convertible securities worth $10 million, the sale of $10.5 million in assets, dividends from Applicant's subsidiary banks of approximately $1.4 million, and $1.3 million of debt.

As a result of this proposal, Applicant's tangible primary capital would decline in excess of 220 basis points, to a level below that specified in the Board's proposed Capital Adequacy Guidelines. The Board views this decrease in tangible primary capital alone as a significant factor that reflects adversely on this proposal.

In addition to the decline in Applicant's tangible primary capital, Applicant's debt servicing ability also would be strained, relying in part on purchases by Applicant's ESOP of Applicant's common stock, on managerial fees and on the substantial retention of earnings by Applicant. Currently, Applicant's debt-to-equity ratio is consistent with that of its peer group. Although Applicant will not incur a large amount of new borrowing as such to finance this transaction, Applicant would be assuming a significant amount of debt held by MBI. In considering the level of Applicant's debt, the Board notes that a significant amount of mandatory convertible securities would be issued to MBI shareholders. Under adverse circumstances, Applicant has a strong disincentive to convert these securities to common stock because such conversion could significantly diminish the ability of existing management to control Applicant. Moreover, the new shareholders could influence the payment of dividends on their converted securities; thus conversion might not reduce the demands on Applicant's cash flow. If the mandatory convertible securities were deemed to be debt for the purpose of analysis, Applicant's debt-to-equity ratio would increase from 39 percent to 69 percent, a level significantly above that which is normally acceptable for bank holding companies.

Applicant argues that its cash flow projections indicate that it can service the debt. The Board believes that Applicant's projections are overly optimistic because, although the projections are lower than the combined companies' historical performance, they are based on a return on assets that is significantly higher than the performance of the combined companies over the past two years. Also, Applicant places a heavy reliance on ESOP stock purchases and management fees. In the Board's judgment, the cumulative effect of these and the other considerations with respect to the financial resources of Applicant indicate that Applicant would not be as capable of maintaining an adequate level of capital as required by sound banking practice and the International Lending Supervisory Act and could not be viewed as a source of strength to its subsidiary banks after consummation of the proposal. On the basis of the above considerations, the Board concludes that consummation of the proposal would so adversely affect Applicant's financial condition as to lend significant weight toward denial of the application.

With respect to the convenience and needs of the communities to be served, Applicant states that consummation of this proposal would expand Applicant's commercial lending capability and would give MBI access to an expanded ATM network. In the Board's view, these convenience and needs considerations are not sufficient to outweigh the adverse financial effects of this proposal. In light of the Board's adverse findings regarding Applicant's financial resources, the Board finds it unnecessary to decide if consummation of the proposal would result in a substantial elimination of competition in any relevant market.

Based on the foregoing and other considerations reflected in the record, it is the Board's judgment that the proposed acquisition is not in the public interest and that the applications should be and hereby are denied.

By order of the Board of Governors, effective February 22, 1985.

Voting for this action: Chairman Volcker and Governors Martin, Wallich, Partee, Rice, and Gramley. Governor Wallich abstained from the insurance portion of this action. Absent and not voting: Governor Seger.

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

Orders Issued Under Section 4 of Bank Holding Company Act

Citicorp
New York, New York

Statement by Board of Governors of the Federal Reserve System Regarding the Application of Citicorp to engage in certain life insurance activities under section 4(c)(13) of the Bank Holding Company Act

By letter dated November 19, 1984, the Board approved the application of Citicorp under section 4(c)(13) of the Bank Holding Company Act (12 U.S.C. § 1843(c)(13)) and section 211.5(d) of the Board's Regulation K to continue to hold shares of Assurantiemaatschappij Financia N.V., Antwerp, Belgium ("Finance") after Finance (1) expands its credit-related insurance underwriting activities to include underwriting certain credit-related insurance in Belgium and Luxembourg without regard to whether such insurance is related to extensions of credit by the Citicorp organization; (2) underwrites savings completion insurance in Belgium and Luxembourg; and (3) continues to underwrite in Belgium home loan life insurance and endowment life insurance related to the mortgage lending activities of Finance and its affiliates. In this statement, the Board sets forth its reasons for approving this application.

In reviewing proposals by U.S. banking organizations to engage in activities overseas, the Board has recognized that in other banking and financial systems, local institutions are often permitted to engage in activities that would not be permissible for United States banking organizations under applicable United States laws and regulations. In the Edge Act and the Bank Holding Company Act, the Board has been granted authority to permit activities abroad that are generally not authorized in the United States for bank holding companies. In the exercise of that authority, the Board has adhered to the policy that the foreign activities that it authorizes should be of a banking or financial, as opposed to commercial, nature, or that such activities should be usual in connection with banking or other financial operations abroad. The Board may also consider whether conduct of the activity will enable the U.S. banking organization to compete effectively with foreign organizations. In addition, the Board takes into account whether the performance of the activity by a United States banking organization overseas is consistent with the prudent conduct and management of the company's banking and nonbanking operations, and the effect of the activity on the capital and managerial resources of the U.S. banking organization.

The list of permissible activities in Regulation K includes the underwriting of credit life insurance and credit accident and health insurance that is related to extensions of credit by the investor or its affiliates (12 C.F.R. § 211.5(d)(5)). The activities of underwriting home loan life insurance, endowment life insurance, savings completion insurance, and credit insurance with respect to credit by unaffiliated lenders are permissible only with the Board's specific consent.

Citicorp seeks to expand the credit-related insurance underwriting activities of Finance in Belgium and Luxembourg to include the underwriting of credit life insurance, credit accident and health insurance, and savings completion insurance, without regard to whether such insurance is related to extensions of credit by, or savings plans offered by the Citicorp organization. With respect to credit-related insurance, the Board has previously stated that in the United States, the underwriting of credit-related insurance is generally viewed as a financially-related activity.[1] The insurance is directly linked to an extension of credit, the purpose of the insurance is to assure repayment of the credit, and the beneficiary is the lender.

Savings completion insurance has similar characteristics in that it is offered in connection with a savings plan and would permit the customer to obtain a predetermined line of credit upon completion of the plan. The insurance aspect of the proposal would require Finance to pay an amount equal to the difference between the maturity value of the deposit plan and the balance in the account at the time of the depositor's death or incapacity. Therefore, it appears that savings completion insurance may also be considered a financially-related activity.

Citicorp provides evidence in its application that, except for savings completion insurance, a substantial number of Belgian banking institutions engage in the proposed insurance underwriting activities either directly or through affiliated companies. For example, five Belgian savings banks, including the two largest, underwrite general life insurance and property and casualty insurance themselves or are affiliated with insurance companies that do. One of these savings banks offers a savings product similar to that proposed for Finance. Further, Belgium's second largest commercial bank, indirectly, through a savings bank subsidiary, holds 99.9 percent of the shares of an insurance company that is licensed to underwrite general life insurance and property and casualty insurance. Citicorp has also stated that Luxembourg has had an economic union with Belgium since the late 1940s, and, as a result, Finance may extend its insurance activities to Luxembourg.

Citicorp has also applied to continue to underwrite, indirectly through Finance, home loan life insurance and endowment life insurance, which Finance has offered since before its acquisition by Citicorp in 1970. Home loan life insurance guarantees to the mortgagee payment of the principal amount of the loan outstanding at the time of the borrower's death, which amount declines as the loan is repaid. Endowment life insurance, also underwritten in connection with mortgage loans, guarantees payment of a fixed sum on the policyholder's survival to a maturity date or on the policyholder's death if it is prior to that date.[2] The

1. *Citibank Overseas Investment Corporation*, 67 Federal Reserve Bulletin 366 (1981).

2. These activities were not specifically approved by the Board for Finance at the time of its acquisition by Citicorp. The Board had approved certain credit-related insurance underwriting activities at that time for Finance. The management of Finance appears to have assumed that the proposed insurance products fell within the scope of credit life insurance products permissible for Finance. Upon discovery of the discrepancy, Citicorp brought the matter to the Board's attention and filed an application for the Board's consent to retain the activities.

Board has determined that these underwriting activities are financially-related because they are offered in connection with mortgage loans.

In assessing the risk to Citicorp in engaging in the proposed activities, the Board noted that U.S. banking organizations, including Citicorp, have extensive experience in managing the risks associated with underwriting credit-related insurance. The Board also relied on the facts that Finance is a relatively small company that appears to be adequately capitalized, that Citicorp has indicated, and the record reflects, that Finance will require no additional capital investment over the next three years and that its projected growth is moderate. In addition, any further investments in Finance will require the consent of the Board. Based on these and other considerations reflected in the record, the Board concluded that the conduct of the proposed insurance activities in the circumstances of this case would not be inconsistent with the supervisory and other purposes of the Bank Holding Company Act. Accordingly, the application was approved subject to the conditions described above.

Board of Governors of the Federal Reserve System, December 4, 1984.

Voting for this action: Chairman Volcker and Governors Martin, Wallich, Partee, Rice, Gramley, and Seger.

WILLIAM W. WILES
Secretary of the Board

[SEAL]

The Chase Manhattan Corporation New York, New York

Order Conditionally Approving the Acquisition of Institutions Engaged in Deposit Taking and Commercial Lending

The Chase Manhattan Corporation, New York, New York, a bank holding company within the meaning of the Bank Holding Company Act ("Act" or "BHC Act") (12 U.S.C. § 1841 *et seq.*), has applied for approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a)(1) of the Board's Regulation Y (12 C.F.R. § 225.23(a)(1)) to acquire The Chase Manhattan National Bank of Arizona, Phoenix, Arizona; The Chase Manhattan National Bank of California, Newport Beach, California; The Chase Manhattan National Bank of Illinois, Chicago, Illinois; The Chase Manhattan National Bank of Minnesota, Bloomington, Minnesota; and the Chase Manhattan National Bank of Ohio, Cleveland, Ohio (collectively referred to as "Banks").

Each of the institutions is a national bank, for which preliminary charter approval has been granted by the Comptroller of the Currency. Applicant proposes that Banks accept time and savings deposits and money market deposit accounts and make consumer and commercial loans. Banks will not accept demand deposits as that term is defined in section 225.2(a)(1)(A) of the Board's Regulation Y (12 C.F.R. § 225.2(a)(1)(A)). Applicant also proposes that Banks act as agent for the sale of credit life and credit accident and health insurance. The proposed activities have been previously determined by the Board to be closely related to banking. 12 C.F.R. § 225.25(b)(1) and (8); *Irving Bank Corporation,* 71 FEDERAL RESERVE BULLETIN 173 (1985); *U.S. Trust Corporation,* 70 FEDERAL RESERVE BULLETIN 371 (1984).

Notice of these applications, affording opportunity for interested persons to submit comments, has been duly published (49 *Federal Register* 28,767 (1984)). The time for filing comments has expired and the Board has considered the applications and all comments received, including those of the Superintendent of Banks for the State of Ohio, in light of the factors set forth in section 4(c)(8) of the Act.

Applicant, with total consolidated assets of $87.5 billion,[1] is the third largest bank holding company in the United States. Applicant operates three commercial banks and also engages in various nonbanking activities through a number of subsidiaries.

Applicant asserts that because Banks will not accept demand deposits as that term is defined in the Board's Regulation Y, they will not be "banks" as defined in the BHC Act,[2] and, accordingly, that Board approval of the applications is not barred by the interstate banking limitations of the Douglas Amendment to the BHC Act (12 U.S.C. § 1842(d)).

In its Irving decision, the Board was constrained to conclude that a national bank that would engage in consumer and commercial lending, but would not accept demand deposits as defined in Regulation Y, would not be a "bank" as that term is defined in the BHC Act and thus may be acquired by a bank holding company located in another state.[3] The Board, however, imposed certain conditions, as it had in *U.S. Trust,*

1. As of September 30, 1984.

2. The BHC Act defines the term "bank" to include any institution, chartered under the laws of the United States or any state, that accepts deposits that the depositor has a legal right to withdraw on *demand and engages in the business of making commercial loans.* 12 U.S.C. § 1841(c). An institution that is chartered as a bank, but that does not perform one of the two essential functions required for "bank" status under the BHC Act, has been referred to as a "nonbank bank."

3. Similarly, in *U.S. Trust,* 70 FEDERAL RESERVE BULLETIN at 372, the Board stated that the technical definition of "bank" in the Act forced it to conclude that a bank holding company could acquire, on an interstate basis, a national bank that would accept demand deposits but not make commercial loans.

to ensure that Banks are not used by Applicant as a vehicle for evasion of the provisions of the Act regarding interstate banking:

1. Applicant will not operate the commercial lending activities of the nonbank bank in tandem with any other subsidiary or other financial institution.[4]
2. Applicant will not link in any way the demand deposit and commercial lending services that define a bank under the Act.
3. The nonbank bank will not engage in any transactions with affiliates, other than the payment of dividends to Applicant or the infusion of capital by Applicant into the nonbank bank, without the Board's approval.

These conditions preclude the type of linked or integrated operation that would otherwise render these entities "banks" for purposes of the Act. Applicant has stated that it will comply with each of these conditions. On the basis of Applicant's adherence to these conditions and for the reasons set forth in *Irving*, the Board concludes that Banks will not be "banks" within the BHC Act's definition.[5]

Applicant and a number of other bank holding companies have made requests pursuant to the third condition noted above for Board approval to engage in certain transactions with affiliates, including the provision of certain internal administrative support services to their nonbank bank subsidiaries, and to establish certain officer and director interlocks with such subsidiaries. The Board on January 11, 1985, requested public comment on whether it should grant these requests. (50 *Federal Register* 2057 (1985)). Applicant will not provide such services to Banks unless those services are authorized following the public comment period. Applicant has also indicated that it will comply with the Board's decision regarding officer and director interlocks between nonbank banks and their affiliates.

The applications indicate that Banks will not be located immediately proximate to an office of any of these affiliates. The above conditions would prohibit Banks from operating in tandem by referring customers to other affiliates.

Pending the Board's decision, Applicant has indicated that, as suggested in the Board's request for public comment, a majority of the members of each Bank's board of directors will consist of individuals who are not officers, directors, or employees of any affiliate and that no officer of any Bank will simultaneously serve as an officer, director, or employee of any affiliate that accepts demand deposits.

Protestant

The Superintendent of Banks for the State of Ohio has commented in opposition to proposed nonbank banks in Ohio. The Superintendent states that the statute laws of Ohio specifically prohibit foreign banks from conducting banking activities in Ohio, except for lending money and licensed trust activities, and that the operation of nonbank banks by out-of-state bank holding companies violates the intent of Ohio law and the Douglas Amendment. The Superintendent also argues that the balance of public interest factors that the Board is required to weigh in considering applications under section 4(c)(8) of the Act is unfavorable because it will result in a tendency toward undue concentration of resources and unfair competition.

The Board considered the identical arguments by the Ohio Superintendent in *Irving*. For the reasons stated in that Order, the Board is unable to conclude that the Superintendent's arguments provide a basis for denial of Applicant's proposal to acquire a nonbank bank in Ohio.

The Board has examined the statute laws of Arizona, California, Illinois, and Minnesota in addition to the laws of Ohio, and has concluded that the statute laws of these states currently contain no provision prohibiting the acquisition of nonbank banks by out-of-state bank holding companies.

Need for Congressional Action

The Board has previously indicated its reluctance to approve nonbank bank acquisitions in view of the potential presented by such acquisitions to alter significantly the nation's banking structure without Congressional action on the underlying policy issues.[6] For

4. In *U.S. Trust*, the nonbank bank proposed to avoid "bank" status under the Act by not making commercial loans. Accordingly, the first condition in the *U.S. Trust* decision referenced the demand deposit taking activities of the nonbank bank proposed in that case. However, the Applicants in *Irving* and in this case have sought to avoid "bank" status under the Act by not accepting demand deposits. Accordingly, in *Irving* the Board modified the first *U.S. Trust* condition to reflect the different nature of the proposed nonbank banks' activities.

5. Applicant operates consumer finance subsidiaries in Arizona, California, and Minnesota. Chase's proposed Arizona, California, and Minnesota nonbank banks will occupy offices currently leased by Applicant's consumer finance subsidiaries. Upon approval of these applications, these subsidiaries will cease active operations. Applicant also operates commercial finance subsidiaries in the same cities as its proposed Illinois and Ohio nonbank banks. Furthermore, Applicant operates Edge Act subsidiaries of its lead bank, Chase Manhattan Bank, N.A., in California and Illinois and these subsidiaries are authorized to accept certain demand deposits.

6. *See, e.g., U.S. Trust, supra; Suburban Bancorporation*, 71 Federal Reserve Bulletin 51 (1985).

the reasons stated in the Board's previous orders, the Board continues to believe that Congressional action to close the nonbank bank loophole is imperative. The fact that the Board is required by the technical aspects of the bank definition in the Act to approve these and similar applications should not be construed as encouragement to Applicant to consummate these proposals or to others to pursue similar acquisitions. In this regard, the Board notes that on October 4, 1984, the Chairman of the two Congressional banking committees announced that they intended to address the nonbank bank issue in this session of Congress, and that any legislation that was enacted would provide that nonbank banks acquired after July 1, 1983, would be required to be divested. Accordingly, in the event legislation implementing this position is enacted, Applicant would be required to divest Banks and could suffer financial loss as a result.

The Board finds no evidence that consummation of the proposed acquisitions, subject to the limitations and conditions described above, would result in undue concentration of resources, unfair competition, conflicts of interest, unsound banking practices, or other adverse effects.

Based upon the foregoing and all the facts of record, the Board has determined that the balance of public interest factors it is required to consider under section 4(c)(8) is favorable. Accordingly, the applications are hereby approved. If these proposals are consummated, they shall be subject to the conditions set forth in this Order with respect to avoiding operation of an integrated institution and the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b).

In addition, Banks may not engage directly or indirectly in any activity other than those explicitly approved by the Board in this Order. Any expansion of Banks' activities beyond those approved in this Order would require the Board's prior approval as provided in section 4 of the Act and the Board's Regulation Y.[7]

The Board's approval is also subject to the Board's authority to require modification or termination of the activities of the 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. In accordance with the provisions of section 225.23(b)(1)(iii) of Regulation Y, the Board's approval would be required for additional acquisitions by Applicant of nonbank banks or for the establishment of offices by any of Banks outside of the states where they are now located.

By order of the Board of Governors, effective February 4, 1985.

Voting for this action: Chairman Volcker and Governors Martin, Partee, Gramley, Seger, and, except for the application to acquire The Chase Manhattan National Bank of Ohio, Governor Wallich. Voting against this action: Governor Rice and, with respect to The Chase Manhattan National Bank of Ohio, Governor Wallich. Governor Wallich abstains from the insurance portion of this action.[8]

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

J. P. Morgan & Co. Incorporated New York, New York

Order Approving Application to Execute and Clear Futures Contracts on Stock Index Futures

J. P. Morgan & Co. Incorporated, New York, New York, a bank holding company within the meaning of the Bank Holding Company Act, 12 U.S.C. § 1841 *et seq.* ("BHC Act"), has applied pursuant to section 4(c)(8) of the BHC Act and section 225.21(a) of the Board's Regulation Y, 12 C.F.R. § 225.21(a), to engage *de novo* through its wholly owned subsidiary, Morgan Futures Corporation, New York, New York ("Morgan Futures"), in executing and clearing, on major commodity exchanges, futures contracts on stock indexes and options on such futures contracts.

Morgan Futures proposes to execute and clear:

(1) The Standard & Poor's 100 Stock Price Index futures contract;

(2) The Standard & Poor's 500 Stock Price Index futures contract ("S&P 500"); and

(3) options on the S&P 500, all of which are traded on the Index and Option Division of the Chicago Mercantile Exchange;

(4) The Major Market Index futures contract, currently traded on the Chicago Board of Trade; and

7. In this regard, the Board notes that because Banks are not considered banks under the BHC Act, the provisions of section 225.22(d)(1) of Regulation Y would not be applicable to exempt the acquisition or activities of Banks.

8. Governor Rice dissents for the reasons stated in his dissents to the Board's previous Orders approving applications to acquire so-called nonbank banks. *See, e.g., Irving Bank Corporation*, 71 FEDERAL RESERVE BULLETIN 173 (1985); *Bankers Trust New York Corporation*, 71 FEDERAL RESERVE BULLETIN 51 (1985).

Governor Wallich dissents from the Board's action with respect to The Chase Manhattan National Bank of Ohio for the reasons expressed in his partial dissent, with respect to Irving Trust Ohio, N.A., to the Board's approval of several nonbank bank applications in *Irving Bank Corporation*.

(5) The FT-SE 100 Equity Index futures contract, currently traded on the London International Finance Futures Exchange. Applicant proposes to offer the services to financial institutions, pension and endowment funds, mutual funds, insurance companies, and other sophisticated customers in the United States and abroad through its offices in New York, Chicago, London, and Singapore.

Notice of the application, affording interested persons an opportunity to submit comments on the relation of the proposed activity to banking and on the balance of the public interest factors regarding the application, has been duly published, 49 *Federal Register* 50,308 (1984). The time for filing comments has expired and the Board has considered the application and all comments received[1] in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

Applicant, with consolidated assets of $62.2 billion,[2] is the fifth largest banking organization in New York, controlling 8.4 percent of the total deposits in commercial banks in the state. Applicant operates two subsidiary banks and engages, directly and through certain of its subsidiaries, in a broad range of permissible nonbanking activities throughout the United States. Morgan Futures is a futures commission merchant ("FCM") registered with the Commodity Futures Trading Commission ("CFTC") that engages in futures and options activities permissible for bank holding companies under section 225.25(b)(18) of the Board's Regulation Y, 12 C.F.R. § 225.25(b)(18). The capitalization of Morgan Futures is considered adequate to permit it to engage in the proposed nonbanking activities.

The FCM activities previously authorized by the Board in Regulation Y are the execution and clearance of certain financial futures and options on futures for bullion, foreign exchange, U.S. government securities and money market instruments. The Board permitted these activities on the basis that banks may hold and deal in the underlying cash items. In addition, the Board, by order, recently approved the application of Bankers Trust New York Corporation to execute and clear a futures contract based on a municipal bond index.[3]

The proposed FCM activities are functionally and operationally similar to the FCM activities previously approved by the Board. Like municipal bond index futures, the futures contracts that are the subject of this proposal are settled in cash and are designed to allow customers to hedge the market risk associated with holding financial assets, in this instance, corporate equity securities.[4] The execution and clearance of stock index futures and options traded on major commodity exchanges also appears to be functionally and operationally similar to securities brokerage, permitted for banks under 12 U.S.C. § 24 and authorized for bank holding companies under section 225.25(b)(15) of Regulation Y, 12 C.F.R. § 225.25(b)(15).[5]

Another factor that lends weight toward approval of the application is the fact that national banks have been permitted to execute and clear stock index futures, and options thereon, for the account of customers through their FCM operations subsidiaries.[6] In addition, trust departments of banks have begun to utilize stock index futures contracts and options on such contracts to hedge the market risk facing diversified stock portfolios.

Applicant's prior experience in the financial futures and options markets also indicates that Morgan Futures would have the expertise to provide the proposed services. Thus, for all of the foregoing reasons, the Board concludes that, in the manner proposed, and subject to the conditions set forth in section 225.25(b)(18) of Regulation Y, Applicant's proposal to execute and clear futures contracts and options on futures contracts based on stock indexes is closely related to banking.

In order to approve this application, the Board is also required to determine that the performance of the proposed activities by Applicant "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects. . . ." (12 U.S.C.

1. Among the comments in favor of the proposal were those submitted by Bank of Boston, Boston, Massachusetts, Chapman and Cutler, Chicago, Illinois, and BankAmerica Corporation, San Francisco, California. The First National Bank, Worland, Wyoming, and First National Bank and Trust Company, Ardmore, Oklahoma, submitted comments in opposition to the proposal.

2. As of September 30, 1984.

3. *Bankers Trust New York Corporation*, 71 FEDERAL RESERVE BULLETIN 111 (1985).

4. The equities represented by the indexes are chosen on the basis of criteria that favor a combination of securities that will accurately reflect fluctuations in the stock market. Applicant has stated that the offering of futures contracts and options on futures contracts based on indexes of securities would provide FCM customers a useful tool for hedging the market risk associated with a stock portfolio.

5. The Board's action in permitting bank holding companies to provide securities brokerage services was confirmed by the United States Supreme Court. *Securities Industry Ass'n. v. Board of Governors*, 104 S.Ct. 3003 (June 28, 1984).

6. The staff of the Office of the Comptroller of the Currency has expressed its opinion that national banks may execute customer transactions in futures contracts and options on futures contracts with respect to stock indexes. Letter from Michael Patriarca, Office of the Comptroller of the Currency, to W. Robert Felker, First Chicago Futures, Inc. (January 26, 1984); Letter from Michael A. Mancusi, Office of the Comptroller of the Currency, to William G. Foster, Jr., Sovran Futures Corporation (July 30, 1984).

§ 1843(c)(8)). Consummation of Applicant's proposal would provide added services in that Morgan Futures may offer customers with large stock portfolios a tool to hedge their exposure. In addition, the Board expects that the *de novo* entry of Applicant into the market for these services would increase the level of competition among providers of these services. Accordingly, the Board concludes that the performance of the proposed activities by Applicant can reasonably be expected to produce benefits to the public.

The Board also has considered the potential for adverse effects that may be associated with this proposal. It does not appear that the proposed FCM activities would entail risks or conflicts of interests different than those considered and addressed by the Board in its approvals of other FCM activities.[7] In addition, the Board has taken into account and has relied on the regulatory framework established pursuant to law by the CFTC for the trading of futures, as well as the conditions set forth in section 225.25(b)(18) of Regulation Y with respect to executing and clearing futures contracts.

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

In addition, this determination is subject to all of the conditions set forth in Regulation Y, including sections 225.4(d) and 225.23(b)(3) (12 C.F.R. §§ 225.4(d) and 225.23(b)(3)), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

The transaction shall be consummated not later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of New York pursuant to delegated authority.

By order of the Board of Governors, effective February 4, 1985.

Voting for this action: Chairman Volcker and Governors Martin, Wallich, Partee, Rice, Gramley, and Seger.

JAMES MCAFEE
Associate Secretary of the Board

[SEAL]

7. *E.g., J.P. Morgan & Co. Incorporated*, 68 FEDERAL RESERVE BULLETIN 514 (1982).

Maryland National Corporation
Baltimore, Maryland

Order Conditionally Approving the Acquisition of an Institution Offering Demand Deposits and Consumer Loans

Maryland National Corporation, Baltimore, Maryland, a bank holding company within the meaning of the Bank Holding Company Act (12 U.S.C. § 1841 *et seq.*) ("BHC Act"), has applied for approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a)(1) of the Board's Regulation Y (12 C.F.R. § 225.23(a)(1)) to acquire Maryland National Bank/D.C., Washington, D.C. ("Bank"), a *de novo* bank that will accept deposits, including demand deposits and NOW accounts, and make consumer loans. Bank will not engage in the business of making commercial loans as that term is defined in the Board's Regulation Y. 12 C.F.R. § 225.2(a)(1)(B). The proposed activities have been previously determined by the Board to be closely related to banking. (12 C.F.R. § 225.25(b)(1); *U.S. Trust Corporation*, 70 FEDERAL RESERVE BULLETIN 371 (1984)).

Applicant has also applied for approval under section 4(c)(8) of the Act and section 225.23 of Regulation Y to engage through Bank in the following nonbanking activities: the sale of travelers checks issued by unrelated organizations, U.S. savings bonds, certified and cashiers checks, and money orders with a face value of not more than $1,000; personal credit cards; and the provision of investment advisory and trust services. These activities have been previously determined to be closely related to banking and a proper incident thereto. (12 C.F.R. § 225.25). Applicant also proposes to engage through Bank in consumer financial planning and counseling, an activity that the Board has found to be closely related to banking, *Citicorp (Citicorp Person-to-Person Financial Centers)*, 65 FEDERAL RESERVE BULLETIN 265 (1979), and an activity the Board has proposed to add to its list of permissible nonbanking activities under section 225.25 of Regulation Y. (49 *Federal Register* 9215 (1984)).

Notice of the application, affording opportunity for interested persons to comment, has been duly published (49 *Federal Register* 25,041 (1984) and 50 *Federal Register* 1942 (1985)). The time for filing comments has expired and the Board has considered the application and all comments received in light of the factors set forth in section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)).

Applicant is the largest commercial banking organization in Maryland, with total consolidated assets of

$6.6 billion.[1] Applicant operates one subsidiary bank with total deposits of approximately $3.2 billion, representing approximately 18.5 percent of deposits in commercial banks in Maryland.[2] Applicant is the 9th largest of 76 commercial banking organizations in the Washington, D.C. banking market,[3] where it operates 60 offices with deposits of approximately $586.8 million, representing approximately 3.4 percent of deposits in commercial banks in the market.

Bank is the second nonbank bank with deposit-taking powers to receive a national charter to operate in Washington, D.C.[4] Applicant asserts that because Bank will not make commercial loans as that term is defined in the Board's Regulation Y, it will not be a "bank" as defined in the BHC Act[5] and, accordingly, that Board approval of the application is not barred by the interstate banking limitations of the Douglas Amendment to the BHC Act.

In its *U.S. Trust* Order, the Board stated it was constrained by the technical definition of "bank" in the BHC Act to conclude that a bank holding company could acquire, on an interstate basis, a national bank that would accept demand deposits but not make commercial loans. However, as in the *U.S. Trust* case, the Board believes it appropriate to take action by conditioning its approval of these proposals to ensure that Banks are not used by Applicant as a vehicle for evasion of the provisions of the Act regarding interstate banking. Accordingly, the Board has determined to make its approval subject to the following conditions:

1. Applicant will not operate the demand deposit taking activities of the bank in tandem with any other subsidiary or other financial institution;
2. Applicant will not link in any way the demand deposit and commercial lending services that define a bank under the Act; and
3. The nonbank bank will not engage in any transactions with affiliates, other than the payment of dividends to Applicant or the infusion of capital by Applicant into the bank, without the Board's approval.

These conditions preclude the type of linked or integrated operation that could otherwise render Bank a bank for purposes of the Act. Applicant has stated in its application that it will comply with each of these conditions.

Applicant operates numerous offices of its full service bank, as well as a loan production office, in the same Washington, D.C. banking market where it proposes to operate Bank. The Board has previously determined that the conditions established in *U.S. Trust* are sufficient to avoid concerns about integrated operations arising from the geographic location of nonbank banks except in those situations where proximity of location inevitably would result in referrals of customers or other integrated operations. *Suburban Bancorporation*, 71 FEDERAL RESERVE BULLETIN 61, 63 (1984). Such a situation does not exist in this case.

Applicant has stated that it does not intend to integrate the activities of its full service bank or its loan production office with the activities of Bank. Applicant has also stated that Bank will not receive services from Applicant or its affiliates and that Bank will not refer its customers to affiliates of Applicant for services which are not offered by Bank. The Board is of the opinion that these commitments, in addition to the *U.S. Trust* conditions, are sufficient to address the concerns regarding the operation of Bank in close proximity to offices of its lead bank.

Applicant and a number of other bank holding companies have made requests pursuant to the third condition noted above for Board approval to engage in certain transactions with affiliates, including the provision of certain internal administrative support services to their nonbank bank subsidiaries, and to establish certain officer and director interlocks with such subsidiaries. The Board on January 11, 1985, requested public comment on whether it should grant these requests. 50 *Federal Register* 2057 (1985). Applicant will not provide such services to Bank unless those services are authorized following the public comment period.

Applicant has also indicated that it will comply with the Board's decision regarding officer and director interlocks between nonbank banks and their affiliates. Pending the Board's decision, Applicant has indicated that, as suggested in the Board's request for public comment, a majority of the members of each Bank's board of directors will consist of individuals who are not officers, directors or employees of any affiliate and that no officer of any Bank will simultaneously serve as an officer, director or employee of any affiliate that engages in commercial lending.

Applicant has also applied for approval under sec-

1. Financial data are as of September 30, 1984, unless otherwise indicated.

2. Deposit data are as of December 31, 1983.

3. The Washington, D.C. banking market is approximated by the Washington Ranally Metro Area (RMA), which includes the District of Columbia and adjoining portions of Maryland and Virginia.

4. *See Suburban Bancorporation*, 71 FEDERAL RESERVE BULLETIN 61 (1985).

5. The BHC Act defines the term "bank" to include any institution chartered under the laws of the United States or any state that accepts deposits that the depositor has a legal right to withdraw on demand and that engages in the business of making commercial loans. 12 U.S.C. § 1841(c). An institution that is chartered as a bank, but that does not provide one of the two essential functions required for "bank" status under the BHC Act's bank definition, has been referred to as a "nonbank bank."

tion 4(c)(8) of the Act to engage *de novo* through Bank in the sale of travelers checks issued by unaffiliated organizations, U.S. savings bonds, certified and cashiers checks, and money orders with a face value of not more than $1,000; personal credit cards; and the provision of investment advisory and trust services. Each of the proposed activities is a permissible nonbanking activity under section 225.25 of the Board's Regulation Y.

Bank will offer these services to its customers directly and not through its affiliates which engage in these activities.[6] In view of these facts, and the fact that Applicant has agreed to comply with the *U.S. Trust* conditions, Bank's demand deposit taking activities will not be operated in tandem with its affiliates.

Applicant also proposes to engage through Bank in consumer financial planning and counseling. The Board has previously determined this activity to be closely related to banking *(Citicorp Person-to-Person Financial Centers)*, 65 FEDERAL RESERVE BULLETIN 265 (1979)), and has proposed to add the activity to its list of permissible nonbanking activities under section 225.25 of Regulation Y. (49 *Federal Register* 9215 (1984)). The Board's decision in *Citicorp* was conditioned on Citicorp's agreement to maintain a strict separation between its educational and promotional materials and activities and to advise each customer that he is not required to purchase any services from Citicorp affiliates. In addition, Citicorp committed that any confidential information obtained by it or any of its subsidiaries in connection with its courses would be obtained only with the customer's consent and would not be made available to any other Citicorp affiliate or any third party for any purpose. The Board believes that these conditions are appropriate to ensure that the advice rendered will be impartial and to avoid misuse of confidential customer information. Subject to these conditions, the Board has determined that Bank may engage in consumer financial planning and counseling.

The Board finds no evidence that consummation of this proposal to establish Bank and to engage in the proposed nonbanking activities would result in any conflicts of interest, unfair competition, unsafe and unsound banking practices, or other adverse effects. Due to the *de novo* nature of the proposal, there will not be any decrease in competition and consummation of the proposal may reasonably be expected to result in increased competition.

Need for Congressional Action

The Board has previously indicated its reluctance to approve nonbank bank acquisitions in view of the potential presented by such acquisitions to alter significantly the nation's banking structure without Congressional action on the underlying policy issues.[7] For the reasons stated in the Board's previous orders, the Board continues to believe that Congressional action to close the nonbank bank loophole is imperative. The fact that the Board is required by the technical aspects of the bank definition in the Act to approve this and similar applications should not be construed as encouragement to the applicants to consummate these proposals or to others to pursue similar acquisitions. In this regard, the Board notes that on October 4, 1984, the Chairmen of the two Congressional banking committees announced that they intended to address this nonbank bank issue in this session of Congress, and that any legislation that was enacted would provide that nonbank banks acquired after July 1, 1983, would be required to be divested. Accordingly, in the event legislation implementing this position is enacted, Applicant would be required to divest Bank and could suffer financial loss as a result.

Based upon the foregoing and all the facts of record, the Board has determined that the balance of public interest factors it is required to consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval of this application. Accordingly, Applicant's proposal to establish Bank and to engage *de novo* through Bank in certain nonbanking activities is hereby approved.

If this proposal is consummated, it shall be subject to the conditions set forth in this Order with respect to avoiding the operation of an integrated institution and the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b). In addition, Bank may not engage directly or indirectly in any activity other than those explicitly approved by the Board in this Order. Any expansion of Bank's activities beyond those approved in this Order would require the Board's prior approval as provided in section 4 of the Act and the Board's Regulation Y.[8] The approval is also subject to the Board's authority to require modification or termination of the activities of the holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the

6. With respect to Bank's proposed credit card operations, Applicant has committed that Bank will not operate in tandem with its existing credit card affiliate, but will itself evaluate the creditworthiness of each customer applying for a credit card and will contract independently for the servicing of its customers' accounts.

7. *See, e.g., U.S. Trust, supra; Suburban Bancorporation*, 71 FEDERAL RESERVE BULLETIN 51 (1985).

8. In this regard, the Board notes that because Bank is not considered a bank under the BHC Act, the provisions of section 225.22(d)(1) of Regulation Y would not be applicable to exempt the acquisitions or activities of Bank.

provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof. In accordance with the provisions of section 225.23(b)(1)(iii) of Regulation Y, the Board's approval would be required for additional acquisitions by Applicant of nonbank banks or for the establishment of offices of Bank to be located outside the jurisdiction where it is now located.

By order of the Board of Governors, effective February 4, 1985.

Voting for this action: Chairman Volcker and Governors Martin, Wallich, Partee, Gramley, and Seger. Voting against this action: Governor Rice, for the reasons in his dissenting statements to the Board's previous Orders approving applications to acquire so-called nonbank banks. *See, e.g., Irving Bank Corporation*, 71 FEDERAL RESERVE BULLETIN 173; *Bankers Trust New York Corporation*, 71 FEDERAL RESERVE BULLETIN 51 (1985).

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

Mellon National Corporation Pittsburgh, Pennsylvania

Order Approving the Acquisition of Institutions Offering Checking Accounts and Consumer Lending

Mellon National Corporation, Pittsburgh, Pennsylvania, a bank holding company within the meaning of the Bank Holding Company Act (12 U.S.C.§ 1841 *et seq.*) ("Act" or "BHC Act") has applied for approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a)(1) of the Board's Regulation Y (12 C.F.R. § 225.23(a)(1)) to acquire: Mellon Bank (CA), N.A., Pomona, California; Mellon Bank (DC), N.A., the District of Columbia; Mellon Bank (IL), N.A., Oakbrook, Illinois; and Mellon Bank (OH), N.A., Cleveland, Ohio (collectively, "Banks").

Each of the institutions is a national bank, for which preliminary charter approval has been granted by the Comptroller of the Currency. Banks will engage in deposit taking (including demand deposits and NOW accounts), consumer and mortgage lending, and trust and investment advisory services. Banks will not engage in the business of making commercial loans as that term is defined in the Board's Regulation Y. 12 C.F.R. § 225.2(a)(1)(B). The proposed activities have been determined by the Board to be closely related to banking. 12 C.F.R. § 225.25(b)(1), (3) and (4); *U.S. Trust Corporation*, 70 FEDERAL RESERVE BULLETIN 371 (1984).

Notice of the applications, affording opportunity for interested persons to comment, has been duly published. 49 *Federal Register* 16,838 (1984). The time for filing comments has expired and the Board has considered the applications and all comments received in light of the factors set forth in section 4(c)(8) of the Act.

Applicant, with total assets of $28.3 billion as of September 30, 1984, is the 13th largest bank holding company in the country. Applicant operates five subsidiary banks and also engages in various nonbanking activities through a number of subsidiaries.

Applicant asserts that because Banks will not make commercial loans as that term is defined in the Board's Regulation Y, they will not be "banks" as defined in the BHC Act[1] and, accordingly, that Board approval of the applications is not barred by the interstate banking limitations of the Douglas Amendment to the BHC Act.

In its *U.S. Trust* Order, the Board stated it was constrained by the technical definition of "bank" in the Act to conclude that a bank holding company could acquire, on an interstate basis, a national bank that would accept demand deposits but not make commercial loans. As in the *U.S. Trust* case, however, the Board believes it appropriate to take action by conditioning its approval of these proposals to ensure that Banks are not used by Applicant as a vehicle for evasion of the provisions of the Act regarding interstate banking. Accordingly, the Board has determined to make its approval subject to the following conditions:

1. Applicant will not operate the demand-deposit taking activities of the nonbank bank in tandem with any other subsidiary or other financial institution;
2. Applicant will not link in any way the demand deposit and commercial lending services that define a bank under the Act; and
3. The nonbank bank will not engage in any transactions with affiliates, other than the payment of dividends to Applicant or the infusion of capital by Applicant into the nonbank bank, without the Board's approval.

These conditions preclude the type of linked or integrated operation that could otherwise render these entities "banks" for purposes of the Act. Applicant

1. The BHC Act defines the term "bank" to include any institution chartered under the laws of the United States or any state that accepts deposits that the depositor has a legal right to withdraw on demand and that engages in the business of making commercial loans. 12 U.S.C. § 1841(c). An institution that is chartered as a bank but that does not perform one of the two essential functions required for "bank" status under the BHC Act, has been referred to as a "nonbank bank."

has stated in its applications that it will comply with each of these conditions.[2]

Applicant and a number of other bank holding companies have made requests pursuant to the third condition noted above for Board approval to engage in certain transactions with affiliates, including the provision of certain internal administrative support services to their nonbank bank subsidiaries, and to establish certain officer and director interlocks with such subsidiaries. The Board on January 11, 1985, requested public comment on whether it should grant these requests. 50 *Federal Register* 2057 (1985). Applicant will not provide such services to its Banks unless those services are authorized following the public comment period.

Applicant also has indicated that it will comply with the Board's decision regarding officer and director interlocks between nonbank banks and their affiliates. Pending the Board's decision, Applicant has indicated that, as suggested in the Board's request for public comment, a majority of the members of each Bank's board of directors will consist of individuals who are not officers, directors or employees of any affiliate and that no officer of any Bank will simultaneously serve as an officer, director or employee of any affiliate that engages in commercial lending.

Protestants

First Oakbrook Bancshares ("Protestant"), Oak Brook, Illinois, has protested Applicant's Illinois nonbank bank (the "Illinois Bank") application. Protestant alleges that the commercial lending activities of certain subsidiaries of Applicant and the proposed consumer banking, deposit-taking, and trust activities of the Illinois nonbank bank "would effectively transform the group into one bank for purposes of the Bank Holding Company Act."[3] In view of Applicant's commitments to abide by the *U.S. Trust* conditions and not to operate Illinois Bank in tandem with any affiliate, or link its demand deposit-taking activity to any commercial lending affiliate, the Board is constrained, as it was in *U.S. Trust*, to conclude that the proposed activities of the Illinois Bank will not render it a "bank" as that term is defined in the BHC Act.

Protestant also alleges that the proposed operation of Illinois Bank will be in violation of the Illinois Bank Holding Company Act ("Illinois BHC Act") and the Illinois Banking Act. However, Illinois Bank will not be a "bank" for purposes of the Illinois BHC Act and hence its restrictions on out-of-state ownership of a bank do not apply. Protestant's allegations regarding tandem operation in violation of the Illinois Banking Act are not supported by the record in light of this Order's approval subject to the *U.S. Trust* conditions.[4]

The Superintendent of Banks for the State of Ohio has commented in opposition to proposed nonbank banks in Ohio. The Superintendent states that the statute laws of Ohio specifically prohibit foreign banks from conducting banking activities in Ohio, except for lending money and licensed trust activities, and that the operation of nonbank banks by out-of-state bank holding companies violates the intent of Ohio law and the Douglas Amendment. The Superintendent also argues that the balance of public interest factors the Board is required to consider in applications under section 4(c)(8) of the Act is unfavorable because it will result in a tendency toward undue concentration of resources and unfair competition.

The Board considered identical arguments by the Ohio Superintendent of Banks in its recent Orders approving the acquisition of nonbank banks in Ohio by Irving Bank Corporation and The Chase Manhattan Corporation.[5] For the reasons stated in those Orders, the Board similarly is unable to conclude that the Superintendent's arguments provide a basis for denial of Applicant's proposal to acquire a nonbank bank in Ohio.

The Board also has examined the statute laws of California and the District of Columbia in addition to the codes of Illinois and Ohio, and has concluded that the statute laws of these states contain no provision prohibiting the acquisition of nonbank banks by out-of-state bank holding companies.

2. Applicant has previously received Board approval to operate numerous nonbanking subsidiaries throughout the United States. Applicant has indicated that it will not locate any of its nonbank banks in, or immediately proximate to, any office of an affiliate of the parent holding company.

3. Protestant believes that because Oakbrook has sufficient depository institutions and because it is a popular location for regional and national businesses, Applicant intends to use Illinois Bank to provide services to its commercial loan customers in the area.

4. Protestant claims that approval of this proposal also may result in decreased competition for data processing services in the Chicago area. Protestant's claim of decreased competition is not supported in the record.

Applicant has an existing data processing subsidiary which serves independent banks in the Chicago area and which Protestant claims will not continue to provide those banks with competitive services because of its affiliation with Illinois Bank. Applicant has responded that its data processing subsidiary will remain in the Chicago area and continue to provide competitive and innovative services to these local banks. The Board finds no support for Protestant's position upon its review of the record, and also notes that there are numerous providers of data processing services in the Chicago area with which Applicant's subsidiary must remain competitive in order to retain its existing customers.

5. *Irving Bank Corporation*, 71 FEDERAL RESERVE BULLETIN 173 (1985); *The Chase Manhattan Corporation*, 71 FEDERAL RESERVE BULLETIN 249 (Board Order dated February 4, 1985). *See also Citizens Fidelity Corporation*, 69 FEDERAL RESERVE BULLETIN 556 (1983).

Need for Congressional Action

The Board has previously indicated its reluctance to approve nonbank bank acquisitions in view of the potential presented by such acquisitions to alter significantly the nation's banking structure without Congressional action on the underlying policy issues.[6] For the reasons stated in the Board's previous orders, the Board continues to believe that Congressional action to close the nonbank bank loophole is imperative. The fact that the Board is required by the technical aspects of the bank definition in the Act to approve these and similar applications should not be construed as encouragement to Applicant to consummate these proposals or to others to pursue similar acquisitions. In this regard, the Board notes that on October 4, 1984, the Chairmen of the two Congressional banking committees announced that they intended to address the nonbank bank issue in this session of Congress, and that any legislation that was enacted would provide that nonbank banks acquired after July 1, 1983, would be required to be divested. Accordingly, in the event legislation currently pending before the Congress is enacted, Applicant would be required to divest Banks and could suffer financial loss as a result.

The Board finds no evidence that consummation of the proposed acquisitions, subject to the limitations and conditions described above, would result in undue concentration of resources, unfair competition, conflicts of interests, unsound banking practices, or other adverse effects.

Based upon the foregoing and all the facts of record, the Board has determined that the balance of public interest factors it is required to consider under section 4(c)(8) is favorable. Accordingly, the applications are hereby approved. If these proposals are consummated, they shall be subject to the conditions set forth in this Order with respect to avoiding operation of an integrated institution and the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b).

In addition, Banks may not engage directly or indirectly in any activity other than those explicitly approved by the Board in this Order. Any expansion of Banks' activities beyond those approved in this Order would require the Board's prior approval as provided in section 4 of the Act and the Board's Regulation Y.[7]

The Board's approval also is subject to the Board's authority to require modification or termination of the activities of the 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. In accordance with the provisions of section 225.23(b)(1)(iii) of Regulation Y, the Board's approval would be required for additional acquisitions by Applicant of nonbank banks or for the establishment of offices by any of Banks outside of the states where they are now located.

By order of the Board of Governors, effective February 13, 1985.

Voting for this action: Chairman Volcker and Governors Martin, Partee, Gramley, and Seger. Voting against this action: Governor Rice. Governor Rice dissents for the reasons stated in *Irving Bank Corporation*, 71 FEDERAL RESERVE BULLETIN 173 (1985). Absent and not voting: Governor Wallich.

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

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

NBD Bancorp, Inc.
Detroit, Michigan

Order Approving the Acquisition of a Bank Holding Company and a Company Engaged in Mortgage Banking Activities

NBD Bancorp, Inc., Detroit, Michigan, a bank holding company within the meaning of the Bank Holding Company Act ("Act"), has applied for the Board's approval under section 3 of the Act (12 U.S.C. § 1842) to acquire the successor by merger to United Michigan Corporation, Flint, Michigan ("United"), and thereby indirectly to acquire Genesee Merchants Bank & Trust Co., Flint, Michigan; The Peoples State Bank of Caro, Caro, Michigan; and Community State Bank, Fowlerville, Michigan.

Applicant also has applied for the Board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a)(2) of the Board's Regulation Y (12 C.F.R. § 225.23(a)(2)), to acquire United Michigan Mortgage Company, Flint, Michigan, a company engaged in mortgage banking and servicing activities. This activity has been determined by the Board to be closely related to banking and permissible for bank holding companies. (12 C.F.R. §§ 225.25(b)(1)).

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

6. *See e.g.*, *U.S. Trust*, *supra*; *Suburban Bancorporation*, 71 FEDERAL RESERVE BULLETIN 51 (1985).

7. In this regard, the Board notes that because Banks are not considered banks under the BHC Act, the provisions of section 225.22(d)(1) of Regulation Y would not be applicable to exempt the acquisitions or activities of Banks.

given in accordance with sections 3 and 4 of the Act (49 FEDERAL REGISTER 46,808 (November 28, 1984)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in section 3(c) (12 U.S.C. § 1842(c)) and the considerations specified in section 4(c)(8) of the Act.

Applicant is the largest commercial banking organization in Michigan, with 19 subsidiary banks that control aggregate deposits of $8.3 billion, representing 16.9 percent of the total deposits in commercial banks in the state.[1] United is the tenth largest commercial banking organization in the state, with three banking subsidiaries that control aggregate deposits of $849.4 million, representing 1.7 percent of the total deposits in commercial banks in the state. Upon consummation of the proposed acquisition, Applicant's share of total deposits in commercial banks in the state would increase to approximately 18.6 percent, and Michigan would remain moderately concentrated in terms of banking resources, with the four largest banking organizations controlling 47.4 percent of the total deposits in commercial banks in the state. Accordingly, consummation of this proposal would not result in a significant increase in the concentration of banking resources in Michigan.

Applicant's subsidiary banks compete directly with United's subsidiary banks in the Tuscola, Detroit, Lansing, and Sanilac banking markets.

In the Tuscola banking market, Applicant is the tenth largest commercial banking organization, with total deposits of $15.3 million, representing 4.9 percent of the total deposits in commercial banks therein.[2] United is the second largest commercial banking organization, with $35.7 million in deposits, representing 11.5 percent of the total deposits in commercial banks there. After consummation of the proposal, Applicant would control approximately 16.4 percent of the total deposits in commercial banks and Applicant would assume United's rank as the second largest commercial banking organization in the market.

The Tuscola banking market is considered to be moderately concentrated, with the four largest commercial banks controlling 51.5 percent of the deposits in commercial banks in the market.[3] Although consummation of this proposal would eliminate some existing competition between Applicant and United in the Tuscola market, 12 other commercial banking organizations would remain as competitors after consummation of the proposal. Accordingly, the effects of this proposal on competition in the Tuscola banking market are not regarded as substantially adverse.

Applicant is the largest commercial banking organization in the Detroit banking market, with deposits of $7.2 billion, representing approximately 27.7 percent of the total deposits in commercial banks in the market.[4] United is the 29th largest commercial banking organization in the market, with total deposits of $41 million, representing approximately 0.2 percent of the total deposits in commercial banks in the market. Upon consummation of the proposal, Applicant would control approximately 27.9 percent of the total deposits in commercial banks in the market. The four largest commercial banks in the Detroit banking market control 76.3 percent of the total deposits in commercial banks in the market, which would increase to 76.5 percent upon consummation of the proposal. The market's HHI is 1658 and would increase by 11 points to 1669 upon consummation of the proposal.[5] While consummation of this proposal would eliminate some existing competition between Applicant and United in the Detroit banking market, 40 commercial banking alternatives would remain in the market. In light of the above, particularly the small increase in Applicant's market share as a result of the proposal, the Board concludes that the effects of the proposal on competition in the Detroit market are not substantially adverse.

Applicant is the eighth largest commercial banking organization in the Lansing banking market, with deposits of $54.4 million, representing 2.7 percent of the total deposits in commercial banks there.[6] United is the sixteenth largest commercial banking organization, with deposits of $16.5 million, representing 0.8 percent of the total deposits in commercial banks in the market. Upon consummation of the transaction, Applicant would become the seventh largest commercial banking organization in the market and its share of commercial bank deposits would increase to 3.5 per-

1. Unless otherwise indicated, statewide data are as of December 31, 1983, and market data are as of June 30, 1983.

2. The Tuscola banking market is approximated by all of Tuscola County except for the southern townships of Arbela and Millington, plus Sebewaing township in Huron County, all in Michigan.

3. The Herfindahl-Hirschman Index ("HHI") of the market is 1034 and would increase by 113 points to 1147 upon consummation of the proposal. Under the revised Department of Justice Merger Guidelines (49 *Federal Register* 26,823 (1984)), a market in which the post-merger HHI is between 1000 and 1800 is considered moderately concentrated. In such markets, the Department is likely to challenge a merger that produces an increase in the HHI of more than 100 points unless other facts of record indicate that the merger is not likely to substantially lessen competition.

4. The Detroit banking market is approximated by Oakland, Macomb, and Wayne Counties, plus 33 cities and townships from the Counties of St. Clair, Lapeer, Livingston, Washtenaw, and Monroe Counties.

5. Under the revised Department of Justice Merger Guidelines, in markets where the HHI is between 1000 and 1800 points, the Department is unlikely to challenge a merger that increases the HHI by less than 100 points.

6. The Lansing banking market is defined as Eaton, Ingham and Clinton Counties, the southeastern corner of Ionia County, and the northwestern corner of Livingston County.

cent. The four-firm concentration ratio of 71.6 percent would remain unchanged and 16 commercial banking alternatives would remain in the market after consummation of this proposal.[7] Accordingly, the Board has concluded that the effects of the proposal on competition in the Lansing market would not be substantially adverse.

Applicant is the largest of eight commercial banking organizations in the Sanilac banking market, with total deposits of $87.5 million, representing 38.5 percent of the total deposits in commercial banks in the market.[8] United is the smallest commercial banking organization in the market, with deposits of $2.1 million, representing 0.9 percent of total deposits in commercial banks in the market. The market is concentrated, with a four-firm concentration ratio of 85 percent and an HHI of 2287. The combination of Applicant and United would increase Applicant's share of commercial bank deposits in the market to 39.4 percent.

To minimize the competitive effects of the proposal in the Sanilac market, Applicant proposes to divest United's sole banking office in the market to a banking organization that currently does not operate there. The divestiture will be effected prior to or concurrent with consummation of this proposal.[9] Thus, upon consummation of the transaction, including the proposed divestiture, Applicant's share of commercial bank deposits and the number of competitors in the market would remain unchanged. Accordingly, consummation of the proposal would not have any significant adverse effect on competition in the Sanilac market.

The Board has considered the effects of this proposal on probable future competition in the 17 markets in which Applicant and United do not compete directly and has also examined the proposal in light of the Board's proposed guidelines for assessing the competitive effects of market extension mergers or acquisitions.[10]

7. The HHI in the market is 1830 and would increase by only 4 points as a result of the proposal. Under the revised Department of Justice Merger Guidelines, a market where the post-merger HHI is over 1800 is considered concentrated. The Department is unlikely to challenge a merger where the increase in the HHI is less than 50 points.

8. The Sanilac market is approximated by Sanilac County, Michigan, except Minden Township.

9. The Board's policy with regard to competitive divestitures requires that divestitures intended to cure the anticompetitive effects resulting from a merger or acquisition occur on or before the date of consummation of the merger to avoid the existence of anticompetitive effects. *See Barnett Banks of Florida, Inc.*, 68 FEDERAL RESERVE BULLETIN 190 (1982); *InterFirst Corporation*, 68 FEDERAL RESERVE BULLETIN 243 (1982).

10. "Policy Statement of the Board of Governors of the Federal Reserve System for Assessing Competitive Factors Under the Bank Merger Act and the Bank Holding Company Act," 47 *Federal Register* 9017 (1982). While the proposed policy statement has not been adopted by the Board, the Board is using the policy guidelines as part of its analysis of the effect of a proposal on probable future competition.

In evaluating the effects of a proposal on probable future competition, the Board considers market concentration, the number of probable future entrants into the market, the size of the bank to be acquired, and the attractiveness of the market for entry on a *de novo* or foothold basis absent approval of the acquisition. After consideration of these factors in the context of the specific facts of this case, the Board concludes that consummation of this proposal would not have any significant adverse effects on probable future competition in any relevant market. In the 16 markets in which Applicant but not United competes, the proposal would not require intensive competitive analysis under the Board's proposed guidelines. Either these markets are not highly concentrated or attractive for entry, or United is not a market leader, as determined by the Board's Guidelines.

United operates in one market, the Flint banking market, in which Applicant does not operate.[11] United is the second largest of 14 commercial banking organizations and controls 29.1 percent of the total deposits in commercial banks in the market. The three largest commercial banking organizations control 77.8 percent of the total deposits in commercial banks in the market, a level viewed as highly concentrated under the Board's Guidelines. There are four Michigan banking organizations with assets over $1 billion that do not operate in the market. The average rate of growth of deposits in the market for the past two years has been less than the state and national averages.

In its analysis of this proposal, the Board has examined the extent of competition offered by thrift institutions in the Flint market and in Michigan as a whole. The Board has previously indicated that thrift institutions have become, or at least have the potential to become, major competitors of banks.[12] There are five thrift institutions that operate in the Flint market, controlling approximately $400 million in deposits. Two of the thrift institutions in the market are branches of thrift institutions with over $1 billion in deposits, and all of these institutions offer NOW accounts and are active in consumer lending. While the commercial loan portfolios of these institutions are not substantial at the present time, the record indicates

11. The Flint banking market is approximated by Genesee County and Lapeer County except for Almont, Dryden, Metamora, and Hadley Townships, plus Maple Grove, Chesaning, Taymouth, Brady and Birch Run Townships in Saginaw County, and Arbela and Millington Townships in Tuscola County.

12. *First Railroad and Banking Company of Georgia*, 70 FEDERAL RESERVE BULLETIN 436 (1984); *General Bancshares Corporation*, 69 FEDERAL RESERVE BULLETIN 802 (1983); *First Tennessee National Corporation*, 69 FEDERAL RESERVE BULLETIN 298 (1983).

that the larger thrift institutions in the market actively seek commercial loans.

Based upon this and other evidence of record, the Board believes that substantial weight should be given to these institutions as competitors or potential competitors of commercial banks in the market.[13] Accordingly, in view of the actual and potential competition provided by thrift institutions, the Board concludes that consummation of the proposed acquisition would not have such adverse effects on probable future competition in any relevant market as to warrant denial of the application.

The financial and managerial resources of Applicant, United and their subsidiaries are regarded as generally satisfactory. Although Applicant will incur some debt as a result of this transaction, this transaction will be financed primarily by the issuance of securities and the sale of assets. Upon consummation of this transaction, Applicant's primary and total capital ratios will meet both the Board's current and proposed Capital Adequacy Guidelines.[14] Accordingly, considerations relating to banking factors are consistent with approval of the proposal. Consummation of this transaction will provide United's customers with access to a nationwide automated teller machine system and new investment services, including bankers acceptances and municipal bonds. Accordingly, considerations relating to the convenience and needs of the communities to be served also are consistent with approval of the application.

Applicant also has applied, pursuant to section 4(c)(8) of the Act, to acquire United Michigan Mortgage Company, Flint, Michigan ("Company"), a wholly owned subsidiary of United that engages in mortgage banking and servicing activities. Applicant currently engages in mortgage banking activities through its subsidiary, NBD Mortgage Company, Detroit, Michigan ("NBD Mortgage"). Company originates and services residential, commercial, industrial, and construction mortgage loans through an office in Flint. It also originates mortgages from offices in Genesee County, Michigan. Company's 1983 mortgage originations totaled $15.2 million and its mortgage servicing portfolio totaled $244.9 million as of June 30, 1984.

NBD Mortgage also originates and services residential, commercial, industrial and construction mortgage loans. NBD Mortgage operates 17 offices in six states and originated $118.3 million in mortgages in 1983. Its servicing portfolio totaled $1.3 billion as of June 30, 1984.

The mortgage servicing market has been determined to be national in scope, and there are numerous competitors in this market.[15] Upon acquisition of United, NBD Mortgage would increase its nationwide rank from the 89th to the 73rd largest mortgage company, based on volume of permanent mortgages serviced as of June 30, 1984. The combination of NBD Mortgage and United Mortgage in the nationwide mortgage servicing market will not have any adverse competitive effects.

The market for 1–4 family mortgage originations has been determined to be local in scope.[16] Company engages in this activity primarily in the Flint MSA. Company's share of mortgage originations in that market is approximately 7 percent, whereas Applicant's share is approximately 0.4 percent. Thus, the increase in Applicant's share of the Genesee mortgage origination market as a result of the proposed transaction should have no significant competitive effects.

The market for multi-family and nonresidential property mortgage originations is national. However, NBD Mortgage did not originate any such loans in 1983. United Mortgage originated $3.7 million of such loans in 1983, which is less than 0.1 percent of the $80.7 billion of such mortgages that were originated nationwide in 1983. Consummation of the proposed transaction would not have any significant adverse effects on competition in the multi-family and nonresidential property market.

Accordingly, it does not appear that Applicant's acquisition of Company would have any significant adverse effect upon existing or potential competition. Furthermore, there is no evidence in the record to indicate that approval of this proposal would 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 the public interest factors it must consider under section 4(c)(8) of the Act is favorable and consistent with approval of the application to acquire Company.

13. If 50 percent of the deposits held by thrift institutions in this market were included for determining the level of concentration in the market, the market shares of the three largest depository institutions would be 72 percent, a level not considered highly concentrated under the Board's Guidelines. Moreover, if thrift institutions with assets over $1 billion were considered as potential competitors, there would be numerous potential entrants into the Flint market under the Board's Guidelines.

14. *Capital Adequacy Guidelines*, 12 C.F.R. Part 225, Appendix A; *Capital Adequacy Guidelines for Bank Holding Companies*, 49 *Federal Register* 30,322 (July 30, 1984).

15. *See, e.g., Banc Ohio Corp.*, 69 FEDERAL RESERVE BULLETIN 34, 35 (1983).

16. *See, e.g., First National City Corp.*, 60 FEDERAL RESERVE BULLETIN 50, 51 (1974), and *Florida National Banks*, 68 FEDERAL RESERVE BULLETIN 49, 51 (1982).

Based on the foregoing and the facts of record, the Board has determined that the applications under sections 3 and 4 of the Act should be, and hereby are, approved. The acquisition and merger of United shall not be consummated before the thirtieth calendar day following the effective date of this Order or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Chicago pursuant to delegated authority. The determination as to Applicant's nonbanking activities is subject to the conditions set forth in sections 225.4(d) and 225.23(b)(3) of Regulation Y (12 C.F.R. § 225.4(d) and 225.23(b)(3)) and to the Board's authority to require such modification or termination of the activities of a 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 February 25, 1985.

Voting for this action: Vice Chairman Martin and Governors Wallich, Partee, Rice, Gramley, and Seger. Absent and not voting: Chairman Volcker.

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

The Marine Corporation
Milwaukee, Wisconsin

Order Approving the Acquisition of a Bank Holding Company and of Companies Engaged in Trust Services and Mortgage Banking

The Marine Corporation, Milwaukee, Wisconsin, a bank holding company within the meaning of the Bank Holding Company Act ("Act"), has applied for the Board's approval under section 3 of the Act (12 U.S.C. § 1842) to acquire Independence Bank Group ("Independence Group"), Waukesha, Wisconsin, and thereby acquire indirectly its eight subsidiary banks.[1]

Applicant also has applied for the Board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.21(a) of the Board's Regulation Y (12 C.F.R. § 225.21(a)), to acquire indirectly the following nonbank subsidiaries of the Independence Group: Independence Trust Company, Waukesha, Wisconsin, which provides trust and related services; and Independence Mortgage Company, Inc., New Berlin, Wisconsin, which originates, services, and procures commitments for residential mortgage loans. These activities have been determined by the Board to be closely related to banking and permissible for bank holding companies (12 C.F.R. §§ 225.23(b)(1), (3)).

Applicant also has applied to form an intermediate holding company, Marisub, Inc., into which the Independence Group will be merged, and to which Applicant's existing bank subsidiaries will be transferred.

Notice of the applications, affording opportunity for interested persons to submit comments, has been given in accordance with sections 3 and 4 of the Act (49 *Federal Register* 45,259 (Nov. 9, 1984)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in section 3(c) of the Act and the considerations specified in section 4(c)(8) of the Act.

Applicant is the third largest banking organization in Wisconsin with total deposits of approximately $2.0 billion, representing 7.3 percent of statewide commercial bank deposits.[2] The Independence Group ranks as the seventh largest banking organization in Wisconsin with $487 million total deposits, representing 1.8 percent of statewide commercial bank deposits. Upon consummation of the proposed acquisition, Applicant will become the second largest banking organization in the state, and will control $2.5 billion total deposits or 9.1 percent of statewide commercial bank deposits.

Although the Board is concerned about the effect of the consolidation of the third and seventh largest commercial banking organizations in Wisconsin on the concentration of banking resources within the state, certain circumstances mitigate that concern. Following consummation of the proposal, the share of commercial bank deposits held by the four largest commercial banking organizations in Wisconsin would increase by only 1.8 percent to 34.1 percent, and Wisconsin would remain one of the least concentrated states in the nation in terms of commercial bank deposits.[3]

1. The banks to be acquired are as follows:
Independence Bank Brookfield, Brookfield;
Independence Bank Elkhorn, Elkhorn;
Independence Bank Kenosha, Kenosha;
Independence Bank New Berlin, New Berlin;
Independence Bank Oconomowoc, Oconomowoc;
Independence Bank Waukesha, Waukesha;
Independence Bank of Wauwatosa, Wauwatosa; and
Independence Bank Madison, Monona, all located in Wisconsin.

2. Unless otherwise indicated, deposit data are as of December 31, 1983.

3. Based on data of June 30, 1984, only nine states have lower commercial bank concentration ratios than Wisconsin.

Applicant's subsidiary banks compete directly with the Independence Group's subsidiary banks in the Milwaukee, Madison, and Walworth banking markets.[4]

In the Milwaukee banking market, Applicant is the market's second largest commercial banking organization, with 13.7 percent of total deposits in commercial banks in the market. The Independence Group is the market's sixth largest commercial banking organization, and controls 3.7 percent of total deposits in commercial banks in the market. After consummation of the proposal, Applicant would control 17.4 percent of the market's total deposits in commercial banks, and its rank would remain unchanged.

The Milwaukee banking market is considered to be moderately concentrated.[5] The Herfindahl–Hirschman Index ("HHI") in the market is 1373 and would increase by 101 points to 1474 upon consummation of the proposal. Although consummation of the proposal would eliminate some existing competition between Applicant and the Independence Group in the Milwaukee market, 51 other commercial banking organizations would continue to operate in the market, and the four-firm concentration ratio would rise by only 3.7 percent to 67.6 percent.

In the Madison banking market, Applicant controls the fifth largest commercial banking organization, with 7.0 percent of the deposits in commercial banks in the market. The Independence Group controls approximately 1.5 percent of market deposits. The market is moderately concentrated, with an HHI of 1148. After consummation, Applicant would remain the fifth largest commercial banking organization in the market, with a market share of approximately 8.5 percent. Twelve commercial banks would continue to operate in the market after consummation of the proposal and the HHI would increase by 21 points to 1169.

The Walworth banking market is unconcentrated,[6] with an HHI of 823 and the four largest commercial banking organizations in the market controlling 41.6 percent of total deposits in commercial banks therein. Applicant controls the eleventh largest commercial banking organization with 5.9 percent of the deposits in commercial banks in the market. The Independence Group controls 10.3 percent of commercial bank deposits in the market and ranks third among commercial banking organizations therein. After consummation, Applicant would be the largest commercial banking organization in the market and would control 16.2 percent of the market's commercial bank deposits. Thirteen commercial banks would remain in the market after consummation of the proposal, and the HHI would increase by 122 points to 945.

On the basis of the above facts and other facts of record, the Board concludes that consummation of the proposal would not have a substantial adverse effect on existing competition in the Milwaukee, Madison, or Walworth banking markets.

The Board has considered the effects of this proposal on probable future competition in the eight markets in which Applicant and the Independence Bank Group do not compete directly, in light of its proposed guidelines for assessing the competitive effects of market extension mergers and acquisitions.[7] In evaluating the effects of a proposed merger or consolidation upon probable future competition, the Board considers market concentration, the number of probable future entrants into the market, the size and market position of the bank to be acquired and the attractiveness of the market for entry on a *de novo* or foothold basis.

Of the eight relevant markets, five are not considered highly concentrated and thus do not require intensive analysis under the Board's proposed guide-

4. The Milwaukee banking market is approximated by the Milwaukee Ranally Metro Area (RMA) which consists of Milwaukee, Waukesha and Ozaukee Counties in Wisconsin, as well as portions of Jefferson, Racine, Walworth and Washington Counties, also in Wisconsin.

The Madison banking market is approximated by all of Dane County, Wisconsin, except for the towns of York, Medina, Deerfield, Christiana, and Albion.

The Walworth banking market is approximated by Walworth County, Wisconsin, except the town of East Troy and including the town of Burlington in Racine County, Wisconsin.

5. Under the revised Department of Justice Merger Guidelines (49 *Federal Register* 26,823 (1984)), a market in which the post-merger HHI is between 1000 and 1800 is considered moderately concentrated. In such markets, the Department is unlikely to challenge a merger that produces an increase in the HHI of less than 100 points. The Department is likely to challenge a merger that produces an increase of over 100 points unless other facts of record indicate that the merger is not likely substantially to lessen competition. Other factors include the post merger HHI, the increase in the HHI, changing market conditions, the financial condition of the firm to be acquired, ease of entry, nature of the product, substitute products, similarities in firms that are subject to the transaction, and increased efficiencies that may result from the transaction.

6. Under the revised Department of Justice Merger Guidelines, a market in which the post-merger HHI is under 1000 is considered unconcentrated. In such markets, the Department will not challenge a merger except in extraordinary circumstances.

7. "Policy Statement of the Board of Governors of the Federal Reserve System for Assessing Competitive Factors Under the Bank Merger Act and the Bank Holding Company Act" (47 *Federal Register* 9017 (1982)). While the proposed policy statement has not been adopted by the Board, the Board is using the policy guidelines as part of its analysis of the effect of a proposal on probable future competition.

lines.[8] Two remaining markets are not considered attractive for *de novo* or foothold expansion and as well have more than six probable future entrants to the market.[9]

West Bend, the remaining market, on a commercial bank only basis meets all four of the criteria for intensive analysis under the Board's proposed guidelines.[10] The West Bend market is considered highly concentrated, with an HHI of 2147.[11] Applicant is the third largest commercial banking organization in the market, controlling 19.9 percent of deposits in commercial banks in the market.

The Board has considered the presence of five thrift institutions in the market that hold deposits of $135 million, which is approximately 30.2 percent of the total deposits in the market.[12] The Board previously has concluded that thrift institutions have become, or at least have the potential to become, major competitors of commercial banks.[13] Two of these thrifts have located their home offices within the West Bend market, and provide consumer loans, NOW accounts and commercial real estate loans. Moreover, one such thrift is actively engaged in additional commercial lending. Based upon the number, size, and market shares of these institutions in the West Bend market, the Board has concluded that thrift institutions exert a significant influence as competitors or potential competitors in the West Bend banking market.[14] After consideration of these factors in the context of the specific facts of this case, the Board concludes that consummation of this proposal would not have any significant adverse effects on probable future competition in any relevant market.

In evaluating this application, the Board has considered the financial and managerial resources and future prospects of Applicant, the Independence Bank Group, and the combined organization, and concluded that such factors are consistent with approval of the proposal. Considerations relating to the convenience and needs of the communities to be served also are consistent with approval of the application.

Applicant also has applied, pursuant to section 4(c)(8) of the Act, to acquire Independence Trust Company ("Independence Trust"), Waukesha, Wisconsin, a wholly owned subsidiary of the Independence Group that engages in trust and related services. Independence Trust operates one office in Milwaukee. Applicant presently engages in trust activities statewide through its subsidiary, Marine Trust Company, N.A. ("Marine Trust"), which operates eleven offices.

The Board has determined that the relevant product market for trust services should be viewed on a disaggregated basis.[15] For many of the trust services offered by Marine Trust and Independence Trust, the geographic market is regional or national, and the number of competitors in the provision of such services is quite large. The market shares held by Marine Trust and Independence Trust are correspondingly small. For those trust services that are part of a local geographic market, primarily testamentary trust and estate settlement services, there is existing competition between Marine Trust and Independence Trust only in Milwaukee. There are numerous providers of these services in Milwaukee, and neither Marine Trust nor Independence Trust holds a significant share of the market for these services. The proposed transaction, therefore, would not have a significant adverse effect on competition in the provision of trust services.

Applicant also has applied to acquire Independence Mortgage Company, Inc. ("Independence Mortgage"), New Berlin, Wisconsin, an Independence Group subsidiary which originates, services and processes commitments for residential mortgage loans. Applicant also offers mortgage origination and servicing activities through The Marine Mortgage Company, Inc., Milwaukee, Wisconsin. Applicant and Independence Mortgage compete in several common local markets for mortgage originations and in the regional/national market for mortgage servicing. In view of the

8. These five banking markets are: Beloit-Janesville, Green Bay, Racine, Beaver Dam, and Appleton, all in Wisconsin.

9. They are the Kenosha and Langdale, Wisconsin, banking markets.

10. The West Bend banking market is approximated by Washington County, Wisconsin except the towns of Polk, Jackson, Germantown, and Richfield.

11. With a three-firm concentration ratio of 75.2 percent, the market just surpasses the 75.0 percent threshold for a highly concentrated market under the Board's proposed guidelines.

12. Thrift data are as of September 30, 1983. Thrifts rank as the market's 3rd, 6th, 8th, 10th, and 12th largest depository institutions.

13. *The Chase Manhattan Corporation*, 70 FEDERAL RESERVE BULLETIN 529 (1984); *NCNB Bancorporation*, 70 FEDERAL RESERVE BULLETIN 225 (1984); *General Bancshares Corporation*, 69 FEDERAL RESERVE BULLETIN 802 (1983); *First Tennessee National Corporation*, 69 FEDERAL RESERVE BULLETIN 298 (1983).

14. If 50 percent of the deposits held by thrift institutions in the West Bend banking market were included in market concentration, the shares of total deposits held by the three largest organizations in the market would decrease from 75.2 percent to 58.2 percent. The market's HHI would fall from 2147 to 1404, and Applicant's market share would decline from 19.9 percent to 13.8 percent.

15. *Bancorp Hawaii, Inc.*, 71 FEDERAL RESERVE BULLETIN 168 (1985).

small absolute and relative sizes of the mortgage servicing and mortgage origination activities of Applicant and Independence Group in the relevant markets, however, the proposal would not eliminate any significant competition in any relevant market.[16]

Accordingly, it does not appear that Applicant's acquisition of these nonbanking subsidiaries would have any significant adverse effects upon competition in any market. Furthermore, there is no evidence in the record to indicate that approval of these proposals would result in undue concentration of resources, unsound banking practices, or other adverse effects on the public interest. Accordingly, the Board has determined that the balance of the public interest factors it must consider under section 4(c)(8) of the Act is favorable and consistent with approval of the applications to acquire the Independence Group's nonbanking subsidiaries.

Based on the foregoing and the facts of record, the Board has determined that the applications under sections 3 and 4 of the Act should be and hereby are approved. The acquisition of the Independence Group shall not be consummated before the thirtieth calendar day following the effective date of this Order or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Chicago pursuant to delegated authority. The determinations as to Applicant's nonbanking activities are subject to the conditions set forth in sections 225.4(d) and 225.23(b)(3) of Regulation Y (12 C.F.R. § 225.4(d) and 225.23(b)(3)) and to the Board's authority to require such modification or termination of the activities of a 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 evasion thereof.

By order of the Board of Governors, effective February 11, 1985.

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

JAMES MCAFEE
Associate Secretary of the Board

[SEAL]

16. As of September 30, 1984, Marine Mortgage's servicing portfolio stood at $25.9 million and that of Independence Mortgage at $34.0 million. In no relevant local market would Applicant and Independence Mortgage combined control more than 10 percent of all mortgage originations.

FEDERAL RESERVE ACT ORDER ISSUED BY THE BOARD OF GOVERNORS

Orders Issued under Section 25 of Federal Reserve Act

Citibank International
Miami, Florida

Order Approving Additional Activities Under Section 25(a) of the Federal Reserve Act

Citibank International, Miami, Florida ("Edge"), a corporation organized under section 25(a) of the Federal Reserve Act (the "Edge Act," 12 U.S.C. § 611 *et seq.*), has requested the Board's consent, under section 211.4(e)(5) of the Board's Regulation K, to act as an insurance agent or broker in the United States with respect to insurance on international commercial risks and to invest in one or more domestic subsidiaries to be engaged exclusively in the proposed activity.

Edge, with total consolidated assets of approximately $1.9 billion, is a wholly owned subsidiary of Citibank, N.A., New York, New York. Citibank is a subsidiary of Citicorp, New York, New York, the largest commercial banking organization in the United States, with consolidated assets of $150.6 billion as of December 31, 1984.

Edge corporations are organized for the purpose of engaging in international or foreign banking or other international or foreign financial operations. Subject to Board approval, an Edge corporation may engage directly in any activity found by the Board to be usual in connection with the transaction of foreign banking or financial operations and not inconsistent with the banking powers specifically granted to Edge corporations. 12 U.S.C. § 615(a). An Edge corporation may also engage indirectly in the United States in any activity incidental to the international or foreign business of the Edge, as determined by the Board. 12 U.S.C. § 615(c). All activities of an Edge corporation in the United States, whether direct or indirect, must be incidental to its international or foreign business. 12 U.S.C. § 616.

The proposed activities have been found by the Board to be usual in connection with the transaction of foreign banking or financial operations outside the United States. 12 C.F.R. § 211.5(d)(9). The activities that the Board has determined to be incidental to an Edge corporation's international or foreign business, and therefore permissible in the United States, are listed in section 211.4(e) of the Board's Regulation K (12 C.F.R. § 211.4(e)). The insurance agency activities proposed by Edge are not included on the list. An Edge corporation may, however, apply to the Board for a determination that other activities in the United States are incidental to its international or foreign business. Edge has requested such a determination with respect to the proposed insurance agency activities.

Edge seeks the Board's authority to act directly or indirectly as an insurance agent or broker in the United States with respect to "international commercial risks." The type of insurance that would be brokered would consist of insurance covering the transportation of cargo from any point of origin in the United States to a point of destination outside the United States; and insurance on other commercial risks resident or located abroad, or activities performed outside the United States, regardless of whether the insurance is placed with underwriters located inside or outside the United States. Edge includes as "other commercial risks" any risks underwritten by insurance carriers on behalf of businesses (but not individuals), and would include "key man" life insurance, and group life or health insurance arranged by businesses as part of their employee benefit programs. The proposed activities do not include selling insurance on personal risks and Edge does not propose to underwrite insurance.

In determining whether an activity is incidental to an Edge corporation's international business, one of the factors that the Board considers is whether the activity has a direct or clearly identifiable connection to international transactions. In the context of other activities, the Board has found that a sufficient international connection is established where the activity relates to transactions performed or to property located abroad.[1] Similarly, with respect to brokering insurance where the risk on which insurance is to be sold is located outside or substantially outside the United States, the activity appears to be incidental to international or foreign business.

With respect to insurance on risks located inside the United States, the Board notes that the only such insurance to be brokered is insurance with respect to goods that will be exported. Edge corporations are permitted to finance the costs of production for goods to be exported and the domestic shipment and temporary storage of such goods. The ability to act as agent for the sale of insurance on goods to be exported would similarly appear to be incidental to the international or foreign business of the Edge corporation. Moreover, insurance services relating to U.S. exports and the transportation of goods for export are considered international in other contexts; export trading company subsidiaries of bank holding companies, which must engage exclusively in activities related to international trade, are specifically authorized to offer the proposed insurance services. In addition, engaging in the proposed activities would be in furtherance of Edge's international business; thus, approval would be consistent with the purpose of the Edge Act to improve the competitive position of Edge corporations in order to enhance U. S. trade. Therefore, the Board has found that the proposed activities, subject to certain modifications discussed below, have a sufficiently identifiable international connection as to be considered incidental to Edge's foreign or international business.

In order to ensure that each transaction with respect to the insurance brokerage activities of Edge is incidental to its international or foreign business, the Board has determined that Edge may act as insurance agent or broker within the following limitations:

1. where the insurance products are forms of property and casualty insurance, their sale should be limited to instances where the property protected is located abroad or is being imported or exported;
2. where the insurance protects vehicles used in the transportation process, the insurance sold should be limited to vehicles primarily based abroad;
3. where the insurance products protect a business, their sale should be limited to instances where the business or property protected is located abroad; and
4. where the insurance products relate to particular employees, their sale should be limited to protecting employees who reside and are employed abroad.

In considering Edge's application, the Board also took into account the relatively low risk involved in the activity of brokering insurance, and noted that the Citicorp organization has expertise in acting as an insurance agent or broker with respect to international risks through its existing insurance brokerage operations overseas. Moreover, the financial condition and managerial resources of the Citicorp organization and Edge are consistent with approval of Edge's request.

Based on the foregoing and other considerations of record, and subject to the limitations listed above, the Board has determined that Edge's proposed activities would be incidental to its international or foreign business and are otherwise consistent with the purposes of the Federal Reserve Act. Accordingly, the application is approved.

1. For example, Regulation K permits the financing of activities performed substantially abroad and the provision of economic advice to U.S. residents with respect to foreign assets. (12 C.F.R. §§ 211.4(e)(4)(iv) and (xiv)).

By order of the Board of Governors, effective February 7, 1985.

Voting for this action: Chairman Volcker, Governors Wallich, Partee, Rice, Gramley, and Seger. Abstaining from this action: Governor Martin.

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

Citibank Overseas Investment Corporation Wilmington, Delaware

Order Denying Additional Activity Under Section 25(a) of the Federal Reserve Act

Citibank Overseas Investment Corporation ("COIC"), Wilmington, Delaware, has applied for the Board's consent under section 25(a) of the Federal Reserve Act (12 U.S.C. § 615(c)) and section 211.5(d) of the Board's Regulation K (12 C.F.R. § 211.5(d)) to engage through its subsidiary Citigeneral Insurance Australia Limited ("Citigeneral") in underwriting certain property and casualty insurance in Australia.

COIC is a corporation organized under section 25(a) of the Federal Reserve Act (an "Edge Corporation") and is a wholly owned subsidiary of Citibank, N.A., New York, New York. Citibank is a subsidiary of Citicorp, New York, New York, the largest commercial banking organization in the United States with consolidated assets of $144.7 billion as of September 30, 1984.

COIC's indirect subsidiary, Citicorp Australia Holdings Limited ("Holdings"), which is primarily a consumer finance company, has two Australian insurance subsidiaries, Citigeneral (formerly Ajax Insurance Company) and Citilife Insurance Australia Limited (formerly Surrey Insurance Company). Pursuant to Board approval, Citilife and Citigeneral underwrite credit-related insurance in Australia.[1] Citigeneral also is authorized to underwrite a limited amount of motor vehicle comprehensive insurance of the type that Citigeneral could write at the time of its acquisition by COIC. COIC now seeks authority to engage through Citigeneral in general property and casualty insurance underwriting.

In reviewing proposals by U. S. banking organizations to engage in activities overseas, the Board has recognized that in other banking and financial systems, local institutions are often permitted to engage in activities that would not be permissible for United States banking organizations under applicable United States laws and regulations. In the Edge Act and the Bank Holding Company Act, the Board has been granted authority to permit activities abroad that are generally not authorized in the United States for bank holding companies. In the exercise of that authority, the Board has adhered to the policy that the foreign activities that it authorizes should be of a banking or financial, as opposed to commercial, nature, or that such activities should be usual in connection with banking or other financial operations abroad. The Board may also consider whether conduct of the activity will enable the U. S. banking organization to compete effectively with foreign organizations. In addition, the Board takes into account whether the performance of the activity by a United States banking organization overseas is consistent with the prudent conduct and management of the company's banking and nonbanking operations, and the effect of the activity on the capital and managerial resources of the U. S. banking organization. In this regard, it is generally preferable for U. S. banking organizations to strengthen capital resources to support more traditional banking activities before venturing on a large scale into new high-risk activities, particularly where the activities are less directly related to the organization's primary business.

In considering the application, the Board took into account the fact that there are affiliations in Australia between banking and financial institutions and property and casualty insurance underwriters. The Board noted COIC's assertions in support of its request for approval of this application that the activity is financial and usual in connection with the transaction of banking or financial operations in Australia. In this regard, COIC provided information that indicates that three of the four largest commercial banks and eleven of the seventeen largest finance companies in Australia have affiliates that underwrite general property and casualty insurance. Moreover, because COIC competes in Australia through the vehicle of a finance company, COIC asserts that Holdings and its subsidiaries operate at a competitive disadvantage because they do not have the flexibility to offer as wide a range of financial services as do their competitors.

In acting on an application for a new activity, the Board has given weight to the fact that other financial institutions abroad engage in the activity where evidence is provided that performance of the activity would enhance the competitive position of the U.S. banking organization. These factors are not determinative, however, in approving a new activity. The Board also takes into consideration the risks inherent in the

1. *Citibank Overseas Investment Corporation/Surrey Insurance Company*, 67 FEDERAL RESERVE BULLETIN 366 (1981). The ownership structure of, and prior regulatory approvals with respect to, these companies are described in that Order.

activity, especially whether those risks are of a type and nature not normally associated with banking or finance, any adverse effects that may result from performance of the activity such as the potential for conflicts of interest, and the effects of the proposal on the capital and managerial resources of the U. S. banking organization.

In this proposal, the risks inherent in underwriting property and casualty insurance are not of the type traditionally associated with banking. Recent experience of both U. S. and foreign casualty insurance underwriters demonstrates that these risks, and consequent losses and potential losses necessitating additional capital infusions, can be substantial. Property and casualty insurance covers a wide spectrum of services, which are often grouped under three headings — fire, marine, and accident insurance, including automobile liability and damage, health and accident, workmen's compensation, malpractice, and other forms of professional liability. In all these cases, the insurance covers the risk of loss associated with uncertain events. The probability of those events occurring, and the extent of consequent losses, cannot be as readily determined in an actuarial sense as in the case of life insurance.

Although Citigeneral has performed satisfactorily in managing the limited casualty insurance business it currently conducts, its operations are small and the Board has restricted the scope of its activities. COIC now proposes to expand the range of its underwriting activities significantly, although COIC states that its business plans would initially focus on underwriting only several personal, as opposed to commercial, lines of insurance. However, the authority that COIC seeks with respect to property and casualty insurance is unrestricted as to the type of personal risk Citigeneral could insure and the proposed lines of insurance will necessarily increase the risk to which the company is exposed. Moreover, the application contemplates offering other lines in the future. Engaging in a generalized property and casualty underwriting business, even initially on a modest scale, would nonetheless constitute entry into an inherently risky business.

COIC has also asserted that in order to remain fully competitive with local Australian organizations, it must be able to sell all lines of insurance to customers. The Board notes, however, that, under Regulation K, COIC may act as a general insurance broker and therefore may sell property and casualty insurance coverage written by other companies as part of the services it offers to customers. Therefore, COIC's financial services business in Australia would not appear to be significantly disadvantaged by not underwriting property and casualty insurance.

Based on the foregoing and other considerations reflected in the record, the Board has determined that approval of the application by COIC would not be consistent with the purposes of the Federal Reserve Act or the Bank Holding Company Act and would not be in the public interest. Therefore, the application is denied.

By order of the Board of Governors, effective December 4, 1984.

Voting for this action: Chairman Volcker and Governors Martin, Wallich, Partee, Rice, and Seger. Voting against this action: Governor Gramley.

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

Concurring Statement of Chairman Volcker

I consider the decision in this case to be close, and my concurrence is dependent upon certain specific elements in the proposal. The Board has denied a rather broad proposal to engage initially in underwriting property and casualty risks in Australia, including household and homeowners' insurance covering fire and any other type of damage; motor vehicle insurance, including insurance on light commercial vehicles; insurance on small watercraft, and travel insurance. Applicant stated that it anticipated expanding lines offered at a later date.

I do not believe that denial of all applications for property and casualty insurance would necessarily be required where the lines of insurance to be written are restricted, the individual risks covered are small, and the size of the investment would not expose the organization to significant risk, provided a reasonable case is made that competing banking institutions are directly or indirectly engaged in offering the same services in a significant way. While I believe the latter point is reasonably satisfied in this case, I concur in the Board's opinion because the proposal as structured involves so broad a potential range of personal property and casualty insurance lines now or in the future.

December 4, 1984

Dissenting Statement of Governor Gramley

The Board's decision in this case is based principally on the risks associated with underwriting general property and casualty insurance. From the facts presented, I find the risk exposure for the Citicorp organization to be quite manageable. Citigeneral's proposed property and casualty insurance underwriting operations would be modest in size, Citigeneral would underwrite personal lines only and would have substantial reinsurance coverage for its individual risks. Moreover, Citigeneral would not undertake to reinsure others. In my judgment, the application should be approved conditioned on limiting the size and scope of the activities as described above. For this reason, I dissent from the Board's action in this case.

December 4, 1984

Statement by Board of Governors of the Federal Reserve System

Regarding Applications by Citibank Overseas Investment Corporation to engage in additional activity under section 25(a) of the Federal Reserve Act

By letter dated November 19, 1984, the Board approved the application of Citibank Overseas Investment Corporation ("COIC"), Wilmington, Delaware, for the Board's consent under section 25(a) of the Federal Reserve Act (12 U.S.C. § 615(c)) and section 211.5(d) of the Board's Regulation K to retain the shares of two subsidiaries:[1] KKB Lebensversicherung AG, Dusseldorf, Federal Republic of Germany ("KKB Leben") after KKB Leben engages in the activity of underwriting life insurance in the Federal Republic of Germany; and Citilife Insurance Australia Limited ("Citilife") after Citilife engages in the activity of underwriting life insurance in Australia. In this statement, the Board sets forth its reasons for approving these applications.

COIC is a corporation organized under section 25(a) of the Federal Reserve Act (an "Edge Corporation") and is wholly owned by Citibank, N.A., New York, New York. Citibank is a wholly owned subsidiary of Citicorp, New York, New York, which is the largest commercial banking organization in the United States with consolidated assets of $144.7 billion as of September 30, 1984.

In reviewing proposals by U.S. banking organizations to engage in activities overseas, the Board has recognized that, in other banking and financial systems, local institutions are often permitted to engage in activities that would not be permissible for United States banking organizations under applicable United States laws and regulations. In the Edge Act and the Bank Holding Company Act, the Board has been granted authority to permit activities abroad that are generally not authorized in the United States for bank holding companies. In the exercise of that authority, the Board has adhered to the policy that the foreign activities that it authorizes should be of a banking or financial, as opposed to commercial, nature, or that such activities should be usual in connection with banking or other financial operations abroad. The Board may also consider whether conduct of the activity will enable the U.S. banking organization to compete effectively with foreign organizations. In addition, the Board takes into account whether the performance of the activity by a United States banking organization overseas is consistent with the prudent conduct and management of the company's banking and nonbanking operations, and the effect of the activity on the capital and managerial resources of the U.S. banking organization.

The list of permissible activities in Regulation K includes the underwriting of credit life insurance and credit accident and health insurance that is related to extensions of credit by the investor or its affiliates (12 C.F.R. § 211.5(d)(5)). The general activity of underwriting life insurance is not listed as a permissible activity. The Board has previously approved an application to underwrite general life insurance in the United Kingdom, based on an evaluation of the financial characteristics of the activity and the affiliations in that country between financial institutions and insurance underwriting companies.[2]

In approving these applications, the Board considered a number of factors. With respect to the request to underwrite life insurance through KKB Leben, COIC asserted that underwriting life insurance is financial in nature and usual in connection with banking in Germany in that life insurance is frequently used as a savings vehicle in Germany because of its favorable tax advantages, and that the relations between German commercial banks and German life insurance underwriters have traditionally been marked by mutual shareholdings and director interlocks. COIC has provided information indicating that approximately 26 of the 100 largest German deposit-taking institutions are affiliated with an insurance group engaged in life insurance underwriting. Moreover, COIC has described long-standing relationships between major life underwriters and savings and loan associations, and stated that six of the seven largest German life insurance underwriters are closely affiliated with building and loan associations and savings banks.

In connection with the request to underwrite life insurance through Citilife, COIC maintained that underwriting life insurance in Australia is a financial activity or usual in connection with banking or other

1. As discussed below, Citicorp has agreed to transfer KKB Leben and Citilife from COIC to Citicorp within three years, and two years, respectively.

2. *Citibank Overseas Investment Corporation/Citibank Assurance Company Limited*, 70 FEDERAL RESERVE BULLETIN 168 (1984).

financial operations in Australia. The Board noted that, although legislation currently bars Australian commercial banks from engaging in life insurance underwriting, Australian life insurance underwriters are engaged in financial services other than commercial banking, such as those conducted through ownership of merchant banks, money market companies, savings and loan associations, building societies and consumer finance companies. For example, the facts of record indicate that half of the 18 largest Australian finance companies are affiliated with general insurance underwriters, and two of these are also affiliated with major Australian commercial banking organizations. Moreover, due to restrictions of Australian law, COIC operates in Australia primarily through a consumer finance company and thus directly competes with companies affiliated with insurance underwriters.

In acting on the application the Board considered the fact that competitors of the Citicorp organization are able to provide the proposed services and that approval of the activity would permit Citicorp to compete more effectively in the financial services industry generally in these countries without incurring substantial additional risk. In assessing the risks to the Citicorp organization of underwriting life insurance in Germany and Australia, the Board took into account that the risks insured against in underwriting life insurance are actuarially predictable, unlike the risks involved in other types of insurance, and that the scope of the risk associated with investment of revenues can be limited with prudent underwriting practices. The Board also noted that both KKB Leben and Citilife are relatively small companies that appear to be adequately capitalized. The projected growth of KKB Leben and Citilife is moderate and COIC anticipates no additional capital will be required for these companies over the next three years. Any further investments in these companies will require the consent of the Board and KKB Leben and Citilife will be subject to supervision by regulatory authorities in Germany and Australia.

The Board also relied on Citicorp's commitment to transfer the ownership of KKB Leben and Citilife from COIC, a Citibank subsidiary, to Citicorp itself within three and two years, respectively, after those companies begin engaging in the proposed insurance activities. The Board believes that holding company ownership, rather than indirect bank ownership, is appropriate where the subsidiary is engaging extensively in activities that are not traditional banking activities. In addition, holding company ownership would have the effect of automatically applying the quantitative limits and collateral requirements of section 23A of the Federal Reserve Act (12 U.S.C. § 371c) to covered transactions between Citicorp's subsidiary banks and KKB Leben and Citilife. Prior to the transfer, Citibank has committed to treat these companies as subsidiaries of the holding company for purposes of section 23A.

After consideration of the foregoing and other facts of record, including the financial characteristics of the activity, the affiliations in the respective countries between insurance underwriters and financial institutions, the risks associated with underwriting life insurance, the relatively small size of the companies and the moderate level of projected growth, the Board concluded that the activity of underwriting life insurance in Germany and Australia by subsidiaries of Citicorp would be consistent with the purposes of section 25(a) of the Federal Reserve Act, section 4(c)(13) of the Bank Holding Company Act and the Board's Regulation K. Accordingly, the applications were approved subject to the conditions described above.

Board of Governors of the Federal Reserve System, December 4, 1984.

Voting for this action: Chairman Volcker and Governors Martin, Wallich, Partee, Rice, Gramley, and Seger.

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

ORDERS APPROVED UNDER BANK HOLDING COMPANY ACT

By the Board of Governors

During February 1985 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)
CBC Bancorp, Ltd., Chicago, Illinois	Heritage Bank of Oakwood, Westmont, Illinois	February 12, 1985

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
The Bank of New York, New York City, New York	Great Neck Branch of Hamburg Savings Bank, Brooklyn, New York	New York	February 1, 1985
Bank of Virginia Company, Richmond, Virginia	Bank of Virginia, National Association, Richmond, Virginia	Richmond	February 7, 1985
Bankmanagers Corp., Milwaukee, Wisconsin	Park Bank East, Milwaukee, Wisconsin	Chicago	February 6, 1985
Brazos Valley Bancshares, Inc., Bryan, Texas	Western National Bank, Bryan, Texas	Dallas	February 12, 1985
Brookside Bancshares, Inc., Tulsa, Oklahoma	Brookside State Bank, Tulsa, Oklahoma	Kansas City	February 22, 1985
Capital Bancorporation, Inc., Clayton, Missouri	Capital Bank & Trust Company of Clayton, Clayton, Missouri	St. Louis	February 21, 1985
Citizens Development Company, Billings, Montana	First Security Bank of Laurel, Laurel, Montana	Minneapolis	February 14, 1985
Columbia Bancorp, Inc., Avondale, Arizona	Columbia Bank (In Organization), Avondale, Arizona	San Francisco	February 15, 1985
Commercial Bancshares of Roanoke, Inc., Roanoke, Alabama	The Commercial Bank of Roanoke, Roanoke, Alabama	Atlanta	January 30, 1985
Commercial Bank Investment Company, Denver, Colorado	Commercial Bancorporation of Colorado, Denver, Colorado	Kansas City	February 13, 1985

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Commonwealth Trust Bancorp, Inc., Covington, Kentucky	The Farmers Bank, Butler, Kentucky	Cleveland	February 4, 1985
Community Holding Company, Inez, Kentucky	The First National Bank of Louisa, Louisa, Kentucky	Cleveland	February 14, 1985
County Bancorporation, Inc., Jackson, Missouri	Cape County Bank of Cape Girardeau, Cape Girardeau, Missouri	St. Louis	January 31, 1985
Delaware National Bankshares Corp., Georgetown, Delaware	Delaware National Bank, Georgetown, Delaware	Philadelphia	February 25, 1985
Elm Marine Banc-Shares, Inc., Elmhurst, Illinois	The Saint Charles National Bank, St. Charles, Illinois	Chicago	February 14, 1985
Emmetsburg Bank Shares, Inc., Des Moines, Iowa	Iowa Trust & Savings Bank, Emmetsburg, Iowa	Chicago	January 31, 1985
Farmers National Bancorp, Annapolis, Maryland	Atlantic National Bank, Ocean City, Maryland	Richmond	February 8, 1985
Fidelity Bancorp, Inc., Scottsdale, Arizona	Fidelity Bank (In Organization), Scottsdale, Arizona	San Francisco	February 20, 1985
FINB Holding Corp., Bettendorf, Iowa	First Illinois National Bank, Savanna, Illinois	Chicago	February 20, 1985
First Clay Corp., Brazil, Indiana	First Bank and Trust Company of Clay County, Indiana, Brazil, Indiana	Chicago	February 6, 1985
First Colebrook Bancorp, Inc., Colebrook, New Hampshire	The First Colebrook Bank, Colebrook, New Hampshire	Boston	February 4, 1985
First Franklin Bancshares, Inc., Athens, Tennessee	Riceville Bank, Riceville, Tennessee	Atlanta	February 13, 1985
First National Corporation, Bloomington, Indiana	First National Bank of Bloomington, Bloomington, Indiana	Chicago	February 14, 1985
First Railroad & Banking Company of Georgia, Augusta, Georgia	National City Bankcorp, Rome, Georgia	Atlanta	January 30, 1985
First State Bancorporation, Inc., Tiptonville, Tennessee	The Martin Bank, Martin, Tennessee	St. Louis	February 21, 1985
First State Holding Corp., Sulligent, Alabama	First State Bank of Lamar County, Sulligent, Alabama	Atlanta	January 30, 1985
First Tule Bancorp, Inc., Tulia, Texas	The First National Bank of Tulia, Tulia, Texas	Dallas	February 8, 1985
First United Corporation, Oakland, Maryland	First United National Bank & Trust, Oakland, Maryland	Richmond	February 12, 1985
FirstBank Holding Company of California, Lakewood, Colorado	First National Bank, Palm Desert (In Organization), Palm Desert, California	San Francisco	February 6, 1985

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Gebsco, Inc., Cochrane, Wisconsin	Mondovi State Bank, Mondovi, Wisconsin	Minneapolis	February 25, 1985
Georgetown National Bank Holding Company, Georgetown, Texas	Georgetown National Bank, Georgetown, Texas	Dallas	February 8, 1985
I.S.B. Bancorporation, Inc., Hampton, Iowa	Iowa Savings Bank, Woodbine, Iowa	Chicago	February 7, 1985
InvestArk Bankshares, Inc., Stuttgart, Arkansas	North Central Financial Corporation, Melbourne, Arkansas The Bank of North Arkansas, Melbourne, Arkansas	St. Louis	February 8, 1985
JBC Bancshares, Inc., Jasper, Georgia	Jasper Banking Company, Jasper, Georgia	Atlanta	February 19, 1985
Johnco Bancshares, Inc., Whitehall, Wisconsin	John O. Melby & Co., Whitehall, Wisconsin	Minneapolis	February 5, 1985
Landmark Banking Corporation of Florida, Ft. Lauderdale, Tennessee	Landmark Bank of Seminole County, Casselberry, Florida	Atlanta	February 6, 1985
Lake Park Bancshares, Inc., Lake Park, Minnesota	State Bank of Lake Park, Lake Park, Minnesota	Minneapolis	February 19, 1985
Lincoln Bancshares, Inc., Stanford, Kentucky	Lincoln County National Bank, Stanford, Kentucky	Cleveland	February 8, 1985
Mainline Bankshares of Portland, Inc., Portland, Arkansas	The Peoples Bank, Portland, Arkansas	St. Louis	February 5, 1985
Marble Falls National Bancshares, Inc., Marble Falls, Texas	Marble Falls National Bank, Marble Falls, Texas	Dallas	February 1, 1985
Metro Bancorporation, Waterloo, Iowa	Hudson State Bank, Hudson, Iowa	Chicago	February 22, 1985
Midwestern Services, Inc., Omaha, Nebraska	First Westside Bank of Omaha, Omaha, Nebraska	Kansas City	February 20, 1985
Mount Vernon Bankshares, Inc., Mount Vernon, Texas	The First National Bank of Mount Vernon, Mount Vernon, Texas	Dallas	February 25, 1985
National City Bancshares, Inc., Evansville, Indiana	The National City Bank of Evansville, Evansville, Indiana	St. Louis	February 8, 1985
Nationwide Bankshares, Inc., West Point, Nebraska	Charter West National Bank, West Point, Nebraska	Kansas City	February 25, 1985
NBP Financial Services, Inc., Petersburg, Illinois	National Bank of Petersburg, Petersburg, Illinois	Chicago	February 14, 1985
O.C.B. Bancorp, Paoli, Indiana	Orange County Bank, Paoli, Indiana	St. Louis	February 19, 1985

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Ohio Bancorp, Youngstown, Ohio	The Miners and Mechanics Savings and Trust Company, Steubenville, Ohio	Cleveland	January 30, 1985
Oran Bancshares, Inc., Oran, Missouri	Oran State Bank, Oran, Missouri	St. Louis	January 31, 1985
Park Financial of St. Paul, Inc., St. Paul, Minnesota	Citizens State Bank of Montgomery, Montgomery, Minnesota	Minneapolis	February 4, 1985
Parker Bankshares, Incorporated, Parker, Colorado	First National Bank of Parker, Parker, Colorado	Kansas City	January 30, 1985
Pennsylvania National Financial Corp., Harrisburg, Pennsylvania	Pennsylvania National Bank and Trust Company, Pottsville, Pennsylvania	Philadelphia	February 25, 1985
Peoples Mid-Illinois Corporation, Bloomington, Illinois	The First National Bank of Normal, Normal, Illinois	Chicago	February 21, 1985
Plaza Bancshares, Inc., Fort Worth, Texas	River Plaza National Bank, Fort Worth, Texas	Dallas	February 22, 1985
Raleigh Bankshares, Inc., Beckley, West Virginia	National Bank of Summers, Hinton, West Virginia	Richmond	January 30, 1985
Rockies Bancshares, Inc., Boulder, Colorado	National Bank of the Rockies in Denver, Denver, Colorado	Kansas City	February 22, 1985
Schmid Bros. Investment Co., Inc., Clayton, Missouri	Financial Bancshares, Inc., Sunset Hills, Missouri Bank of St. Mary, St. Marys, Missouri	St. Louis	February 21, 1985
Southshares, Inc., Laredo, Texas	South Texas National Bank of Laredo, Laredo, Texas	Dallas	February 8, 1985
SouthTrust Corporation, Birmingham, Alabama	The First National Bancorporation of the South, Opp, Alabama	Atlanta	February 15, 1985
Southwest Bankers, Inc., San Antonio, Texas	San Antonio Bancshares, Inc., San Antonio, Texas	Dallas	January 31, 1985
Superior Bancshares, Inc., Kansas City, Missouri	Superior National Bank, Kansas City, Missouri	Kansas City	February 1, 1985
Thatcher Banking Corporation, Denver, Colorado	The First National Bank of Salida, Salida, Colorado	Kansas City	February 15, 1985
Third Illinois Bancorp, Inc., Manchester, Missouri	Johnston City State Bank, Johnston City, Illinois	St. Louis	February 22, 1985
Toledo Trustcorp, Inc., Toledo, Ohio	Trustcorp Company, Columbus, Ohio	Cleveland	January 28, 1985

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
United Bank of Colorado, Inc., Denver, Colorado	United Bank of University Hills, N.A., Denver, Colorado	Kansas City	February 4, 1985
Valley Bancorporation, Appleton, Wisconsin	BANCWIS CORPORATION, Janesville, Wisconsin	Chicago	February 15, 1985
Valley Bancshares, Inc., Pauls Valley, Oklahoma	First National Bank of Marlow, Marlow, Oklahoma	Kansas City	January 28, 1985
Vidor Bancshares, Inc., Beaumont, Texas	Allied Vidor Bank, Vidor, Texas	Dallas	February 15, 1985

Section 4

Applicant	Nonbanking company	Reserve Bank	Effective date
Atlantic Bancorporation, Jacksonville, Florida	Florida Title & Mortgage Company, Jacksonville, Florida	Atlanta	February 15, 1985
First Alabama Bancshares, Inc., Montgomery, Alabama	Real Estate Financing, Inc., Montgomery, Alabama	Atlanta	January 31, 1985
First Bank System, Inc., Minneapolis, Minnesota	Valley View, Inc., Bloomington, Minnesota	Minneapolis	February 21, 1985
First State Bancorp of Monticello, Monticello, Illinois	Eskridge Agency, Inc., Hammond, Illinois	Chicago	February 6, 1985
The Hongkong and Shanghai Banking Corporation, B.C.C., Kellett N.V., Curacoa, Netherlands Antilles	HSBC Holdings B.V., Amsterdam, The Netherlands, Marine Midland Banks, Inc., Buffalo, New York, Marine Midland National Corporation, Buffalo, New York Unibanc-Trust Company, Chicago, Illinois	New York	February 8, 1985
How-Win Development Co., Cresco, Iowa	Cresco Insurance Agency, Inc., Cresco, Iowa	Chicago	February 11, 1985
Worland Holding Company, Worland, Wyoming	indirectly engage in sale of credit related insurance	Kansas City	February 4, 1985

Sections 3 and 4

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
Valley Bancorporation, Appleton, Wisconsin	BANCWIS Leasing Company, Inc., Jeanesville, Wisconsin	Chicago	February 8, 1985

ORDERS APPROVED UNDER BANK MERGER ACT

By Federal Reserve Banks

Applicant	Bank(s)	Reserve Bank	Effective date
Norstar Bank of Upstate NY, Albany, New York	Oneida National Bank, Utica, New York	New York	February 25, 1985

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.

Florida Department of Banking v. Board of Governors, No. 84-3831 (11th Cir., filed Nov. 30, 1984).

Florida Department of Banking v. Board of Governors, No. 84-3832 (11th Cir., filed Nov. 30, 1984).

Citicorp v. Board of Governors, No. 84-754 (U.S., filed Oct. 12, 1984).

David Bolger Revocable Trust v. Board of Governors, No. 84-4141 (2nd Cir., filed Aug. 31, 1984).

Citicorp v. Board of Governors, No. 84-4121 (2d Cir., filed Aug. 27, 1984).

Seattle Bancorporation v. Board of Governors, No. 84-7535 (9th Cir., filed Aug. 15, 1984).

Bank of New York Co., Inc. v. Board of Governors, No. 84-4091, (2d Cir., filed June 14, 1984).

Citicorp v. Board of Governors, No. 84-4081 (2d Cir., filed May 22, 1984).

Lamb v. Pioneer First Federal Savings and Loan Association, No. C84-702 (D. Wash., filed May 8, 1984).

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

Florida Bankers Association v. Board of Governors, No. 84-3269 and No. 84-3270 (11th Cir., filed Apr. 20, 1984).

Northeast Bancorp, Inc. v. Board of Governors, No. 84-363 (U.S., filed Mar. 27, 1984).

Huston v. Board of Governors, No. 84-1361 (8th Cir., filed Mar. 20, 1984); and No. 84-1084 (8th Cir. filed Jan. 17, 1984).

State of Ohio, v. Board of Governors, No. 84-1270 (10th Cir., filed Jan. 30, 1984).

Ohio Deposit Guarantee Fund v. Board of Governors, No. 84-1257 (10th Cir., filed Jan. 28, 1984).

Colorado Industrial Bankers Association v. Board of Governors, No. 84-1122 (10th Cir., filed Jan. 27, 1984).

Financial Institutions Assurance Corp. v. Board of Governors, No. 84-1101 (4th Cir., filed Jan. 27, 1984).

First Bancorporation v. Board of Governors, No. 84-1011 (10th Cir., filed Jan. 5, 1984).

Dimension Financial Corporation v. Board of Governors, No. 83-2696 (10th Cir., filed Dec. 30, 1983).

Oklahoma Bankers Association v. Federal Reserve Board, No. 83-2591 (10th Cir., filed Dec. 13, 1983).

The Committee for Monetary Reform v. Board of Governors, No. 84-5067 (D.C. Cir., filed June 16, 1983).

First Bank & Trust Company v. Board of Governors, No. 81-38 (E.D. Ky., filed Feb. 24, 1981).

9 to 5 Organization for Women Office Workers v. Board of Governors, No. 83-1171 (1st Cir., filed Dec. 30, 1980).

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

A. G. Becker, Inc. v. Board of Governors, No. 80-2614 (D.C. Cir., filed Oct. 14, 1980), and No. 80-2730 (D.C. Cir., filed Oct. 14, 1980).

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

Item	Monetary and credit aggregates (annual rates of change, seasonally adjusted in percent)[1]								
	1984[r]				1984[r]				1985
	Q1	Q2	Q3	Q4	Sept.	Oct.	Nov.	Dec.	Jan.
Reserves of depository institutions[2]									
1 Total	7.7	8.6	6.8	-.7	-7.6	-12.1	11.3	18.8	31.1
2 Required	5.3	10.3	6.6	1.5	-5.8	12.1	9.1	14.0	35.2
3 Nonborrowed	9.0	-10.8	-44.6	30.7	21.0	32.6	66.3	72.6	94.4
4 Monetary base[3]	9.5	7.0	7.2	3.9	2.9	-.4	7.6	8.0	8.0
Concepts of money, liquid assets, and debt[4]									
5 M1	6.2	6.5	4.5	3.4	5.7	-6.7	12.0	10.4	9.0
6 M2	7.2	7.1	6.8	9.0	8.1	5.5	14.0	13.2	14.1
7 M3	9.2	10.5	9.5	11.0	9.3	10.0	14.2	14.3	12.7
8 L	11.2	12.5	12.3	n.a.	10.2	n.a.	n.a.	n.a.	n.a.
9 Debt	13.1	13.1	12.5	12.6	10.3	11.9	14.6	14.1	n.a.
Nontransaction components									
10 In M2[5]	7.5	7.2	7.6	10.8	8.8	9.3	14.6	14.0	15.6
11 In M3 only[6]	18.2	24.9	20.3	18.9	14.1	27.5	14.8	19.0	7.3
Time and savings deposits									
Commercial banks									
12 Savings[7]	-11.6	-6.7	-5.6	-10.4	8.5	-11.4	10.6	-11.6	-9.8
13 Small-denomination time[8]	9.5	13.1	13.4	6.9	9.2	4.4	4.4	7.8	-8.4
14 Large-denomination time[9,10]	7.4	21.8	19.3	12.3	14.1	24.2	2.3	3.2	-10.0
Thrift institutions									
15 Savings[7]	-5.7	-.7	-6.7	7.1	-7.1	-6.4	-6.4	-7.2	7.2
16 Small-denomination time	13.0	13.4	17.0	14.8	16.1	15.9	10.8	11.4	-1.7
17 Large-denomination time[9]	52.3	48.1	38.1	31.3	4.4	38.2	42.9	39.0	20.5
Debt components[4]									
18 Federal	16.6	13.1	14.7	15.6	11.1	12.9	20.0	17.7	n.a.
19 Nonfederal	12.1	13.1	11.8	11.7	10.0	11.6	13.0	13.0	n.a.
20 Total loans and securities at commercial banks[11]	11.9	11.0	9.1	9.1	9.8	6.5	12.8	9.5	6.7

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

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

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

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

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

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

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

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

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

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

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

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

7. Excludes MMDAs.

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

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

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

11. Changes calculated from figures shown in table 1.23.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT

Millions of dollars

Factors	Monthly averages of daily figures			Weekly averages of daily figures for week ending						
	1984		1985	1984		1985				
	Nov.	Dec.	Jan.	Dec. 19	Dec. 26	Jan. 2	Jan. 9	Jan. 16	Jan. 23	Jan. 30
SUPPLYING RESERVE FUNDS										
1 **Reserve Bank credit**	**180,040**	**183,925**	**182,763**	**182,683**	**184,004**	**189,291**	**186,493**	**183,752**	**179,274**	**179,901**
2 U.S. government securities[1]	154,357	159,474	159,619	158,519	160,835	162,978	163,043	161,411	156,368	157,296
3 Bought outright	153,519	159,010	158,152	158,519	160,835	159,641	161,033	158,645	156,368	156,858
4 Held under repurchase agreements	838	464	1,467	0	0	3,337	2,010	2,766	0	438
5 Federal agency obligations	8,479	8,462	8,526	8,389	8,389	8,869	8,537	8,640	8,389	8,440
6 Bought outright	8,425	8,389	8,389	8,389	8,389	8,389	8,389	8,389	8,389	8,389
7 Held under repurchase agreements	54	73	137	0	0	480	148	251	0	51
8 Acceptances	0	0	0	0	0	0	0	0	0	0
9 Loans	4,660	3,040	1,567	3,161	1,844	3,537	2,062	1,200	784	1,167
10 Float	829	1,499	1,203	1,331	1,227	2,050	1,203	664	1,606	877
11 Other Federal Reserve assets	11,715	11,450	11,848	11,284	11,709	11,857	11,647	11,836	12,127	12,122
12 Gold stock	11,096	11,096	11,095	11,096	11,096	11,096	11,096	11,095	11,095	11,095
13 Special drawing rights certificate account	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618
14 Treasury currency outstanding	16,324r	16,388	16,453	16,389	16,403	16,418	16,434	16,448	16,462	16,474
ABSORBING RESERVE FUNDS										
15 Currency in circulation	178,708r	181,720	180,036	181,412	182,813	183,904	182,785	180,592	178,689	177,310
16 Treasury cash holdings	490	511	526	512	513	513	518	524	528	534
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	3,177	3,406	3,875	3,468	3,669	4,033	3,490	3,463	3,300	4,946
18 Foreign	246	247	219	251	214	255	218	211	223	212
19 Service-related balances and adjustments	1,619	1,676	1,961	1,484	1,778	1,878	1,901	1,884	2,074	1,612
20 Other	520	450	479	441	455	563	429	420	387	574
21 Other Federal Reserve liabilities and capital	6,298	6,370	6,200	6,402	6,330	6,284	6,161	6,319	6,222	6,166
22 Reserve balances with Federal Reserve Banks[2]	21,020	21,648	21,634	20,816	20,351	23,995	23,137	22,500	20,027	20,734
	End-of-month figures			Wednesday figures						
	1984		1985	1984		1985				
	Nov.	Dec.	Jan.	Dec. 19	Dec. 26	Jan. 2	Jan. 9	Jan. 16	Jan. 23	Jan. 30
SUPPLYING RESERVE FUNDS										
23 **Reserve Bank credit**	**182,391**	**186,384**	**177,890**	**184,171**	**184,771**	**195,169**	**182,282**	**185,645**	**178,913**	**179,161**
24 U.S. government securities[1]	157,770	160,850	154,555	159,237	161,529	165,965	160,714	163,153	156,030	155,418
25 Bought outright	157,770	159,223	154,555	159,237	161,529	158,616	160,187	158,733	156,030	155,418
26 Held under repurchase agreements	0	1,627	0	0	0	7,349	527	4,420	0	0
27 Federal agency obligations	8,389	8,777	8,389	8,389	8,389	9,099	8,485	8,644	8,389	8,389
28 Bought outright	8,389	8,389	8,389	8,389	8,389	8,389	8,389	8,389	8,389	8,389
29 Held under repurchase agreements	0	388	0	0	0	710	96	255	0	0
30 Acceptances	0	0	0	0	0	0	0	0	0	0
31 Loans	5,073	3,577	2,139	3,514	2,423	6,347	1,437	1,125	764	1,910
32 Float	-16	833	502	1,067	436	1,775	-91	584	1,661	1,120
33 Other Federal Reserve assets	11,175	12,347	12,305	11,964	11,994	11,983	11,737	12,139	12,069	12,324
34 Gold stock	11,096	11,096	11,095	11,096	11,096	11,096	11,096	11,095	11,095	11,095
35 Special drawing rights certificate account	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618
36 Treasury currency outstanding	16,360r	16,418r	16,476	16,401	16,415r	16,432	16,446	16,460	16,474	16,476
ABSORBING RESERVE FUNDS										
37 Currency in circulation	179,511r	183,796r	177,569	182,020	183,768	184,119	181,904	179,800	178,161	177,291
38 Treasury cash holdings	500	513	535	513	511	513	525	527	534	535
Deposits, other than reserve balances with Federal Reserve Banks										
39 Treasury	2,216	5,316	5,349	3,646	3,587	3,057	4,195	3,331	4,399	2,963
40 Foreign	392	253	244	272	182	247	249	198	224	238
41 Service-related balances and adjustments	1,254	1,126	1,164	1,135	1,126	1,126	1,146	1,143	1,158	1,157
42 Other	447	867	560	416	566	745	393	421	366	650
43 Other Federal Reserve liabilities and capital	6,347	5,952	5,964	6,155	6,133	6,219	6,134	6,208	5,972	5,956
44 Reserve balances with Federal Reserve Banks[2]	23,798	20,693	18,694	22,129	21,027	31,289	19,896	26,190	20,286	22,560

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

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

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

1.12 RESERVES AND BORROWINGS Depository Institutions

Millions of dollars

Reserve classification	Monthly averages[8]									
	1982	1983	1984	1984						1985
	Dec.	Dec.	Dec.[r]	July	Aug.	Sept.	Oct.	Nov.	Dec.[r]	Jan.
1 Reserve balances with Reserve Banks[1]	24,939[r]	21,138[r]	21,738	19,891[r]	19,270[r]	20,143[r]	20,099[r]	20,843[r]	21,738	21,579
2 Total vault cash[2]	20,392	20,755	22,316	21,134	21,688	21,232	21,875	21,827	22,316	23,044
3 Vault cash used to satisfy reserve requirements[3]	17,049	17,908	18,958	17,579	17,995	17,900	18,413	18,958	18,958	19,547
4 Surplus vault cash[4]	3,343	2,847	3,358	3,555	3,694	3,333	3,462	3,358	3,358	3,497
5 Total reserves[5]	41,853	38,894	40,696	37,471[r]	37,264[r]	38,043[r]	38,512[r]	39,235[r]	40,696	41,126
6 Required reserves	41,353	38,333	39,843	36,858[r]	36,575[r]	37,415[r]	37,892[r]	38,542[r]	39,843	40,377
7 Excess reserve balances at Reserve Banks[6]	500	561	853	613[r]	689[r]	628[r]	620[r]	693[r]	853	749
8 Total borrowings at Reserve Banks	697	774	3,186	5,924	8,017	7,242	6,017	4,617	3,186	1,395
9 Seasonal borrowings at Reserve Banks	33	96	113	308	346	319	299	212	113	62
10 Extended credit at Reserve Banks[7]	187	2	2,604	5,008	7,043	6,459	5,057	3,837	2,604	1,050
	Biweekly averages of daily figures for weeks ending									
	1984							1985		
	Sept. 26	Oct. 10	Oct. 24	Nov. 7	Nov. 21	Dec. 5	Dec. 19	Jan. 2	Jan. 16	Jan. 30
11 Reserve balances with Reserve Banks[1]	20,038	20,406	19,617	20,566	20,734	21,184	21,584	22,171		
12 Total vault cash[2]	20,043[r]	20,421[r]	19,629[r]	20,577[r]	20,748[r]	21,196[r]	21,596[r]	22,129[r]	22,819	20,379
13 Vault cash used to satisfy reserve requirements[3]	18,232	18,221	18,784	17,949	18,661	18,320	18,547	19,701	22,089	23,828
14 Surplus vault cash[4]	3,290	3,350	3,545	3,456	3,456	3,385	3,120	19,703[r]	19,002	19,995
15 Total reserves[5]	38,275[r]	38,642[r]	38,412[r]	38,526[r]	39,409[r]	39,516[r]	40,143[r]	41,832[r]	41,820	40,374
16 Required reserves	37,744	37,723	37,984	37,949	38,800	38,602	39,617	40,625[r]	41,187	39,590
17 Excess reserve balances at Reserve Banks[6]	531[r]	919[r]	428[r]	577[r]	610[r]	914[r]	526[r]	1,207[r]	634	785
18 Total borrowings at Reserve Banks	7,110	6,165	6,234	5,373	4,476	4,251	3,231	2,691	1,631	976
19 Seasonal borrowings at Reserve Banks	328	315	305	265	204	184	115	81	58	63
20 Extended credit at Reserve Banks[7]	6,369	5,147	5,431	4,184	3,888	3,488	2,774	2,038	1,371	593

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

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

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

Averages of daily figures, in millions of dollars

By maturity and source	1984 and 1985 week ending Monday								
	Dec. 24	Dec. 31	Jan. 7	Jan. 14[r]	Jan. 21	Jan. 28	Feb. 4	Feb. 11	Feb. 18
One day and continuing contract									
1 Commercial banks in United States	59,435	60,203	67,554	63,965	60,571	56,740	60,129	61,359	61,529
2 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies	28,916	27,176	27,539	28,694	27,149	27,503	29,148	30,114	29,116
3 Nonbank securities dealers	5,536	5,717	5,796	6,264	7,290	8,643	8,335	7,484	8,404
4 All other	22,712	24,580	26,963	26,337	26,087	28,150	28,217	28,931	30,655
All other maturities									
5 Commercial banks in United States	11,312	11,462	8,513	8,298	8,652	7,475	7,644	8,178	8,472
6 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies	8,458	8,440	8,140	8,254	8,072	7,315	7,010	7,200	6,981
7 Nonbank securities dealers	6,338	6,190	5,847	7,475	7,503	7,038	6,936	7,534	7,507
8 All other	13,919	11,864	8,528	8,599	9,588	7,776	8,241	8,605	8,998
MEMO: Federal funds and resale agreement loans in *maturities of one day or continuing contract*									
9 Commercial banks in United States	28,805[r]	29,370	29,603	29,034	28,438	28,298	29,664	25,960	28,748
10 Nonbank securities dealers	6,978	6,423	6,390	6,763	5,952	6,535	6,871	6,087	6,137

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			Extended credit[1]						
				First 60 days of borrowing		Next 90 days of borrowing		After 150 days		Effective date for current rates
	Rate on 2/26/85	Effective date	Previous rate	Rate on 2/26/85	Previous rate	Rate on 2/26/85	Previous rate	Rate on 2/26/85	Previous rate	
Boston	8	12/24/84	8½	8	8½	9	9½	10	10½	12/24/84
New York		12/24/84								12/24/84
Philadelphia		12/24/84								12/24/84
Cleveland		12/24/84								12/24/84
Richmond		12/24/84								12/24/84
Atlanta		12/24/84								12/24/84
Chicago		12/24/84								12/24/84
St. Louis		12/24/84								12/24/84
Minneapolis		12/24/84								12/24/84
Kansas City		12/24/84								12/24/84
Dallas		12/24/84								12/24/84
San Francisco	8	12/24/84	8½	8	8½	9	9½	10	10½	12/24/84

Range of rates in recent years[2]

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

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1978—July 3	7–7¼	7¼
10	7¼	7¼
Aug. 21	7¾	7¾
Sept. 22	8	8
Oct. 16	8–8½	8½
20	8½	8½
Nov. 1	8½–9½	9½
3	9½	9½
1979—July 20	10	10
Aug. 17	10–10½	10½
20	10½	10½
Sept. 19	10½–11	11
21	11	11
Oct. 8	11–12	12
10	12	12
1980—Feb. 15	12–13	13
19	13	13
May 29	12–13	13
30	12	12
June 13	11–12	11
16	11	11
July 28	10–11	10
29	10	10
Sept. 26	11	11
Nov. 17	12	12
Dec. 5	12–13	13
8	13	13

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1981—May 5	13–14	14
8	14	14
Nov. 2	13–14	13
6	13	13
Dec. 4	12	12
1982—July 20	11½–12	11½
23	11½	11½
Aug. 2	11–11½	11
3	11	11
16	10½	10½
27	10–10½	10
30	10	10
Oct. 12	9½–10	9½
13	9½	9½
Nov. 22	9–9½	9
26	9	9
Dec. 14	8½–9	9
15	8½–9	8½
17	8½	8½
1984—Apr. 9	8½–9	9
13	9	9
Nov. 21	8½–9	8½
26	8½	8½
Dec. 24	8	8
In effect Feb. 26, 1985	8	8

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

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

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

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Percent of deposits

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

Type of deposit, and deposit interval[5]	Depository institution requirements after implementation of the Monetary Control Act[6]	
	Percent	Effective date
Net transaction accounts[7,8]		
$0–$29.8 million	3	1/1/85
Over $29.8 million	12	1/1/85
Nonpersonal time deposits[9]		
By original maturity		
Less than 1½ years	3	10/6/83
1½ years or more	0	10/6/83
Eurocurrency liabilities		
All types	3	11/13/80

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Percent per annum

Type of deposit	Commercial banks		Savings and loan associations and mutual savings banks (thrift institutions)[1]	
	In effect Feb. 28, 1985		In effect Feb. 28, 1985	
	Percent	Effective date	Percent	Effective date
1 Savings	5½	1/1/84	5½	7/1/79
2 Negotiable order of withdrawal accounts	5¼	12/31/80	5¼	12/31/80
3 Negotiable order of withdrawal accounts of $1,000 or more[2]	....	1/5/83	....	1/5/83
4 Money market deposit account[2]	(3)	12/14/82	(3)	12/14/82
Time accounts by maturity				
5 7–31 days of less than $1,000[4]	5½	1/1/84	5½	9/1/82
6 7–31 days of $1,000 or more[2]	....	1/5/83	....	1/5/83
7 More than 31 days	....	10/1/83	....	10/1/83

1. Effective Oct. 1, 1983, restrictions on the maximum rates of interest payable by commercial banks and thrift institutions on various categories of deposits were removed. For information regarding previous interest rate ceilings on all categories of accounts see earlier issues of the FEDERAL RESERVE BULLETIN, the *Federal Home Loan Bank Board Journal*, and the *Annual Report of the Federal Deposit Insurance Corporation* before November 1983.

2. Effective Dec. 1, 1983, IRA/Keogh (HR10) Plan accounts are not subject to minimum deposit requirements. Effective Jan. 1, 1985, the minimum denomination requirement was lowered from $2,500 to $1,000.

3. Effective Dec. 14, 1982, depository institutions are authorized to offer a new account with a required initial balance of $2,500 and an average maintenance balance of $2,500 not subject to interest rate restrictions. Effective Jan. 1, 1985, the minimum denomination and average maintenance balance requirements was lowered to $1,000. No minimum maturity period is required for this account, but depository institutions must reserve the right to require seven days notice before withdrawals. When the average balance is less than $1,000, the account is subject to the maximum ceiling rate of interest for NOW accounts; compliance with the average balance requirement may be determined over a period of one month. Depository institutions may not guarantee a rate of interest for this account for a period longer than one month or condition the payment of a rate on a requirement that the funds remain on deposit for longer than one month.

4. Effective Jan. 1, 1985, the minimum denomination requirement was lowered from $2,500 to $1,000. Deposits of less than $1,000 issued to governmental units continue to be subject to an interest rate ceiling of 8 percent.

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS

Millions of dollars

	Type of transaction	1981	1982	1983	1984						
					June	July	Aug.	Sept.	Oct.	Nov.	Dec.
	U.S. GOVERNMENT SECURITIES										
	Outright transactions (excluding matched transactions)										
	Treasury bills										
1	Gross purchases	13,899	17,067	18,888	801	0	187	3,249	507	4,463	3,410
2	Gross sales	6,746	8,369	3,420	0	897	1,491	71	1,300	0	0
3	Exchange	0	0	0	0	0	0	0	0	0	0
4	Redemptions	1,816	3,000	2,400	801	600	800	0	2,200	0	0
	Others within 1 year										
5	Gross purchases	317	312	484	0	0	0	600	0	146	182
6	Gross sales	23	0	0	0	0	0	0	0	0	0
7	Maturity shift	13,794	17,295	18,887	1,069	428	3,811	872	896	1,348	771
8	Exchange	-12,869	-14,164	-16,553	0	2,606	2,274	0	-1,497	-3,363	-966
9	Redemptions	0	0	87	0	0	0	0	0	0	0
	1 to 5 years										
10	Gross purchases	1,702	1,797	1,896	0	0	0	0	0	830	0
11	Gross sales	0	0	0	0	0	0	0	0	0	0
12	Maturity shift	-10,299	-14,524	-15,533	-1,069	-345	-3,811	-872	-896	594	-771
13	Exchange	10,117	11,804	11,641	0	2,606	1,443	0	1,497	1,763	966
	5 to 10 years										
14	Gross purchases	393	388	890	0	0	0	0	0	335	0
15	Gross sales	0	0	0	0	0	0	0	0	0	0
16	Maturity shift	-3,495	-2,172	2,450	0	83	52	0	0	-1,893	0
17	Exchange	1,500	2,128	2,950	0	0	500	0	0	850	0
	Over 10 years										
18	Gross purchases	379	307	383	0	0	0	0	0	164	0
19	Gross sales	0	0	0	0	0	0	0	0	0	0
20	Maturity shift	0	-601	-904	0	0	-52	0	0	-49	0
21	Exchange	1,253	234	1,962	0	0	332	0	0	750	0
	All maturities										
22	Gross purchases	16,690	19,870	22,540	801	0	0	3,849	507	5,938	3,591
23	Gross sales	6,769	8,369	3,420	0	897	187	71	1,300	0	0
24	Redemptions	1,816	3,000	2,487	0	600	800	0	2,200	0	0
	Matched transactions										
25	Gross sales	589,312	543,804	578,591	61,017	81,799	79,087	52,893	89,689	51,904	63,674
26	Gross purchases	589,647	543,173	576,908	61,331	81,143	78,842	55,776	85,884	55,516	61,537
	Repurchase agreements										
27	Gross purchases	79,920	130,774	105,971	23,298	14,830	4,992	26,040	0	12,063	3,888
28	Gross sales	78,733	130,286	108,291	26,460	14,830	166	30,867	0	12,063	2,261
29	Net change in U.S. government securities	9,626	8,358	12,631	-2,047	-2,154	2,478	1,835	-6,798	9,549	3,080
	FEDERAL AGENCY OBLIGATIONS										
	Outright transactions										
30	Gross purchases	494	0	0	0	0	0	0	0	0	0
31	Gross sales	0	0	0	0	0	0	0	0	0	0
32	Redemptions	108	189	292	15	1	5	1	14	90	0
	Repurchase agreements										
33	Gross purchases	13,320	18,957	8,833	1,819	958	381	3,743	0	698	506
34	Gross sales	13,576	18,638	9,213	2,117	958	12	4,112	0	698	119
35	Net change in federal agency obligations	130	130	-672	-313	-1	364	-370	14	-90	388
	BANKERS ACCEPTANCES										
36	Repurchase agreements, net	-582	1,285	-1,062	-426	0	0	0	0	0	0
37	**Total net change in System Open Market Account**	**9,175**	**9,773**	**10,897**	**-2,786**	**-2,155**	**2,842**	**1,465**	**-6,811**	**9,459**	**3,468**

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		
	1985					1984		1985
	Jan. 2	Jan. 9	Jan. 16	Jan. 23	Jan. 30	Nov.	Dec.	Jan.
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,096	11,096	11,095	11,095	11,095	11,096	11,096	11,095
2 Special drawing rights certificate account	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618
3 Coin	430	434	457	476	495	451	436	497
Loans								
4 To depository institutions	6,347	1,437	1,125	764	1,910	5,073	3,577	2,139
5 Other	0	0	0	0	0	0	0	0
Acceptances—Bought outright								
6 Held under repurchase agreements	0	0	0	0	0	0	0	0
Federal agency obligations								
7 Bought outright	8,389	8,389	8,389	8,389	8,389	8,389	8,389	8,389
8 Held under repurchase agreements	710	96	255	0	0	0	388	0
U.S. government securities								
Bought outright								
9 Bills	70,428	71,999	70,545	67,942	67,330	69,764	71,035	66,467
10 Notes	65,237	65,237	65,237	65,137	65,137	65,055	65,237	65,137
11 Bonds	22,951	22,951	22,951	22,951	22,951	22,951	22,951	22,951
12 Total bought outright[1]	158,616	160,187	158,733	156,030	155,418	157,770	159,223	154,555
13 Held under repurchase agreements	7,349	527	4,420	0	0	0	1,627	0
14 Total U.S. government securities	165,965	160,714	163,153	156,030	155,418	157,770	160,850	154,555
15 **Total loans and securities**	**181,411**	**170,636**	**172,922**	**165,183**	**165,717**	**171,232**	**173,204**	**165,083**
16 Cash items in process of collection	8,209	6,367	8,547	8,859	7,205	6,237	5,498	6,161
17 Bank premises	569	570	570	563	570	565	568	570
Other assets								
18 Denominated in foreign currencies[2]	3,599	3,601	3,604	3,613	3,642	3,648	3,597	3,631
19 All other[3]	7,815	7,566	7,965	7,893	8,112	6,962	8,167	8,104
20 **Total assets**	**217,747**	**204,888**	**209,778**	**202,300**	**201,454**	**204,809**	**207,184**	**199,759**
LIABILITIES								
21 Federal Reserve notes	168,630	166,417	164,324	162,697	161,845	164,102	168,327	162,125
Deposits								
22 To depository institutions	32,415	21,042	27,333	21,444	23,717	25,052	21,818	19,858
23 U.S. Treasury—General account	3,057	4,195	3,331	4,399	2,963	2,216	5,316	5,349
24 Foreign—Official accounts	247	249	198	224	238	392	253	244
25 Other	745	393	421	366	650	447	865	560
26 **Total deposits**	**36,464**	**25,879**	**31,283**	**26,433**	**27,568**	**28,107**	**28,252**	**26,011**
27 Deferred availability cash items	6,434	6,458	7,963	7,198	6,085	6,253	4,653	5,659
28 Other liabilities and accrued dividends[4]	2,874	2,564	2,625	2,366	2,359	2,682	2,700	2,355
29 **Total liabilities**	**214,402**	**201,318**	**206,195**	**198,694**	**197,857**	**201,144**	**203,932**	**196,150**
CAPITAL ACCOUNTS								
30 Capital paid in	1,627	1,629	1,630	1,635	1,635	1,620	1,626	1,639
31 Surplus	1,626	1,626	1,626	1,626	1,626	1,465	1,626	1,626
32 Other capital accounts	92	315	327	345	336	580	0	344
33 **Total liabilities and capital accounts**	**217,747**	**204,888**	**209,778**	**202,300**	**201,454**	**204,809**	**207,184**	**199,759**
34 MEMO: Marketable U.S. government securities held in custody for foreign and international account	120,283	115,985	118,182	116,635	116,856	117,949	122,134	116,649
	Federal Reserve note statement							
35 Federal Reserve notes outstanding	193,687	193,632	193,845	193,812	193,598	193,727	193,867	193,440
36 LESS: Held by bank	25,057	27,215	29,521	31,115	31,753	29,625	25,540	31,315
37 Federal Reserve notes, net	168,630	166,417	164,324	162,697	161,845	164,102	168,327	162,125
Collateral held against notes net:								
38 Gold certificate account	11,096	11,096	11,095	11,095	11,095	11,096	11,096	11,095
39 Special drawing rights certificate account	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. government and agency securities	152,916	150,703	148,611	146,984	146,132	148,388	152,613	146,412
42 **Total collateral**	**168,630**	**166,417**	**164,324**	**162,697**	**161,845**	**164,102**	**168,327**	**162,125**

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

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

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings

Millions of dollars

Type and maturity groupings	Wednesday					End of month		
	1985					1984		1985
	Jan. 2	Jan. 9	Jan. 16	Jan. 23	Jan. 30	Nov. 30	Dec. 31	Jan. 31
1 Loans—Total	6,347	1,437	1,125	764	1,910	5,073	3,577	2,139
2 Within 15 days	6,317	1,399	1,100	752	1,905	5,004	3,547	2,125
3 16 days to 90 days	30	38	25	12	5	69	30	14
4 91 days to 1 year	0	0	0	0	0	0	0	0
5 Acceptances—Total	0	0	0	0	0	0	0	0
6 Within 15 days	0	0	0	0	0	0	0	0
7 16 days to 90 days	0	0	0	0	0	0	0	0
8 91 days to 1 year	0	0	0	0	0	0	0	0
9 U.S. government securities—Total	165,965	160,714	163,153	156,030	155,418	157,770	160,850	154,555
10 Within 15 days[1]	10,565	5,763	8,434	3,994	3,479	4,892	4,254	3,249
11 16 days to 90 days	36,200	35,586	35,476	35,296	34,846	34,871	37,396	32,498
12 91 days to 1 year	47,795	47,960	47,838	45,435	45,788	46,797	47,795	47,474
13 Over 1 year to 5 years	37,072	37,072	37,072	37,072	37,072	36,877	37,072	37,101
14 Over 5 years to 10 years	14,100	14,100	14,100	14,000	14,000	14,100	14,100	14,000
15 Over 10 years	20,233	20,233	20,233	20,233	20,233	20,233	20,233	20,233
16 Federal agency obligations—Total	9,099	8,485	8,644	8,389	8,389	8,389	8,777	8,389
17 Within 15 days[1]	760	171	288	89	97	226	575	97
18 16 days to 90 days	643	618	630	625	681	473	521	755
19 91 days to 1 year	1,701	1,701	1,681	1,702	1,718	1,727	1,665	1,644
20 Over 1 year to 5 years	4,329	4,329	4,367	4,328	4,248	4,334	4,350	4,248
21 Over 5 years to 10 years	1,267	1,267	1,279	1,246	1,246	1,230	1,267	1,246
22 Over 10 years	399	399	399	399	399	399	399	399

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

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE

Billions of dollars, averages of daily figures

Item	1981 Dec.[r]	1982 Dec.[r]	1983 Dec.	1984 Dec.[r]	1984[r] June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1985 Jan.
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[1]	Seasonally adjusted											
1 **Total reserves[2]**	**32.10**	**34.28**	**36.14**	**38.71**	**38.29**	**38.24**	**38.39**	**38.14**	**37.76**	**38.11**	**38.71**	**39.72**
2 Nonborrowed reserves	31.46	33.65	35.36	35.52	34.99	32.32	30.37	30.90	31.74	33.50	35.52	38.32
3 Nonborrowed reserves plus extended credit[3]	31.61	33.83	35.37	38.13	36.86	37.32	37.41	37.36	36.80	37.33	38.13	39.37
4 Required reserves	31.78	33.78	35.58	37.86	37.52	37.63	37.70	37.52	37.14	37.42	37.86	38.97
5 Monetary base[4]	158.10	170.14	185.49	198.74	193.98	194.62	195.78	196.25	196.18	197.43	198.74	200.07
	Not seasonally adjusted											
6 **Total reserves[2]**	**32.82**	**35.01**	**36.86**	**40.13**	**37.80**	**37.85**	**37.70**	**37.88**	**37.95**	**38.69**	**40.13**	**40.71**
7 Nonborrowed reserves	32.18	34.37	36.09	36.94	34.50	31.93	29.68	30.64	31.94	34.07	36.94	39.31
8 Nonborrowed reserves plus extended credit[3]	32.33	34.56	36.09	39.55	36.37	36.94	36.72	37.10	36.99	37.91	39.55	40.36
9 Required reserves	32.50	34.51	36.30	39.28	37.03	37.24	37.01	37.25	37.33	37.99	39.28	39.96
10 Monetary base[4]	160.94	173.17	188.76	202.02	194.25	195.90	196.11	196.07	196.13	198.22	202.02	200.93
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[5]												
11 **Total reserves[2]**	**41.92**	**41.85**	**38.89**	**40.70**	**37.53**	**37.47**	**37.26**	**38.04**	**38.51**	**39.23**	**40.70**	**41.13**
12 Nonborrowed reserves	41.29	41.22	38.12	37.51	34.23	31.55	29.25	30.80	32.50	34.62	37.51	39.73
13 Nonborrowed reserves plus extended credit[3]	41.44	41.41	38.12	40.09	36.23	36.39	36.29	37.29	37.37	38.54	40.09	40.88
14 Required reserves	41.61	41.35	38.33	39.84	36.75	36.86	36.57	37.41	37.89	38.54	39.84	40.38
15 Monetary base[4]	170.47	180.52	192.36	202.59	193.97	195.52	195.68	196.23	196.69	198.77	202.59	201.35

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

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

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

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

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

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

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

1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES

Billions of dollars, averages of daily figures

Item[1]	1981 Dec.	1982 Dec.	1983 Dec.	1984 Dec.[r]	1984[r] Oct.	1984[r] Nov.	1984[r] Dec.	1985 Jan.
	Seasonally adjusted							
1 M1	441.9	480.5	525.4	558.7	548.4	553.9	558.7	563.1
2 M2	1,796.6	1,965.3	2,196.3	2,371.7	2,318.7	2,345.9	2,371.7	2,400.1
3 M3	2,236.7	2,460.3	2,710.4	2,996.1	2,925.5	2,960.1	2,996.1	3,027.9
4 L	2,598.4	2,868.7	3,178.7	n.a.	n.a.	n.a.	n.a.	n.a.
5 Debt[2]	4,323.8	4,710.1	5,224.6	n.a.	n.a.	5,871.6	n.a.	n.a.
M1 components								
6 Currency[2]	124.0	134.1	148.0	158.7	157.1	157.9	158.7	159.4
7 Travelers checks[3]	4.3	4.3	4.9	5.2	5.0	5.1	5.2	5.3
8 Demand deposits[4]	236.2	239.7	243.7	248.6	244.5	246.8	248.6	249.1
9 Other checkable deposits[5]	77.4	102.4	128.9	146.2	141.9	144.1	146.2	149.3
Nontransactions components								
10 In M2[6]	1,354.6	1,484.8	1,670.9	1,812.9	1,770.3	1,791.9	1,812.9	1,837.0
11 In M3 only[7]	440.2	495.0	514.1	624.5	606.8	614.3	624.5	627.9
Savings deposits[9]								
12 Commercial Banks	159.7	164.9	134.6	122.6	124.9	123.8	122.6	121.7
13 Thrift institutions	186.1	197.2	178.2	165.6	167.5	166.6	165.6	166.7
Small denomination time deposits[9]								
14 Commerical Banks	349.6	382.2	353.1	387.0	383.1	384.5	387.0	384.5
15 Thrift institutions	477.7	474.7	440.0	498.1	489.0	493.4	498.1	497.4
Money market mutual funds								
16 General purpose and broker/dealer	150.6	185.2	138.2	168.1	155.7	162.2	168.1	172.8
17 Institution-only	36.2	48.4	43.2	62.7	52.2	58.3	62.7	65.0
Large denomination time deposits[10]								
18 Commercial Banks[11]	247.3	261.8	225.1	264.4	263.2	263.7	264.4	262.1
19 Thrift institutions	54.3	66.1	100.4	152.4	142.5	147.6	152.4	155.0
Debt components								
20 Federal debt	830.1	991.4	1,173.1	n.a.	1,323.1	1,345.6	n.a.	n.a.
21 Non-federal debt	3,493.7	3,718.7	4,051.6	n.a.	4,475.8	4,526.1	n.a.	n.a.
	Not seasonally adjusted							
22 M1	452.3	491.9	537.9[r]	570.7	548.3	556.1	570.7	568.7
23 M2	1,798.7	1,967.4	2,198.1	2,376.7	2,316.1	2,344.0	2,376.7	2,405.4
24 M3	2,242.7	2,466.6	2,716.5	2,996.1	2,925.5	2,960.1	2,996.1	3,027.9
25 L	2,605.6	2,876.5	3,189.4	n.a.	n.a.	n.a.	n.a.	n.a.
26 Debt[2]	4,323.8	4,710.1	5,218.5	n.a.	5,791.8	5,861.8	n.a.	n.a.
M1 components								
27 Currency[2]	126.1	136.4	150.5	160.9	156.7	158.7	160.9	158.4
28 Travelers checks[3]	4.1	4.1	4.6	4.9	5.0	4.8	4.9	4.8
29 Demand deposits[4]	243.6	247.3	251.6	257.4	245.8	248.9	257.4	254.9
30 Other checkable deposits[5]	78.5	104.1	131.3	147.5	140.8	143.6	147.5	150.5
Nontransactions components								
31 M2[6]	1,346.3	1,475.5	1,660.2	1,805.9	1,767.7	1,788.0	1,805.9	1,836.7
32 M3 only[7]	444.1	499.2	518.4	626.7	605.0	616.6	626.7	626.3
Money market deposit accounts								
33 Commercial banks	n.a.	26.3	230.0	267.1	248.2	257.1	267.1	280.5
34 Thrift institutions	n.a.	16.6	145.9	148.0	144.0	145.5	148.0	153.3
Savings deposits[8]								
35 Commercial Banks	157.5	162.1	132.0	121.4	124.3	122.7	121.4	121.2
36 Thrift institutions	184.7	195.5	176.5	164.5	167.2	165.8	164.5	165.5
Small denomination time deposits[9]								
37 Commercial Banks	347.7	380.1	351.0	387.6	386.2	387.1	387.6	386.1
38 Thrift institutions	475.6	472.4	437.6	498.8	492.6	496.8	498.8	502.2
Money market mutual funds								
39 General purpose and broker/dealer	150.6	185.2	138.2	168.1	155.7	162.2	168.1	172.8
40 *Institution-only*	36.2	48.4	43.2	62.7	52.2	58.3	62.7	65.0
Large denomination time deposits[10]								
41 Commercial Banks[11]	252.1	266.2	228.5	265.9	264.1	263.6	265.8	262.9
42 Thrift institutions	54.3	66.2	100.7	151.6	143.6	148.1	151.6	154.5
Debt components								
43 Federal debt	830.1	991.4	1,170.2	n.a.	1,323.0	1,343.0	n.a.	n.a.
44 Non-federal debt	3,943.7	3,718.7	4,048.3	n.a.	4,468.8	4,518.8	n.a.	n.a.

For notes see following page.

NOTES TO TABLE 1.21

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

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

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

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

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

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

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

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

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

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

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

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

8. Savings deposits exclude MMDAs.

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

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

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

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

1.22 BANK DEBITS AND DEPOSIT TURNOVER

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

Bank group, or type of customer	1982[1]	1983[1]	1984[1]	1984					
				July	Aug.	Sept.	Oct.	Nov.	Dec.
DEBITS TO	Seasonally adjusted								
Demand deposits[2]									
1 All insured banks	80,858.7	90,914.4	109,642.3	128,299.3	128,141.9	124,117.4	142,907.3	134,016.3	137,512.0
2 Major New York City banks	34,108.1	37,932.9	47,769.4	55,340.6	57,096.5	55,591.4	67,488.7	60,992.8	62,341.0
3 Other banks	46,966.5	52,981.5	61,873.1	72,958.7	71,045.4	68,526.0	75,418.5	73,023.5	75,171.0
4 ATS-NOW accounts[3]	761.0	1,036.2	1,405.5	1,658.9	1,851.9	1,640.6	1,698.6	1,678.5	1,677.5
5 Savings deposits[4]	679.6	720.3	741.4	682.4	694.5	566.8	597.2	579.1	486.0
DEPOSIT TURNOVER									
Demand deposits[2]									
6 All insured banks	285.8	324.2	379.7	433.0	436.7	424.5	486.8	448.2	453.4
7 Major New York City banks	1,116.7	1,287.6	1,528.0	1,774.3	1,834.6	1,822.5	2,199.6	1,917.5	1,903.0
8 Other banks	185.9	211.1	240.9	275.2	270.9	261.7	286.9	273.3	277.8
9 ATS-NOW accounts[3]	14.4	14.5	15.6	16.6	18.3	16.2	16.9	16.5	16.3
10 Savings deposits[4]	4.1	4.5	5.4	5.5	5.6	4.6	4.9	4.7	4.0
DEBITS TO	Not seasonally adjusted								
Demand deposits[2]									
11 All insured banks	81,197.9	91,031.8	109,517.6	124,604.3	133,844.2	120,120.8	141,249.5	131,791.6	140,166.0
12 Major New York City banks	34,032.0	38,001.0	47,707.4	54,060.5	59,743.8	54,329.0	64,790.2	61,148.7	64,498.9
13 Other banks	47,165.9	53,030.9	64,310.2	70,543.8	74,100.3	65,791.8	76,459.2	70,643.0	75,667.1
14 ATS-NOW accounts[3]	737.6	1,027.1	1,397.0	1,598.5	1,629.4	1,523.7	1,665.7	1,524.8	1,625.4
15 MMDA[5]	....	....	567.4	891.7	888.2	821.6	901.1	819.7	899.7
16 Savings deposits[4]	672.9	720.0	742.0	686.3	680.3	543.1	616.2	538.7	470.6
DEPOSIT TURNOVER									
Demand deposits[2]									
17 All insured banks	286.4	325.0	379.9	418.1	465.7	408.9	479.9	438.8	447.1
18 Major New York City banks	1,114.2	1,295.7	1,510.0	1,738.1	2,008.0	1,786.4	2,120.7	1,944.6	1,910.8
19 Other banks	186.2	211.5	240.5	264.3	287.6	249.8	289.9	262.7	270.5
20 ATS-NOW accounts[3]	14.0	14.4	15.5	16.0	16.4	15.2	16.6	14.9	15.4
21 MMDA[5]	....	....	2.8	3.7	3.7	3.4	3.7	3.2	3.4
22 Savings deposits[4]	4.1	4.5	5.4	5.4	5.5	4.5	5.1	4.4	3.9

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

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

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

1.23 LOANS AND SECURITIES All Commercial Banks[1]

Billions of dollars; averages of Wednesday figures

Category	1984 Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.r	1985 Jan.
	Seasonally adjusted											
1 **Total loans and securities**[2]	**1,584.1**	**1,599.6**	**1,612.9**	**1,629.8**	**1,636.6**	**1,652.6**	**1,662.1**	**1,674.9**	**1,682.8r**	**1,700.7r**	**1,714.1**	**1,723.7**
2 U.S. government securities	260.7	261.0	257.6	257.3	253.7	256.4	257.1	258.0	257.0	259.4	260.2	259.9
3 Other securities	142.2	142.3	142.1	140.5	139.7	139.5	140.8	141.9	141.5	141.6	140.3	142.9
4 Total loans and leases[2]	1,181.2	1,196.3	1,213.2	1,232.0	1,243.2	1,256.7	1,264.2	1,275.0	1,284.3r	1,299.7r	1,313.5	1,320.9
5 Commercial and industrial	421.7	432.2	438.5	448.0	452.2	455.0	458.1	460.0	463.0r	467.9r	468.3	469.0
6 Bankers acceptances held[3]	5.4	5.6	5.2	5.8	5.8	6.5	6.1	5.7	5.9	6.2	5.4	5.1
7 Other commercial and industrial	416.4	426.6	433.2	442.2	446.3	448.5	451.9	454.3	457.1r	461.7r	462.9	463.8
8 U.S. addressees[4]	404.2	414.3	420.8	430.2	434.7	436.8	440.3	443.2	446.5r	451.4r	453.3	454.2
9 Non-U.S. addressees[4]	12.2	12.3	12.4	12.0	11.7	11.6	11.6	11.1	10.6	10.3	9.6	9.7
10 Real estate	338.5	342.9	347.2	350.7	354.7	358.3	361.2	364.8	367.7	371.3	374.9	377.6
11 Individual	218.1	221.1	224.9	229.0	233.0	236.3	238.5	241.3	243.5	246.8	251.1	254.8
12 Security	33.7	29.5	29.6	30.1	28.5	28.0	26.1	28.8	30.3	30.2	31.4	31.9
13 Nonbank financial institutions	30.6	30.2r	30.6	31.4	31.4	31.4	30.9	31.3	31.1r	31.2	31.5	31.1
14 Agricultural	39.7	40.0	40.1	40.3	40.4r	40.6	40.5	40.7	40.6r	40.5r	40.3	40.2
15 State and political subdivisions	34.6	35.5	36.7	37.4	38.7	40.1	40.9	41.5	41.0	41.8	43.7	46.5
16 Foreign banks	13.4	12.8	12.7	12.3	12.3	12.2	12.0	11.5	11.4	11.7	11.4	11.3
17 Foreign official institutions	9.0	9.1	8.9	8.9	8.9	9.3	9.4	9.0	8.6	8.1	7.7	7.6
18 Lease financing receivables	13.8	13.8	14.0	14.1	14.3	14.5	14.8	15.0	15.1	15.2	15.5	15.6
19 All other loans	28.1	29.1	30.1	29.8r	28.9	31.1r	31.9	31.3	32.1r	35.1r	37.6	35.3
	Not seasonally adjusted											
20 **Total loans and securities**[2]	**1,582.5**	**1,596.5**	**1,613.7**	**1,626.6**	**1,637.6**	**1,646.7**	**1,656.1**	**1,673.3**	**1,684.0r**	**1,701.5r**	**1,725.1**	**1,731.7**
21 U.S. government securities	261.6	263.1	263.0	259.4	257.2	256.2	255.5	255.8	254.1	255.3	256.9	259.8
22 Other securities	142.4	142.5	141.8	141.1	139.4	138.2	140.4	141.3	140.9	141.7	142.0	143.7
23 Total loans and leases[2]	1,178.5	1,190.9	1,209.0	1,226.1	1,241.0	1,252.4	1,260.2	1,276.3	1,289.0r	1,304.6r	1,326.3	1,328.1
24 Commercial and industrial	421.3	431.8	438.7	446.8	450.9	454.3	456.1	459.9	463.8r	468.2r	471.3	470.8
25 Bankers acceptances held[3]	5.3	5.5	5.3	5.7	6.0	6.4	5.9	5.6	5.8	6.1	5.8	5.2
26 Other commercial and industrial	416.0	426.3	433.4	441.0	444.8	447.9	450.1	454.3	458.0r	462.0r	465.5	465.6
27 U.S. addressees[4]	404.3	414.4	421.7	429.5	433.5	436.2	438.5	443.0	447.0r	451.1r	454.9	455.8
28 Non-U.S. addressees[4]	11.7	11.8	11.7	11.6	11.3	11.7	11.6	11.3	11.1	11.0	10.6	9.8
29 Real estate	338.1	341.9	346.0	349.8	354.1	357.7	361.4	365.9	368.9	372.3	375.5	378.2
30 Individual	217.8	219.3	222.9	227.2	231.3	234.7	238.3	242.4	245.3	248.5	254.2	257.3
31 Security	32.7	29.0	29.5	28.9	28.5	26.6	25.4	27.7	30.1	31.7	35.2	32.9
32 Nonbank financial institutions	30.4r	30.2r	30.7	31.2	31.4	31.4r	31.0	31.4	31.1	31.1	31.6	31.2
33 Agricultural	38.9	39.0	39.4	40.2	40.9	41.3r	41.4	41.5	41.2r	40.6r	40.0	39.6
34 State and political subdivisions	34.6	35.5	36.7	37.4	38.7	40.1	40.9	41.5	41.0	41.8	43.7	46.5
35 Foreign banks	13.4	12.6	12.3	12.0	11.8	12.0	11.7	11.7	11.8	12.0	12.0	11.6
36 Foreign official institutions	9.0	9.1	8.9	8.9	8.9	9.3	9.4	9.0	8.6	8.1	7.7	7.6
37 Lease financing receivables	13.9	14.0	14.0	14.1	14.3	14.4	14.7	14.9	15.0	15.1	15.4	15.8
38 All other loans	28.3r	28.5r	29.7	29.7	30.3	30.5	30.0r	30.7	32.3r	35.2r	39.6	36.5

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

2. Excludes loans to commercial banks in the United States.
3. Includes nonfinancial commercial paper held.
4. United States includes the 50 states and the District of Columbia.

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

1.24 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS[1]

Monthly averages, billions of dollars

Source	1984[r] Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Total nondeposit funds												
1 Seasonally adjusted[2]	88.0	93.9	98.9	102.1	109.1	99.4	100.3	103.5	106.5	107.9	112.0	108.5
2 Not seasonally adjusted	90.4	96.9	101.3	105.0	113.8	101.8	99.9	105.7	107.0	109.6	117.5	111.1
Federal funds, RPs, and other borrowings from nonbanks[3]												
3 Seasonally adjusted	132.2	135.5	135.8	135.7	137.4	133.2	134.5	139.3	141.6	141.4	145.0	140.5
4 Not seasonally adjusted	134.6	138.5	138.1	138.7	142.1	135.7	134.0	141.5	142.1	143.1	150.5	143.1
5 Net balances due to foreign-related institutions, not seasonally adjusted	-44.1	-41.5	-36.8	-33.5	-28.2	-33.8	-34.1	-35.7	-35.0	-33.4	-33.0	-31.9
MEMO												
6 Domestically chartered banks' net positions with own foreign branches, not seasonally adjusted[4]	-38.7	37.6	-34.8	-33.1	-29.8	-32.8	-33.0	-34.9	-35.1	-34.1	-32.6	-31.3
7 Gross due from balances	73.3	72.2	73.8	73.6	73.5	73.8	71.2	72.8	71.5	69.8	68.3	69.0
8 Gross due to balances	34.5	34.5	38.9	40.4	43.6	40.9	38.1	37.7	36.3	35.6	35.6	37.6
9 Foreign-related institutions' net positions with directly related institutions, not seasonally adjusted[5]	-5.3	-3.8	-1.8	-0.3	1.6	-0.8	-1.0	-0.7	0.1	0.7	-0.3	-0.5
10 Gross due from balances	54.0	51.3	50.2	49.6	49.7	50.7	51.9	51.6	51.7	50.8	50.7	52.0
11 Gross due to balances	48.6	47.3	48.3	49.2	51.2	49.7	50.8	50.8	51.8	51.5	50.4	51.4
Security RP borrowings												
12 Seasonally adjusted[6]	78.9	80.2	80.1	80.9	79.6	76.1	77.5	79.9	81.4	82.0	84.0	81.1
13 Not seasonally adjusted	78.9	80.7	79.9	81.3	81.9	76.0	74.6	79.6	79.4	81.2	87.0	81.1
U.S. Treasury demand balances[7]												
14 Seasonally adjusted	16.0	18.7	16.1	15.6	13.4	14.1	12.8	13.1	16.0	8.0	17.3	16.1
15 Not seasonally adjusted	19.6	22.3	17.5	16.5	12.8	12.4	11.9	10.3	17.5	11.0	10.4	12.5
Time deposits, $100,000 or more[8]												
16 Seasonally adjusted	287.3	286.3	289.3	292.2	302.2	309.9	314.8	314.2	315.4	321.4	323.0	325.8
17 Not seasonally adjusted	288.4	286.5	290.1	290.1	300.2	309.0	313.7	315.6	316.8	322.2	322.9	327.3

1. Commercial banks are those in the 50 states and the District of Columbia with national or state charters plus agencies and branches of foreign banks, New York investment companies majority owned by foreign banks, and Edge Act corporations owned by domestically chartered and foreign banks.
2. Includes seasonally adjusted federal funds, RPs, and other borrowings from nonbanks and not seasonally adjusted net Eurodollars. Includes averages of Wednesday data for domestically chartered banks and averages of current and previous month-end data for foreign-related institutions.
3. Other borrowings are borrowings on any instrument, such as a promissory note or due bill, given for the purpose of borrowing money for the banking business. This includes borrowings from Federal Reserve Banks and from foreign banks, term federal funds, overdrawn due from bank balances, loan RPs, and participations in pooled loans.
4. Averages of daily figures for member and nonmember banks.
5. Averages of daily data.
6. Based on daily average data reported by 122 large banks.
7. Includes U.S. Treasury demand deposits and Treasury tax-and-loan notes at commercial banks. Averages of daily data.
8. Averages of Wednesday figures.

NOTE. These data also appear in the Board's G.10 (411) release. For address see inside front cover.

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

Billions of dollars

Account	1983	1984									1985
	Dec.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.[r]	Jan.
ALL COMMERCIAL BANKING INSTITUTIONS[1]											
1 Loans and securities	1,680.6[2]	1,734.1	1,756.9	1,764.1	1,765.3	1,784.5	1,798.9	1,822.7	1,821.8[r]	1,862.4[r]	1,843.9
2 Investment securities	n.a.	385.5	382.0	381.2	378.2	376.2	377.3	375.2	374.9	377.9	381.1
3 U.S. government securities	n.a.	251.0	247.7	248.2	246.5	243.5	243.5	241.2	240.4	242.6	244.8
4 Other	n.a.	134.5	134.4	133.0	131.7	132.7	133.8	134.0	134.4	135.3	136.4
5 Trading account assets	n.a.	19.9	18.8	14.6	15.7	20.0	20.9	22.5	21.9	22.8	24.2
6 Total loans	1,249.3[2]	1,328.7	1,356.1	1,368.3	1,371.4	1,388.4	1,400.6	1,424.9	1,425.0[r]	1,461.6[r]	1,438.5
7 Interbank loans	111.4[2]	116.7	124.7	122.8	118.6	127.1	123.3	126.1	122.5[r]	126.9[r]	116.5
8 Loans excluding interbank	1,137.9[2]	1,212.0	1,231.4	1,245.5	1,252.8	1,261.2	1,277.3	1,298.8	1,302.5[r]	1,334.7[r]	1,322.0
9 Commercial and industrial	419.4	439.7	447.3	452.9	454.4	455.2	459.9	467.7	469.3	475.7	469.2
10 Real estate	327.2	346.8	350.3	354.6	356.8	361.8	366.7	369.8	372.8[r]	376.2[r]	378.9
11 Individual	217.4	224.1	228.4	232.8	235.2	240.0	243.4	247.1	249.8[r]	255.8[r]	257.5
12 All other	173.9[2]	201.3	205.4	205.2	206.5	204.2	207.3	214.2	210.6	227.1	216.4
13 Total cash assets	219.6	190.5	202.5	185.6	179.1	177.3	176.0	188.0	188.9	202.2	187.4
14 Reserves with Federal Reserve Banks	23.5	22.2	18.6	19.1	19.4	17.4	.8	18.1	20.4	20.5	21.1
15 Cash in vault	23.4	21.2	22.3	21.8	21.6	22.2	21.6	21.4	23.9	23.3	21.9
16 Cash items in process of collection	73.2	65.9	76.4	63.7	60.2	60.7	63.2	70.2	66.5	76.2	67.0
17 Demand balances at U.S. depository institutions	99.5	30.0	34.8	30.8	29.3	29.5	31.2	32.0	31.0	34.5	31.0
18 Other cash assets		51.2	50.4	50.1	48.6	47.5	59.3	46.3	47.1	47.8	46.4
19 Other assets	193.6	204.0	200.1	205.9	205.4	204.7	215.3	215.7	204.4[r]	211.2[r]	217.1
20 Total assets/total liabilities and capital	**2,093.8**	**2,128.6**	**2,159.5**	**2,155.5**	**2,149.7**	**2,166.5**	**2,190.2**	**2,226.3**	**2,215.3**	**2,275.8**	**2,248.3**
21 Deposits	1,508.9	1,501.5	1,541.3	1,532.9	1,535.5	1,539.0	1,549.9	1,578.9	1,578.2	1,630.7	1,604.9
22 Transaction deposits	374.6[2]	447.3	462.6	445.9	441.4	440.0	442.3	462.7	453.0	490.7	457.2
23 Savings deposits	457.2[2]	369.6	371.6	369.5	368.5	365.1	364.9	371.1	378.2	386.3	400.0
24 Time deposits	677.1	684.5	707.2	717.4	725.6	734.0	742.7	745.0	747.0	753.8	747.8
25 Borrowings	273.2[2]	305.9	292.8	292.8	292.0	301.5	307.1	314.3	298.0	302.0	306.2
26 Other liabilities	164.4[2]	181.6	187.8	187.9	182.0	183.8	187.0	189.2	194.3	196.4	188.7
27 Residual (assets less liabilities)	147.3[2]	139.6	137.6	141.9	140.2	142.1	146.2	144.0	144.8	146.6	148.4
MEMO											
28 U.S. government securities (including trading account)	254.1[2]	263.0	260.1	256.5	255.6	255.1	255.5	256.3	255.2	256.9	261.8
29 Other securities (including trading account)	177.2[2]	142.4	140.7	139.3	138.3	141.0	142.7	141.5	141.6	143.8	143.5
DOMESTICALLY CHARTERED COMMERCIAL BANKS[3]											
30 Loans and securities	1,591.3[2]	1,642.8	1,663.2	1,671.0	1,676.7	1,688.4	1,708.0	1,728.5	1,726.6	1,765.7	1,759.2
31 Investment securities	n.a.	378.7	375.3	374.5	371.2	369.1	370.0	367.9	368.0	370.9	374.0
32 U.S. government securities	n.a.	245.8	242.5	243.1	241.4	238.5	238.5	236.1	235.9	237.9	240.0
33 Other	n.a.	132.9	132.8	131.4	129.8	130.7	131.5	131.8	132.2	133.0	134.1
34 Trading account assets	n.a.	19.9	18.8	14.6	15.7	20.0	20.9	22.5	21.9	22.8	24.2
35 Total loans	1,167.4[2]	1,244.3	1,269.2	1,281.8	1,289.8	1,299.4	1,317.0	1,338.0	1,336.7	1,372.0	1,361.0
36 Interbank loans	87.0[2]	90.0	96.2	94.7	95.2	97.6	100.0	103.3	96.4	103.1	100.7
37 Loans excluding interbank	1,080.4[2]	1,154.3	1,172.9	1,187.1	1,194.6	1,201.8	1,217.1	1,234.7	1,240.3	1,268.9	1,260.3
38 Commercial and industrial	381.3[2]	400.0	407.4	412.9	414.0	414.5	418.8	423.0	425.5	430.0	426.7
39 Real estate	327.2	342.2	346.1	350.5	353.1	358.0	362.4	365.5	368.5	371.9	374.6
40 Individual	217.4	224.0	228.3	232.6	235.1	239.8	243.2	246.9	249.6	255.6	257.3
41 All other	154.6[2]	188.1	191.1	191.1	192.4	189.6	192.6	199.3	196.7	211.3	201.7
42 Total cash assets	207.0	177.9	190.7	173.2	166.7	165.9	164.0	176.6	176.9	190.1	175.6
43 Reserves with Federal Reserve Banks	19.9	21.5	17.4	18.4	18.0	16.7	.1	17.1	19.7	19.2	20.2
44 Cash in vault	23.4	21.2	22.3	21.8	21.6	22.2	21.6	21.4	23.9	23.3	21.8
45 Cash items in process of collection	73.0	65.8	76.3	63.5	60.1	60.5	63.0	69.9	66.3	75.9	66.7
46 Demand balances at U.S. depository institutions	90.8	28.6	33.5	29.4	27.9	28.2	29.7	30.7	29.5	32.9	29.5
47 Other cash assets		40.9	41.3	40.1	39.2	38.3	49.6	37.5	37.5	38.9	37.3
48 Other assets	150.4	143.6	139.0	141.5	138.9	140.6	145.6	147.9	139.8	142.0	137.5
49 Total assets/total liabilities and capital	**1,948.7**	**1,964.3**	**1,992.9**	**1,985.7**	**1,982.3**	**1,995.0**	**2,017.6**	**2,053.1**	**2,043.4**	**2,097.9**	**2,072.3**
50 Deposits	1,468.1	1,464.9	1,501.7	1,492.5	1,495.4	1,500.3	1,510.9	1,539.1	1,538.0	1,587.3	1,562.0
51 Transaction deposits	368.5[2]	441.1	456.2	439.6	434.8	433.7	435.9	456.2	446.8	484.1	450.8
52 Savings deposits	456.6[2]	368.7	370.7	368.6	367.5	364.2	363.9	370.1	377.2	385.2	398.9
53 Time deposits	643.0	655.1	674.9	684.3	693.1	702.4	711.1	712.8	714.0	718.0	712.3
54 Borrowings	214.1[2]	241.9	232.5	229.6	228.0	236.0	243.5	251.3	241.1	243.1	246.4
55 Other liabilities	122.3[2]	102.8	123.9	124.4	121.5	119.3	119.7	120.5	122.3	123.7	118.3
56 Residual (assets less liabilities)	144.1[2]	136.8	134.8	139.1	137.4	139.3	143.4	142.1	142.0	143.8	145.6

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

2. Data are not comparable with those of later dates. See the Announcements section of the March 1985 BULLETIN for a description of the differences.

3. Insured domestically chartered commercial banks include all member banks and insured nonmember banks.

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

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

Millions of dollars, Wednesday figures

Account	1984 Dec. 19	1984 Dec. 26	1985 Jan. 2r	1985 Jan. 9r	1985 Jan. 16r	1985 Jan. 23	1985 Jan. 30	1985 Feb. 6	1985 Feb. 13	Adjustment bank, 1984
1 Cash and balances due from depository institutions	96,451	98,110	120,445	88,534	101,305	90,762	90,883	88,289	93,093	1,346
2 **Total loans, leases and securities, net**	**815,385**	**815,847**	**832,380**	**822,052**	**826,988**	**815,060**	**818,167**	**821,124**	**824,443**	**7,714**
3 U.S. Treasury and government agency	78,858	78,523	79,682	82,723	82,197	82,841	83,910	86,222	85,709	1,143
4 Trading account	14,561	14,328	13,844	15,887	15,085	15,845	17,019	17,807	17,610	2
5 Investment account, by maturity	64,298	64,196	65,838	66,835	67,112	66,996	66,890	68,414	68,099	1,141
6 One year or less	19,325r	20,171r	21,324	20,946	20,887	20,481	20,360	20,197	20,196	413
7 Over one through five years	31,651	30,706	30,998	32,330	32,677	33,107	33,179	34,836	34,514	612
8 Over five years	13,322r	13,318r	13,516	13,560	13,548	13,408	13,351	13,381	13,388	116
9 Other securities	47,046	48,294	50,117	49,338	48,972	48,901	49,012	48,502	48,085	771
10 Trading account	4,323	5,065	5,241	3,983	3,767	3,653	3,965	3,845	3,551	6
11 Investment account	42,723	43,228	44,876	45,355	45,205	45,248	45,046	44,657	44,534	765
12 States and political subdivisions, by maturity	38,328	38,815	40,314	40,860	40,677	40,695	40,523	40,090	39,979	683
13 One year or less	4,413	4,710	5,059	5,464	5,364	5,403	5,193	5,299	5,341	159
14 Over one year	33,915	34,106	35,255	35,396	35,313	35,292	35,331	34,792	34,638	524
15 Other bonds, corporate stocks, and securities	4,395	4,413	4,562	4,494	4,528	4,553	4,523	4,567	4,554	82
16 Other trading account assets	2,655	3,448	3,024	3,201	2,726	3,438	3,201	3,495	3,435	....
17 Federal funds sold[1]	54,512	51,368	57,269	53,214	58,727	49,235	52,086	48,457	51,390	774
18 To commercial banks	37,912	34,627	41,093	36,073	42,583	34,301	36,680	32,508	36,890	770
19 To nonbank brokers and dealers in securities	11,674	11,809	11,057	12,004	11,255	11,237	11,654	11,592	10,389	5
20 To others	4,925	4,932	5,119	5,137	4,889	3,697	3,752	4,356	4,111	....
21 Other loans and leases, gross[2]	648,178	650,017	658,194	649,833	650,701	647,016	646,416	651,036	652,368	5,267
22 Other loans, gross[2]	635,674	637,443	645,335	637,012	637,882	634,178	633,602	638,179	639,507	5,248
23 Commercial and industrial[2]	250,697r	251,423r	253,450	250,663	251,174	249,571	249,752	251,929	252,130	1,493
24 Bankers acceptances and commercial paper	3,815	3,832	4,156	3,386	3,074	3,039	3,296	3,781	3,946	29
25 All other	246,882r	247,590r	249,294	247,278	248,099	246,532	246,456	248,148	248,183	1,464
26 U.S. addressees	240,634r	241,404r	243,118	241,475	242,402	240,840	240,821	242,492	242,572	1,368
27 Non-U.S. addressees	6,248	6,186	6,176	5,803	5,698	5,691	5,634	5,656	5,612	96
28 Real estate loans[2]	159,354	159,288	160,014	160,733	161,261	161,488	161,941	162,216	163,461	1,546
29 To individuals for personal expenditures	110,903	111,894r	114,625	114,750	114,788	114,687	114,875	114,585	114,692	1,454
30 To depository and financial institutions	41,352	41,657r	41,750	40,345	40,558	40,376	39,665	41,641	41,695	137
31 Commercial banks in the United States	10,129	10,382r	9,964	9,660	9,893	10,005	9,926	11,339	11,256	65
32 Banks in foreign countries	6,165	6,088r	6,291	5,822	6,008	6,403	5,923	6,276	6,426	56
33 Nonbank depository and other financial institutions	25,058	25,187	25,495	24,864	24,657	23,967	23,815	24,026	24,014	16
34 For purchasing and carrying securities	19,178	17,092	18,052	16,410	15,599	13,864	13,174	13,600	13,191	6
35 To finance agricultural production	7,217r	7,217r	7,295	7,095	6,968	6,927	6,929	6,896	6,915	32
36 To states and political subdivisions	27,552	28,208	29,345	29,390	29,520	29,418	29,508	29,328	28,970	147
37 To foreign governments and official institutions	4,214	4,374r	4,102	3,987	3,812	3,726	3,796	3,745	3,848	23
38 All other	15,208	16,290	16,701	13,638	14,201	14,122	13,962	14,238	14,604	410
39 Lease financing receivables	12,504	12,574	12,859	12,821	12,819	12,837	12,814	12,857	12,860	18
40 LESS: Unearned income	5,110	5,129	5,283	5,314	5,306	5,311	5,312	5,265	5,262	186
41 Loan and lease reserve[2]	10,754	10,672	10,624	10,942	11,029	11,060	11,146	11,323	11,282	56
42 Other loans and leases, net[2]	632,314	634,215	642,287	633,577	634,366	630,644	629,958	634,448	635,823	5,026
43 All other assets	134,858r	132,891r	140,862	135,009	134,482	132,021	129,885	130,973	132,014	957
44 **Total assets**	**1,046,694r**	**1,046,848r**	**1,093,687**	**1,045,595**	**1,062,775**	**1,037,843**	**1,038,935**	**1,040,386**	**1,049,550**	**10,017**
45 Demand deposits	193,914	201,145	226,341	185,447	198,503	186,168	184,595	184,644	188,610	2,357
46 Individuals, partnerships, and corporations	145,097	157,535	174,623	145,838	151,513	140,751	139,346	139,193	145,274	1,913
47 States and political subdivisions	5,458	5,142	6,327	4,850	5,379	5,903	5,138	5,783	4,682	108
48 U.S. government	3,686	1,176	1,211	1,603	3,760	3,034	2,766	2,208	1,616	51
49 Depository institutions in United States	22,636	21,544	26,425	19,252	22,242	20,998	20,969	21,870	21,230	119
50 Banks in foreign countries	6,496	5,918	7,005	5,717	5,823	6,495	6,187	5,958	6,182	90
51 Foreign governments and official institutions	744	666	864	789	809	830	1,040	1,152	920	15
52 Certified and officers' checks	9,797	9,164	9,886	7,397	8,976	8,158	9,149	8,479	8,706	61
53 Transaction balances other than demand deposits	34,309	34,317	37,272	37,144	36,788	35,133	34,715	36,599	35,890	1,045
54 Nontransaction balances	452,302r	453,533r	461,119	460,970	460,068	459,740	459,663	459,815	460,063	4,921
55 Individuals, partnerships and corporations	417,708	418,623	427,207	427,036	426,346	425,886	425,194	425,352	424,850	4,772
56 States and political subdivisions	21,751	21,983	21,228	21,610	21,521	21,660	22,078	22,218	22,798	96
57 U.S. government	407	418	421	439	464	454	450	447	447	2
58 Depository institutions in the United States	8,876	8,938	8,795	8,682	8,573	8,648	8,878	8,881	8,962	51
59 Foreign governments, official institutions and banks	3,560r	3,571r	3,468	3,204	3,163	3,090	3,063	2,917	3,006	....
60 Liabilities for borrowed money	198,408	192,413	202,981	196,182	199,936	193,457	195,821	193,891	197,088	632
61 Borrowings from Federal Reserve Banks	3,300	2,130	5,577	1,265	846	510	1,555	862	1,369	....
62 Treasury tax-and-loan notes	11,280	10,212	8,162	8,155	10,284	14,859	15,650	7,462	8,273	....
63 All other liabilities for borrowed money[3]	183,828	180,071	189,242	186,762	188,806	178,088	178,616	185,567	187,446	632
64 Other liabilities and subordinated note and debentures	97,320	95,130r	93,559	93,575	95,144	91,092	91,765	92,483	94,734	345
65 **Total liabilities**	**976,254r**	**976,537r**	**1,021,272**	**973,318**	**990,440**	**965,590**	**966,559**	**967,433**	**976,385**	**9,300**
66 Residual (total assets minus total liabilities)[4]	70,441	70,311	72,414	72,277	72,336	72,253	72,376	72,954	73,165	717
MEMO										
67 Total loans and leases (gross) and investments adjusted[5]	783,208	786,640r	797,230	792,575	790,847	787,125	788,019	793,865	792,841	7,121
68 Total loans and leases (gross) adjusted[2,5]	654,649	656,375r	664,406	657,314	656,952	651,944	651,896	655,646	655,612	5,207
69 Time deposits in amounts of $100,000 or more	160,668	161,114	160,516	159,792	157,914	157,488	156,736	156,109	156,179	582
70 Loans sold outright to affiliates—total[6]	2,883	2,946	3,033	2,983	2,933	2,898	2,785	2,717	2,811	10
71 Commercial and industrial	2,040r	2,078r	2,064	1,991	1,959	1,940	1,900	1,861	1,872	....
72 Other	842r	868r	968	992	975	958	884	856	939	10
73 Nontransaction savings deposits (including MMDAs)	163,142	164,134	169,984	170,782	171,843	172,500	173,504	174,543	174,822	2,415

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

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

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

Millions of dollars, Wednesday figures

Account	1984		1985							Adjustment bank, 1984
	Dec. 19	Dec. 26	Jan. 2	Jan. 9	Jan. 16	Jan. 23	Jan. 30	Feb. 6	Feb. 13	
1 Cash and balances due from depository institutions	24,290	26,682	36,249	20,964	26,273r	23,922	24,158	22,559	26,691	-3
2 Total loans, leases and securities, net[1]	**176,606**	**175,482**	**174,932**	**169,674**	**173,806r**	**168,599**	**168,672**	**170,128**	**171,933**	**-844**
Securities										
3 U.S. Treasury and government agency[2]	......	......	......	......	......	......	......	......	......	......
4 Trading account[2]	......	......	......	......	......	......	......	......	......	......
5 Investment account, by maturity	9,604	9,679	9,296	9,913	9,769	9,717	9,649	11,209	10,499	......
6 One year or less	1,985	2,533	2,590	2,345	1,963	1,638	1,619	1,556	1,658	......
7 Over one through five years	5,550	5,085	4,667	5,482	5,708	6,092	6,083	7,745	6,944	......
8 Over five years	2,068	2,061	2,039	2,086	2,097	1,986	1,947	1,907	1,897	......
9 Other securities[2]	......	......	......	......	......	......	......	......	......	......
10 Trading account[2]	......	......	......	......	......	......	......	......	......	......
11 Investment account	9,179	9,327	9,790	9,860	9,863	9,900	9,830	9,720	9,655	-44
12 States and political subdivisions, by maturity	8,344	8,467	8,946	9,033	9,030	9,067	8,985	8,861	8,800	-44
13 One year or less	1,150	1,239	1,305	1,348	1,302	1,288	1,116	1,251	1,253	-44
14 Over one year	7,195	7,228	7,642	7,685	7,728	7,779	7,869	7,609	7,547	......
15 Other bonds, corporate stocks and securities	834	860	844	828	833	833	844	859	855	......
16 Other trading account assets[2]	......	......	......	......	......	......	......	......	......	......
Loans and leases										
17 Federal funds sold[3]	20,166	19,329	20,554	18,367	21,986	18,199	19,570	17,860	20,212	......
18 To commercial banks	11,067	9,794	11,916	8,988	12,842	10,141	11,798	9,407	12,478	......
19 To nonbank brokers and dealers in securities	6,198	6,622	5,748	6,494	6,153	6,004	5,505	5,830	5,350	......
20 To others	2,901	2,912	2,890	2,885	2,991	2,055	2,268	2,623	2,383	......
21 Other loans and leases, gross	142,423	141,863	139,907	136,314	136,967r	135,570	134,422	136,168	136,390	-800
22 Other loans, gross	140,228	139,655	137,691	134,226	134,880r	133,483	132,389	134,112	134,326	-800
23 Commercial and industrial	63,735	63,638	62,650	62,361	62,821r	61,797	61,594	61,945	62,136	-692
24 Bankers acceptances and commercial paper	429	454	660	638	661	649	681	991	1,121	......
25 All other	63,306	63,183	61,990	61,724	62,160r	61,149	60,913	60,953	61,015	-692
26 U.S. addressees	62,293	62,180	61,242	60,994	61,500r	60,485	60,258	60,322	60,368	-692
27 Non-U.S. addressees	1,013	1,003	747	729	660	664	655	632	646	......
28 Real estate loans	24,239	24,346	24,451	24,465	24,550r	24,443	24,583	24,732	24,831	66
29 To individuals for personal expenditures	16,087	16,234	16,226	16,134	16,079	16,058	15,985	16,042	16,026	-95
30 To depository and financial institutions	12,216	12,866	12,313	11,221	11,344r	12,051	11,240	12,478	12,338	......
31 Commercial banks in the United States	1,653	2,468	2,189	1,794	1,978r	2,474	2,111	2,788	2,533	......
32 Banks in foreign countries	2,291	2,161	2,258	1,973	2,108r	2,489	2,062	2,295	2,313	......
33 Nonbank depository and other financial institutions	8,271	8,237	7,866	7,454	7,258	7,088	7,067	7,395	7,493	......
34 For purchasing and carrying securities	10,376	8,035	8,312	7,286	6,958r	6,095	6,284	6,372	6,446	-1
35 To finance agricultural production	385	403	358	359	390	380	380	387	386	-20
36 To states and political subdivisions	8,101	8,166	8,193	8,161	8,223	8,093	8,052	7,926	7,516	-11
37 To foreign governments and official institutions	748	884	873	792	823r	791	819	799	915	......
38 All other	4,342	5,083	4,315	3,446	3,692r	3,773	3,452	3,431	3,731	47
39 Lease financing receivables	2,195	2,207	2,216	2,088	2,087	2,088	2,034	2,056	2,064	......
40 LESS: Unearned income	1,478	1,484	1,461	1,482	1,491	1,488	1,491	1,474	1,474	......
41 Loan and lease reserve	3,289	3,231	3,154	3,298	3,287	3,300	3,309	3,354	3,348	......
42 Other loans and leases, net	137,656	137,147	135,292	131,533	132,188r	130,783	129,622	131,339	131,567	800
43 All other assets[4]	69,324	69,653	73,798	69,802	68,562r	69,119	67,331	68,207	68,768	-297
44 Total assets	**270,221**	**271,817**	**284,979**	**260,440**	**268,641r**	**261,640**	**260,162**	**260,894**	**267,392**	**-1,144**
Deposits										
45 Demand deposits	50,966	53,846	63,772	45,830	50,482r	49,049	48,919	46,256	50,880	-118
46 Individuals, partnerships, and corporations	33,498	37,652	45,175	33,522	34,828r	33,579	32,553	31,292	35,006	-103
47 States and political subdivisions	770	864	979	811	1,032	832	838	1,014	815	-18
48 U.S. government	683	140	127	204	731	318	684	389	378	1
49 Depository institutions in the United States	5,213	5,551	7,434	3,725	4,941r	4,841	4,690	4,330	5,100	......
50 Banks in foreign countries	5,262	4,644	5,390	4,365	4,413r	5,056	4,672	4,380	4,640	......
51 Foreign governments and official institutions	558	493	654	545	574r	617	804	953	724	......
52 Certified and officers' checks	4,981	4,503	4,012	2,658	3,962	3,805	4,676	3,898	4,216	2
53 Transaction balances other than demand deposits ATS, NOW, Super NOW, telephone transfers)	3,711	3,718	3,975	3,981	3,967	3,752	3,748	3,872	3,854	45
54 Nontransaction balances	83,852	84,088	85,692	85,363	85,241r	84,970	84,769	84,415	84,014	46
55 Individuals, partnerships and corporations	74,926	75,024	77,344	77,247	77,268r	77,022	76,774	76,502	75,961	334
56 States and political subdivisions	4,326	4,374	3,893	3,836	3,792	3,800	3,820	3,802	3,905	-288
57 U.S. government	46	51	53	52	59	63	77	84	83	......
58 Depository institutions in the United States	2,523	2,619	2,465	2,480	2,391	2,407	2,446	2,459	2,409	......
59 Foreign governments, official institutions and banks	2,030	2,019	1,937	1,747	1,731	1,677	1,653	1,567	1,656	......
60 Liabilities for borrowed money	65,959	66,260	68,319	61,640	63,616r	61,289	59,882	63,904	64,319	-422
61 Borrowings from Federal Reserve Banks	2,225	......	1,700	......	......	......	......	......	500	......
62 Treasury tax-and-loan notes	2,961	2,650	2,013	2,216	2,658	3,538	3,711	1,686	2,298	......
63 All other liabilities for borrowed money[5]	60,773	63,610	64,606	59,423	60,957r	57,750	56,172	62,218	61,521	-422
64 Other liabilities and subordinated note and debentures	42,798	40,980	39,937	40,563	42,121	39,460	39,677	38,983	40,847	-583
65 Total liabilities	**247,286**	**248,892**	**261,695**	**237,377**	**245,427r**	**238,520**	**236,996**	**237,431**	**243,914**	**-1,032**
66 Residual (total assets minus total liabilities)[6]	22,935	22,925	23,284	23,063	23,214	23,120	23,165	23,463	23,478	-112
MEMO										
67 Total loans and leases (gross) and investments adjusted[1,7]	168,653	167,935	165,443	163,672	163,765r	160,771	159,563	162,761	161,744	844
68 Total loans and leases (gross) adjusted[7]	149,870	148,929	146,357	143,898	144,133r	141,154	140,084	141,832	141,590	-800
69 Time deposits in amounts of $100,000 or more	34,580	34,733	35,399	35,008	34,672	34,301	33,760	33,293	33,139	-60

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

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

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

Millions of dollars, Wednesday figures

Account	1984		1985						
	Dec. 19	Dec. 26	Jan. 2	Jan. 9	Jan. 16	Jan. 23	Jan. 30	Feb. 6	Feb. 13
1 Cash and due from depository institutions	6,884	6,611r	7,064	6,536	6,652	6,455	6,949	6,460	7,422
2 Total loans and securities	44,095	45,047	47,123	43,910	43,407	44,018	44,208	43,752	45,040
3 U.S. Treasury and govt. agency securities	4,053	3,940	3,962	4,082	4,093	3,966	4,070	4,195	4,022
4 Other securities	1,272	1,282	1,277	1,282	1,356	1,350	1,367	1,390	1,390
5 Federal funds sold[1]	3,378	4,128	5,642	3,260	3,326	3,844	4,487	3,353	5,070
6 To commercial banks in the United States	2,978	3,716	5,256	2,865	3,018	3,530	4,074	2,958	4,629
7 To others	400	412	387	395	308	314	413	395	442
8 Other loans, gross	35,391	35,698	36,241	35,286	34,631	34,858	34,284	34,814	34,558
9 Commercial and industrial	20,174	20,276	20,926	19,920	19,790	20,202	20,033	20,197	20,248
10 Bankers acceptances and commercial paper	1,445	1,317	1,350	1,205	1,314	1,442	1,458	1,766	1,733
11 All other	18,729	18,959	19,577	18,714	18,476	18,760	18,575	18,431	18,515
12 U.S. addressees	17,434	17,685	18,354	17,520	17,281	17,608	17,461	17,309	17,369
13 Non-U.S. addressees	1,295	1,274	1,223	1,194	1,195	1,152	1,114	1,122	1,146
14 To financial institutions	11,087	11,221	10,871	11,220	10,779	10,837	10,427	10,524	10,484
15 Commercial banks in the United States	8,239	8,382	8,118	8,614	8,460	8,634	8,296	8,106	8,233
16 Banks in foreign countries	1,580	1,600	1,508	1,403	1,422	1,327	1,310	1,328	1,432
17 Nonbank financial institutions	1,268	1,239	1,245	1,203	897	876	822	1,090	819
18 To foreign govts. and official institutions	711	686	691	690	694	667	688	670	666
19 For purchasing and carrying securities	1,416	1,457	1,681	1,382	1,193	968	914	1,118	1,001
20 All other	2,004	2,058	2,071	2,074	2,175	2,184	2,222	2,305	2,158
21 Other assets (claims on nonrelated parties)	19,169	19,598r	19,302	19,440	18,888	18,837	18,787	18,850	19,020
22 Net due from related institutions	10,487	10,631	9,350	11,535	11,473r	10,562	10,292	11,016	10,646
23 Total assets	80,634	81,888r	82,840	81,421	80,420r	79,873	80,236	80,078	82,128
24 Deposits or credit balances due to other than directly related institutions	24,366	24,590r	24,802	24,369	24,045r	23,924	24,050	23,972	24,315
25 Credit balances	141	183	201	132	137	136	118	129	193
26 Demand deposits	1,712	1,632	1,873	1,582	1,651r	1,492	1,580	1,643	1,892
27 Individuals, partnerships, and corporations	892	876r	937	838	837r	749	799	895	821
28 Other	820	756	937	743	815	743	780	748	1,072
29 Time and savings deposits	22,513	22,775r	22,728	22,654	22,257	22,296	22,352	22,200	22,229
30 Individuals, partnerships, and corporations	18,663	18,834r	18,537	18,552	18,128	18,142	18,208	18,161	18,105
31 Other	3,851	3,941	4,190	4,102	4,129	4,154	4,144	4,039	4,124
32 Borrowings from other than directly related institutions	28,964	27,485r	29,003	29,176	29,672	28,270	27,750	29,146	30,499
33 Federal funds purchased[2]	10,689	9,378	11,627	11,663	12,113	11,538	11,405	12,361	12,675
34 From commercial banks in the United States	8,598	7,304	9,828	9,614	9,927	8,828	8,926	9,549	9,940
35 From others	2,091	2,074	1,798	2,050	2,187	2,709	2,479	2,812	2,735
36 Other liabilities for borrowed money	18,274	18,106r	17,376	17,513	17,559	16,732	16,345	16,786	17,824
37 To commercial banks in the United States	16,445	16,317r	15,748	16,011	16,002	15,190	14,955	15,452	16,407
38 To others	1,830	1,789	1,628	1,502	1,556	1,543	1,390	1,334	1,417
39 Other liabilities to nonrelated parties	20,457	20,815r	20,775	20,782	20,242	20,343	20,335	20,311	20,329
40 Net due to related institutions	6,848	8,998r	8,259	7,094	6,459	7,336	8,101	6,649	6,984
41 Total liabilities	80,634	81,888r	82,840	81,421	80,420r	79,873	80,236	80,078	82,128
MEMO									
42 Total loans (gross) and securities adjusted[3]	32,877	32,949	33,749	32,431	31,929	31,854	31,838	32,688	32,179
43 Total loans (gross) adjusted[3]	27,552	27,728	28,510	27,068	26,479	26,537	26,401	27,102	26,767

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

1. Includes securities purchased under agreements to resell.
2. Includes securities sold under agreements to repurchase.
3. Exclusive of loans to and federal funds sold to commercial banks in the United States.

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

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

Billions of dollars, estimated daily-average balances

Type of holder	Commercial banks									
	1979[2] Dec.	1980 Dec.	1981 Dec.	1982 Dec.	1983			1984		
					June	Sept.	Dec.	Mar.	June	Sept.
1 **All holders—Individuals, partnerships, and corporations**	**302.3**	**315.5**	**288.9**	**291.8**	**281.9**	**280.3**	**293.5**	**279.3**	**285.8**	**284.3**
2 Financial business	27.1	29.8	28.0	35.4	34.6	32.1	32.8	31.7	31.7	31.9
3 Nonfinancial business	157.7	162.8	154.8	150.5	146.9	150.2	161.1	150.3	154.9	154.7
4 Consumer	99.2	102.4	86.6	85.9	80.3	77.9	78.5	78.1	78.3	77.2
5 Foreign	3.1	3.3	2.9	3.0	3.0	2.9	3.3	3.3	3.4	3.3
6 Other	15.1	17.2	16.7	17.0	17.2	17.1	17.8	15.9	17.4	17.3
	Weekly reporting banks									
	1979[3] Dec.	1980 Dec.	1981 Dec.	1982 Dec.	1983			1984		
					June	Sept.	Dec.[4]	Mar.	June	Sept.
7 **All holders—Individuals, partnerships, and corporations**	**139.3**	**147.4**	**137.5**	**144.2**	**139.6**	**136.3**	**146.2**	**139.2**	**145.3**	**145.6**
8 Financial business	20.1	21.8	21.0	26.7	26.1	23.6	24.2	23.5	23.6	23.7
9 Nonfinancial business	74.1	78.3	75.2	74.3	72.8	72.9	79.8	76.4	79.7	79.4
10 Consumer	34.3	35.6	30.4	31.9	28.5	28.1	29.7	28.4	29.9	30.0
11 Foreign	3.0	3.1	2.8	2.9	2.8	2.8	3.1	3.2	3.2	3.2
12 Other	7.8	8.6	8.0	8.4	9.3	8.9	9.3	7.7	8.9	9.3

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

2. 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. 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. 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.

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

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1979[1] Dec.	1980 Dec.	1981 Dec.	1982 Dec.[2]	1983 Dec.	1984[3] July	Aug.	Sept.	Oct.	Nov.	Dec.
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**112,803**	**124,374**	**165,829**	**166,670**	**188,057**	**221,431**	**222,448**	**226,474**	**227,960**	**235,811**	**238,461**
Financial companies[4]											
Dealer-placed paper[5]											
2 Total	17,359	19,599	30,333	34,634	44,943	51,157	52,695	54,283	53,388	55,333	57,136
3 Bank-related (not seasonally adjusted)	2,784	3,561	6,045	2,516	2,441	1,799	2,010	1,959	2,060	1,996	2,035
Directly placed paper[6]											
4 Total	64,757	67,854	81,660	84,130	96,548	109,076	108,109	107,206	104,655	109,284	109,992
5 Bank-related (not seasonally adjusted)	17,598	22,382	26,914	32,034	35,566	45,090	43,665	41,066	38,112	40,185	42,105
6 Nonfinancial companies[7]	30,687	36,921	53,836	47,906	46,566	61,198	61,644	64,985	69,917	71,194	71,333
	Bankers dollar acceptances (not seasonally adjusted)[8]										
7 **Total**	**45,321**	**54,744**	**69,226**	**79,543**	**78,309**	**80,957**	**79,779**	**77,928**	**75,740**	**75,179**	**75,470**
Holder											
8 Accepting banks	9,865	10,564	10,857	10,910	9,355	10,708	10,743	11,065	10,534	10,397	10,256
9 Own bills	8,327	8,963	9,743	9,471	8,125	8,854	8,823	8,729	8,960	9,113[r]	9,065
10 Bills bought	1,538	1,601	1,115	1,439	1,230	1,853	1,920	2,336	1,574	1,284[r]	1,191
Federal Reserve Banks											
11 Own account	704	776	195	1,480	418	0	0	0	0	0	0
12 Foreign correspondents	1,382	1,791	1,442	949	729	611	632	686	658	615	671
13 Others	33,370	41,614	56,731	66,204	68,225	69,639	68,404	66,177	64,548[r]	64,781	64,167
Basis											
14 Imports into United States	10,270	11,776	14,765	17,683	15,649	17,947	17,647	17,196	16,256	16,433	16,975
15 Exports from United States	9,640	12,712	15,400	16,328	16,880	15,485	15,871	15,985	16,312	15,849	15,859
16 All other	25,411	30,257	39,060	45,531	45,781	47,525	46,260	44,746	43,172[r]	42,897	42,635

1. A change in reporting instructions results in offsetting shifts in the dealer-placed and directly placed financial company paper in October 1979.
2. Effective Dec. 1, 1982, there was a break in the commercial paper series. The key changes in the content of the data involved additions to the reporting panel, the exclusion of broker or dealer placed borrowings under any master note agreements from the reported data, and the reclassification of a large portion of bank-related paper from dealer-placed to directly placed.
3. Correction of a previous misclassification of paper by a reporter has created a break in the series beginning December 1983. The correction adds some paper to nonfinancial and to dealer-placed financial paper.
4. 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.
5. Includes all financial company paper sold by dealers in the open market.
6. As reported by financial companies that place their paper directly with investors.
7. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
8. Beginning October 1984, the number of respondents in the bankers acceptance survey will be reduced from 340 to 160 institutions—those with $50 million or more in total acceptances. The new reporting group accounts for over 95 percent of total acceptances activity.

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

Percent per annum

Effective date	Rate	Effective Date	Rate	Month	Average rate	Month	Average rate
1983—Jan. 11	11.00	1984—Sept. 27	12.75	1983—Jan.	11.16	1984—Mar.	11.21
Feb. 28	10.50	Oct. 17	12.50	Feb.	10.98	Apr.	11.93
Aug. 8	11.00	29	12.00	Mar.	10.50	May	12.39
		Nov. 9	11.75	Apr.	10.50	June	12.60
1984—Mar. 19	11.50	28	11.25	May	10.50	July	13.00
Apr. 5	12.00	Dec. 20	10.75	June	10.50	Aug.	13.00
May 8	12.50			July	10.50	Sept.	12.97
June 25	13.00	1985—Jan. 15	10.50	Aug.	10.89	Oct.	12.58
				Sept.	11.00	Nov.	11.77
				Oct.	11.00	Dec.	11.06
				Nov.	11.00		
				Dec.	11.00	1985—Jan.	10.61
						Feb.	10.50
				1984—Jan.	11.00		
				Feb.	11.00		

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

1.35 INTEREST RATES Money and Capital Markets

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

Instrument	1982	1983	1984	1984			1985	1985, week ending				
				Oct.	Nov.	Dec.	Jan.	Jan. 4	Jan. 11	Jan. 18	Jan. 25	Feb. 1
MONEY MARKET RATES												
1 Federal funds[1,2]	12.26	9.09	10.23	9.99	9.43	8.38	8.35	8.75	8.27	8.23	8.19	8.45
2 Discount window borrowing[1,2,3]	11.02	8.50	8.80	9.00	8.83	8.37	8.00	8.00	8.00	8.00	8.00	8.00
Commercial paper[4,5]												
3 1-month	11.83	8.87	10.05	10.05	9.01	8.39	7.99	8.17	7.94	7.95	7.88	8.14
4 3-month	11.89	8.88	10.10	10.12	9.03	8.44	8.03	8.20	8.01	8.00	7.91	8.14
5 6-month	11.89	8.89	10.16	10.16	9.06	8.55	8.15	8.31	8.14	8.16	8.05	8.22
Finance paper, directly placed[4,5]												
6 1-month	11.64	8.80	9.97	9.92	8.92	8.25	7.95	8.13	7.91	7.87	7.85	8.12
7 3-month	11.23	8.70	9.73	9.87	8.83	8.12	7.81	7.82	7.83	7.82	7.75	7.86
8 6-month	11.20	8.69	9.65	9.87	8.82	8.09	7.82	7.76	7.83	7.83	7.80	7.86
Bankers acceptances[5,6]												
9 3-month	11.89	8.90	10.14	10.13	9.00	8.45	8.01	8.19	7.99	7.96	7.90	8.11
10 6-month	11.83	8.91	10.19	10.14	9.02	8.54	8.11	8.29	8.05	8.14	8.03	8.18
Certificates of deposit, secondary market[7]												
11 1-month	12.04	8.96	10.17	10.18	9.09	8.47	8.05	8.21	8.05	8.01	7.97	8.15
12 3-month	12.27	9.07	10.37	10.38	9.18	8.60	8.14	8.30	8.13	8.11	8.07	8.23
13 6-month	12.57	9.27	10.68	10.63	9.39	8.85	8.45	8.61	8.43	8.47	8.34	8.49
14 Eurodollar deposits, 3-month[8]	13.12	9.56	10.73	10.77	9.50	8.90	8.37	8.61	8.33	8.35	8.25	8.49
U.S. Treasury bills[5]												
Secondary market[9]												
15 3-month	10.61	8.61	9.52	9.74	8.61	8.06	7.76	7.83	7.75	7.73	7.65	7.92
16 6-month	11.07	8.73	9.76	9.87	8.81	8.28	8.00	8.17	7.98	7.98	7.91	8.09
17 1-year	11.07	8.80	9.92	9.93	9.01	8.60	8.33	8.48	8.34	8.33	8.22	8.35
Auction average[10]												
18 3-month	10.686	8.63	9.58	9.97	8.79	8.16	7.76	7.86	7.78	7.74	7.68	7.76
19 6-month	11.084	8.75	9.80	10.05	8.99	8.36	8.03	8.19	8.02	8.05	7.93	7.97
20 1-year	11.099	8.86	9.91	10.32	9.10	8.38	8.39	....	....	....	8.39	....
CAPITAL MARKET RATES												
U.S. Treasury notes and bonds[11]												
Constant maturities[12]												
21 1-year	12.27	9.57	10.89	10.90	9.82	9.33	9.02	9.19	9.04	9.05	8.90	9.03
22 2-year	12.80	10.21	11.65	11.60	10.65	10.18	9.93	10.05	10.01	9.99	9.79	9.86
23 2-½-year[13]	....	....	....	....	....	....	....	10.20	....	10.30	....	10.05
24 3-year	12.92	10.45	11.89	11.85	10.90	10.56	10.43	10.58	10.51	10.49	10.25	10.34
25 5-year	13.01	10.80	12.24	12.06	11.33	11.07	10.93	11.16	11.07	11.01	10.70	10.76
26 7-year	13.06	11.02	12.40	12.16	11.49	11.45	11.27	11.59	11.39	11.35	11.02	11.04
27 10-year	13.00	11.10	12.44	12.16	11.57	11.50	11.38	11.64	11.50	11.49	11.16	11.15
28 20-year	12.92	11.34	12.48	12.04	11.66	11.64	11.58	11.80	11.70	11.73	11.37	11.31
29 30-year	12.76	11.18	12.39	11.98	11.56	11.52	11.45	11.64	11.54	11.59	11.28	11.21
Composite[14]												
30 Over 10 years (long-term)	12.23	10.84	11.99	11.66	11.25	11.21	11.15	11.34	11.24	11.28	10.97	10.92
State and local notes and bonds												
Moody's series[15]												
31 Aaa	10.88	8.80	9.61	9.72	9.78	9.54	9.08	9.45	9.20	9.10	8.85	8.80
32 Baa	12.48	10.17	10.38	10.51	10.47	10.45	10.16	10.50	10.30	10.20	9.90	9.90
33 *Bond Buyer* series[16]	11.66	9.51	10.10	10.25	10.17	9.95	9.51	9.87	9.60	9.51	9.21	9.37
Corporate bonds												
Seasoned issues[17]												
34 All industries	14.94	12.78	13.49	13.33	12.88	12.74	12.64	12.76	12.72	12.74	12.55	12.47
35 Aaa	13.79	12.04	12.71	12.63	12.29	12.13	12.08	12.21	12.16	12.20	11.97	11.85
36 Aa	14.41	12.42	13.31	13.11	12.66	12.50	12.43	12.51	12.47	12.51	12.37	12.29
37 A	15.43	13.10	13.74	13.61	13.09	12.92	12.80	12.90	12.91	12.90	12.70	12.59
38 Baa	16.11	13.55	14.19	13.94	13.48	13.40	13.26	13.39	13.33	13.32	13.15	13.13
39 A-rated, recently-offered utility bonds[18]	15.49	12.73	13.81	13.52	12.98	12.88	12.78	12.96	12.92	12.82	12.51	12.59
MEMO: Dividend/price ratio[19]												
40 Preferred stocks	12.53	11.02	11.59	11.62	11.36	11.21	11.13	11.42	11.11	11.10	11.03	10.99
41 Common stocks	5.81	4.40	4.64	4.62	4.61	4.68	4.51	4.67	4.67	4.52	4.37	4.31

1. Weekly and monthly figures are averages of all calendar days, where the rate for a weekend or holiday is taken to be the rate prevailing on the preceding business day. The daily rate is the average of the rates on a given day weighted by the volume of transactions at these rates.
2. Weekly figures are averages for statement week ending Wednesday.
3. Rate for the Federal Reserve Bank of New York.
4. Unweighted average of offering rates quoted by at least five dealers (in the case of commercial paper), or finance companies (in the case of finance paper). Before November 1979, maturities for data shown are 30–59 days, 90–119 days, and 120–179 days for commercial paper; and 30–59 days, 90–119 days, and 150–179 days for finance paper.
5. Yields are quoted on a bank-discount basis, rather than an investment yield basis (which would give a higher figure).
6. Dealer closing offered rates for top-rated banks. Most representative rate (which may be, but need not be, the average of the rates quoted by the dealers).
7. Unweighted average of offered rates quoted by at least five dealers early in the day.
8. Calendar week average. For indication purposes only.
9. Unweighted average of closing bid rates quoted by at least five dealers.
10. Rates are recorded in the week in which bills are issued. Beginning with the Treasury bill auction held on Apr. 18, 1983, bidders were required to state the percentage yield (on a bank discount basis) that they would accept to two decimal places. Thus, average issuing rates in bill auctions will be reported using two rather than three decimal places.
11. Yields are based on closing bid prices quoted by at least five dealers.
12. Yields adjusted to constant maturities by the U.S. Treasury. That is, yields are read from a yield curve at fixed maturities. Based on only recently issued, actively traded securities.
13. Each biweekly figure is the average of five business days ending on the Monday following the date indicated. Until Mar. 31, 1983, the biweekly rate determined the maximum interest rate payable in the following two-week period on 2-½-year small saver certificates. (See table 1.16.)
14. Averages (to maturity or call) for all outstanding bonds neither due nor callable in less than 10 years, including several very low yielding "flower" bonds.
15. General obligations based on Thursday figures; Moody's Investors Service.
16. General obligations only, with 20 years to maturity, issued by 20 state and local governmental units of mixed quality. Based on figures for Thursday.
17. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
18. Compilation of the Federal Reserve. This series is an estimate of the yield on recently-offered, A-rated utility bonds with a 30-year maturity and 5 years of call protection. Weekly data are based on Friday quotations.
19. Standard and Poor's corporate series. Preferred stock ratio based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation. Common stock ratios on the 500 stocks in the price index.

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

1.36 STOCK MARKET Selected Statistics

Indicator	1982	1983	1984	1984 May	1984 June	1984 July	1984 Aug.	1984 Sept.	1984 Oct.	1984 Nov.	1984 Dec.	1985 Jan.
	Prices and trading (averages of daily figures)											
Common stock prices												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	68.93	92.63	92.46	90.07	88.28	87.08	94.49	95.68	95.09	95.85	94.85	99.11
2 Industrial	78.18	107.45	108.01	105.94	104.04	102.29	111.20	112.18	110.44	110.91	109.05	113.99
3 Transportation	60.41	89.36	85.63	81.62	79.29	76.72	86.86	86.88	86.82	87.37	88.00	94.88
4 Utility	39.75	47.00	46.44	44.22	43.65	44.17	46.69	47.47	49.02	49.93	50.58	51.95
5 Finance	71.99	95.34	89.28	85.06	80.75	79.03	87.92	91.59	92.94	95.28	95.29	110.34
6 Standard & Poor's Corporation (1941–43 = 10)[1]	119.71	160.41	160.50	156.55	153.12	151.08	164.42	166.11	164.82	166.27	164.48	171.61
7 American Stock Exchange[2] (Aug. 31, 1973 = 100)	141.31	216.48	207.96	206.39	201.24	192.82	207.90	214.50	210.39	209.47	202.28	211.82
Volume of trading (thousands of shares)												
8 New York Stock Exchange	64,617	85,418	91,084	88,170	85,920	79,156	109,892	93,108	91,676	83,692	89,032	121,545
9 American Stock Exchange	5,283	8,215	6,107	5,935	5,071	5,141	7,477	5,967	5,587	6,008	7,254	9,130
	Customer financing (end-of-period balances, in millions of dollars)											
10 Margin credit at broker–dealers[3]	**13,325**	**23,000**	**22,470**	**22,360**	**23,450**	**22,980**	**22,810**	**22,800**	**22,330**	**22,350**	**22,470**	**22,090**
11 Margin stock	12,980	22,720										
12 Convertible bonds	344	279	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 Subscription issues	1	1										
Free credit balances at brokers[4]												
14 Margin-account	5,735	6,620	7,015	6,685	6,430	6,430	6,855	6,690	6,580	6,699	7,015	6,770
15 Cash-account	8,390	8,430	10,215	8,115	8,305	8,125	8,185	8,315	8,650	8,420	10,215	9,730
	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**	**100.0**	**100.0**
By equity class (in percent)[5]												
17 Under 40	21.0	41.0	46.0	53.0	50.0	52.0	40.0	42.0	44.0	47.0	46.0	35.0
18 40–49	24.0	22.0	18.0	18.0	19.0	17.0	22.0	22.0	21.0	19.0	18.0	19.0
19 50–59	24.0	16.0	16.0	12.0	12.0	12.0	16.0	15.0	14.0	13.0	16.0	20.0
20 60–69	14.0	9.0	9.0	7.0	8.0	8.0	9.0	9.0	9.0	9.0	9.0	11.0
21 70–79	9.0	6.0	5.0	5.0	6.0	5.0	6.0	6.0	6.0	6.0	5.0	7.0
22 80 or more	8.0	6.0	6.0	5.0	5.0	6.0	7.0	6.0	6.0	6.0	6.0	8.0
	Special miscellaneous-account balances at brokers (end of period)											
23 Total balances (millions of dollars)[6]	**35,598**	**58,329**	**75,840**	**70,110**	**69,410**	**70,588**	**71,840**	**72,350**	**71,914**	**73,904**	**75,840**	**79,600**
Distribution by equity status (percent)												
24 Net credit status	62.0	63.0	59.0	60.0	56.0	57.0	58.0	58.0	59.0	59.0	59.0	59.0
Debt status, equity of												
25 60 percent or more	29.0	28.0	29.0	27.0	30.0	30.0	31.0	31.0	30.0	29.0	29.0	30.0
26 Less than 60 percent	9.0	9.0	11.0	13.0	14.0	13.0	11.0	11.0	11.0	12.0	11.0	10.0

	Margin requirements (percent of market value and effective date)[7]					
	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. Beginning July 5, 1983, the American Stock Exchange rebased its index effectively cutting previous readings in half.
3. Beginning July 1983, under the revised Regulation T, margin credit at broker-dealers includes credit extended against stocks, convertible bonds, stocks acquired through exercise of subscription rights, corporate bonds, and government securities. Separate reporting of data for margin stocks, convertible bonds, and subscription issues was discontinued in April 1984, and margin credit at broker-dealers became the total that is distributed by equity class and shown on lines 17–22.
4. Free credit balances are in accounts with no unfulfilled commitments to the brokers and are subject to withdrawal by customers on demand.
5. 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 SELECTED FINANCIAL INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1981	1982	1984 Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
						Savings and loan associations							
1 **Assets**	**664,167**	**707,646**	**781,821**	**797,849**	**808,264**	**825,557**	**840,682**	**850,780**	**860,088**	**877,642**	**881,627**	**887,696**	**902,449**
2 Mortgages	518,547	483,614	499,337	503,509	510,670	519,628	528,172	535,814	540,644	550,129	552,516	556,229	555,277
3 Cash and investment securities[1]	63,123	85,438	104,800	109,477	106,863	110,033	109,752	108,456	108,820	112,350	112,023	114,879	125,358
4 Other	82,497	138,594	177,684	184,863	190,731	195,896	202,758	206,510	210,624	215,163	217,088	216,588	221,814
5 **Liabilities and net worth**	**664,167**	**707,646**	**781,821**	**797,849**	**808,264**	**825,557**	**840,682**	**850,780**	**860,088**	**877,642**	**881,627**	**887,696**	**902,449**
6 Savings capital	525,061	567,961	644,977	656,650	660,663	670,666	681,947	687,817	691,704	704,558	708,846	714,780	724,301
7 Borrowed money	88,782	97,850	87,269	94,113	98,275	103,119	108,417	110,238	114,747	121,329	119,305	117,775	126,169
8 FHLBB	62,794	63,861	50,465	50,663	51,951	53,485	56,558	57,115	60,178	63,627	63,412	63,383	64,207
9 Other	25,988	33,989	36,804	43,450	46,324	49,634	51,859	53,123	54,569	57,702	55,893	54,392	61,962
10 Loans in process[2]	6,385	9,934	21,974	22,969	23,938	24,761	25,726	26,122	26,773	27,141	26,754	26,683	26,959
11 Other	15,544	15,602	18,146	15,548	17,524	19,832	17,586	19,970	20,599	18,050	19,894	21,302	17,215
12 Net worth[3]	28,395	26,233	31,429	31,538	31,802	31,940	32,732	32,755	33,038	33,705	33,582	33,839	34,764
13 MEMO: Mortgage loan commitments outstanding[4]	15,225	18,054	36,198	39,867	41,732	45,274	44,878	43,878	41,182	40,089	38,530	37,856	34,841
						Mutual savings banks[5]							
14 **Assets**	**175,728**	**174,197**	**195,168**	**197,178**	**198,000**	**200,087**	**198,864**	**199,128**	**200,722**	**201,445**	**203,274**	**204,455**	
Loans													
15 Mortgage	99,997	94,091	97,895	98,472	99,017	99,881	99,433	100,091	101,211	101,621	102,704	102,953	
16 Other	14,753	16,957	21,694	21,971	22,531	22,907	23,198	23,213	24,068	24,535	24,486	24,930	
Securities													
17 U.S. government[6]	9,810	9,743	15,667	15,772	15,913	16,404	15,448	15,457	15,019	14,965	15,295	14,925	
18 State and local government	2,288	2,470	2,054	2,067	2,033	2,024	2,037	2,037	2,055	2,052	2,080	2,077	
19 Corporate and other[7]	37,791	36,161	43,439	43,547	43,122	43,200	42,479	42,682	42,632	42,605	43,003	43,366	
20 Cash	5,442	6,919	4,580	5,040	5,008	5,031	5,452	4,896	4,981	4,795	4,605	4,805	
21 Other assets	5,649	7,855	9,839	10,309	10,376	10,640	10,817	10,752	10,756	10,872	11,101	11,399	
22 **Liabilities**	***175,728***	***174,197***	***195,168***	***197,178***	***198,000***	***200,087***	***198,864***	***199,128***	***200,722***	**201,445**	**203,274**	**204,455**	n.a.
23 Deposits	155,110	155,196	174,370	176,044	175,875	176,253	174,972	174,823	176,085	177,345	178,624	180,142	
24 Regular[8]	153,003	152,777	171,957	173,385	173,010	173,310	171,858	171,740	172,990	174,296	175,727	177,196	
25 Ordinary savings	49,425	46,862	37,642	37,866	37,329	37,147	36,322	35,511	34,787	34,564	34,221	34,008	
26 Time	103,578	96,369	96,005	97,339	96,920	97,236	97,168	98,410	101,270	102,934	104,151	104,913	
27 Other	2,108	2,419	2,413	2,659	2,865	2,943	3,114	3,083	3,095	3,049	2,897	2,946	
28 Other liabilities	10,632	8,336	10,019	10,390	11,211	12,861	12,999	13,269	13,604	12,979	13,853	13,367	
29 General reserve accounts	9,986	9,235	10,492	10,373	10,466	10,554	10,404	10,495	10,498	10,488	10,459	10,508	
30 MEMO: Mortgage loan commitments outstanding[9]	1,293	1,285	n.a.	n.a.	n.a.	n.a.	0	0	n.a.	n.a.	n.a.	n.a.	
						Life insurance companies							
31 **Assets**	**525,803**	**588,163**	**660,901**	**665,836**	**671,259**	**673,518**	**679,449**	**684,573**	**694,082**	**699,996**	**705,827**		
Securities													
32 Government	25,209	36,499	51,762	52,504	52,828	53,422	53,970	54,688	56,263	57,552	59,825		
33 United States[10]	8,167	16,529	30,130	31,056	31,358	31,706	32,066	32,654	33,886	35,586	37,594		
34 State and local	7,151	8,664	9,426	9,259	9,192	9,239	9,213	9,236	9,357	9,221	9,344		
35 Foreign[11]	9,891	11,306	12,206	12,189	12,278	12,477	12,691	12,798	13,020	12,745	12,887		
36 Business	255,769	287,126	328,235	331,631	334,634	334,151	338,508	341,802	348,614	350,512	352,059	n.a.	n.a.
37 Bonds	208,099	231,406	265,798	268,446	271,296	273,212	276,902	281,113	283,673	285,543	287,607		
38 Stocks	47,670	55,720	62,437	63,185	63,338	60,939	61,606	60,689	64,941	64,969	64,452		
39 Mortgages	137,747	141,989	151,020	151,445	152,373	152,968	153,845	154,299	155,438	155,802	156,064		
40 Real estate	18,278	20,264	22,591	23,034	23,237	23,517	23,792	24,019	24,117	24,685	24,947		
41 Policy loans	48,706	52,961	54,170	54,254	54,365	54,399	54,430	54,441	54,517	54,551	54,574		
42 Other assets	40,094	48,571	53,123	52,968	53,822	55,061	54,904	55,324	55,133	56,894	58,358		
						Credit unions[12]							
43 **Total assets/liabilities and capital**	**60,611**	**69,585**	**83,726**	**85,789**	**86,594**	**88,350**	**90,276**	**90,145**	**90,503**	**91,651**	**91,619**		
44 Federal	39,181	45,493	55,753	57,569	58,127	59,636	61,316	61,163	61,500	62,107	61,935		
45 State	21,430	24,092	27,973	28,220	28,467	28,714	28,960	28,982	29,003	29,544	29,684		
46 Loans outstanding	42,333	43,232	51,435	52,269	53,247	54,437	55,915	57,286	58,802	59,874	60,483	n.a.	n.a.
47 Federal	27,096	27,948	33,878	34,510	35,286	36,274	37,547	38,490	39,578	40,310	40,727		
48 State	15,237	15,284	17,557	17,759	17,961	18,163	18,368	18,796	19,224	19,564	19,756		
49 Savings	54,152	62,990	76,556	78,487	79,413	80,702	82,578	82,402	82,135	83,172	83,129		
50 Federal (shares)	35,250	41,352	51,218	52,905	53,587	54,632	56,261	56,278	56,205	56,734	56,655		
51 State (shares and deposits)	18,902	21,638	25,338	25,582	25,826	26,070	26,317	26,124	25,930	26,438	26,474		

1.37 Continued

Account	1981	1982	1984 Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
			FSLIC-insured federal savings banks										
52 **Assets**	......	**6,859**	**72,143**	**75,555**	**77,374**	**78,952**	**81,310**	**83,989**	**87,209**	**82,174**	**87,743**	**94,536**	**98,559**
53 Mortgages	......	3,353	43,371	44,708	45,900	46,791	48,084	49,996	52,039	48,841	51,554	55,861	57,429
54 Cash and investment securities[1]	......	......	11,662	12,552	12,762	12,814	13,071	13,184	13,331	12,867	13,615	14,826	16,001
55 Other	......	......	17,110	18,295	18,712	19,347	20,155	20,809	21,839	20,466	22,574	23,849	25,129
56 **Liabilities and net worth**	......	**6,859**	**72,143**	**75,555**	**77,374**	**78,952**	**81,310**	**83,989**	**87,209**	**82,174**	**87,743**	**94,536**	**98,559**
57 Savings and capital	......	5,877	59,107	61,433	62,495	63,026	64,364	66,227	68,443	65,079	70,080	76,167	79,572
58 Borrowed money	......	......	8,088	9,213	9,707	10,475	11,489	12,060	12,863	11,828	11,935	11,937	12,798
59 FHLBB	......	......	4,884	5,232	5,491	5,900	6,538	6,897	7,654	6,600	6,867	7,041	7,515
60 Other	......	......	3,204	3,981	4,216	4,575	4,951	5,163	5,209	5,228	5,068	4,896	5,283
61 Other	......	......	1,545	1,360	1,548	1,747	1,646	1,807	1,912	1,610	1,896	2,259	1,903
62 Net worth[3]	......	......	3,403	3,549	3,624	3,704	3,811	3,895	3,991	3,657	3,832	4,173	4,286
MEMO													
63 Loans in process[2]	......	98	1,531	1,669	1,716	1,787	1,839	1,901	1,895	1,505	1,457	1,689	1,738
64 Mortgage loan commitments outstanding[4]	......	......	2,704	3,253	3,714	3,763	3,583	3,988	3,860	2,970	2,925	3,298	3,234

1. Holdings of stock of the Federal Home Loan Banks are in "other assets."
2. Beginning in 1982, loans in process are classified as contra-assets and are not included in total liabilities and net worth. Total assets are net of loans in process.
3. Includes net undistributed income accrued by most associations.
4. Excludes figures for loans in process.
5. The National Council reports data on member mutual savings banks and on savings banks that have converted to stock institutions, and to federal savings banks.
6. Beginning April 1979, includes obligations of U.S. government agencies. Before that date, this item was included in "Corporate and other."
7. Includes securities of foreign governments and international organizations and, before April 1979, nonguaranteed issues of U.S. government agencies.
8. Excludes checking, club, and school accounts.
9. 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.
10. Direct and guaranteed obligations. Excludes federal agency issues not guaranteed, which are shown in the table under "Business" securities.
11. Issues of foreign governments and their subdivisions and bonds of the International Bank for Reconstruction and Development.
12. As of June 1982, data include only federal or federally insured state credit unions serving natural perons.

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

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

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

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1982	Fiscal year 1983	Fiscal year 1984	Calendar year					
				1983		1984	1984		1985
				H1	H2	H1	Nov.	Dec.	Jan.
U.S. budget									
1 Receipts[1]	617,766	600,562	666,457	306,331	306,584	341,808	51,494	62,404	70,454
2 Outlays[1]	728,375	795,917	841,800	396,477	406,849	420,700	79,956	77,583	76,838
3 Surplus, or deficit (−)	−110,609	−195,355	−175,343	−90,146	−100,265	−78,892	−28,462	−15,179	−6,384
4 Trust funds	5,456	23,056	30,565	22,680	7,745	18,080	−265	8,426	−188
5 Federal funds[2,3]	−116,065	−218,410	−205,908	−112,822	−108,005	−96,971	−28,197	−23,606	−6,198
Off-budget entities (surplus, or deficit (−))									
6 Federal Financing Bank outlays	−14,142	−10,404	−7,277	−5,418	−3,199	−2,813	−48	142	−840
7 Other[3,4]	−3,190	−1,953	−2,719	−528	−1,206	−838	−392	475	−789
U.S. budget plus off-budget, including Federal Financing Bank									
8 Surplus, or deficit (−)	−127,940	−207,711	−185,339	−96,094	−104,670	−84,884	−28,902	−14,563	−8,013
Source of financing									
9 Borrowing from the public	134,993	212,425	170,817	102,538	84,020	80,592	19,353	24,055	12,675
10 Cash and monetary assets (decrease, or increase (−))[4]	−11,911	−9,889	5,636	−9,664	−16,294	−3,127	14,780	−10,490	−7,969
11 Other[5]	4,858	5,176	8,885	3,222	4,358	7,418	−5,231	998	3,307
MEMO									
12 Treasury operating balance (level, end of period)	29,164	37,057	37,057	27,997r	11,817r	13,567r	5,566	17,649	26,502
13 Federal Reserve Banks	10,975	16,557	16,557	19,442	3,661r	4,397r	2,216	5,316	5,349
14 Tax and loan accounts	18,189	20,500	20,500	8,764r	8,157r	9,170r	3,350	12,333	21,153

1. Effective Feb. 8, 1982, supplemental medical insurance premiums and voluntary hospital insurance premiums, previously included in other insurance receipts, have been reclassified as offsetting receipts in the health function.
2. Half-year figures are calculated as a residual (total surplus/deficit less trust fund surplus/deficit).
3. Other off-budget includes Postal Service Fund; Rural Electrification and Telephone Revolving Fund; Rural Telephone Bank; and petroleum acquisition and transportation and strategic petroleum reserve effective November 1981.
4. Includes U.S. Treasury operating cash accounts; SDRs; gold tranche drawing rights; loans to International Monetary Fund; and other cash and monetary assets.
5. Includes accrued interest payable to the public; allocations of special drawing rights; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seigniorage; increment on gold; net gain/loss for U.S. currency valuation adjustment; net gain/loss for IMF valuation adjustment; and profit on the sale of gold.

SOURCE. "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government" *Treasury Bulletin*, and the *Budget of the U.S. Government, Fiscal Year 1985*.

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS

Millions of dollars

Source or type	Fiscal year 1983	Fiscal year 1984	Calendar year						
			1982	1983		1984	1984		1985
			H2	H1	H2	H1	Nov.	Dec.	Jan.
RECEIPTS									
1 **All sources**	**600,563**	**666,457**	**286,337**	**306,331**	**305,122**	**341,808**	**51,494**	**62,404**	**70,454**
2 Individual income taxes, net	288,938	295,955	145,676	144,551	147,663	144,691	24,792	27,054	37,852
3 Withheld	266,010	279,345	131,567	135,531	133,768	140,657	24,573	25,979	24,778
4 Presidential Election Campaign Fund	36	35	5	30	6	29	0	0	0
5 Nonwithheld	83,586	81,346	20,041	63,014	20,703	61,463	1,036	2,003	12,642
6 Refunds	60,692	64,771	5,938	54,024	6,815	57,458	816	929	-433
Corporation income taxes									
7 Gross receipts	61,780	74,179	25,660	33,522	31,064	40,328	1,888	12,351	4,373
8 Refunds	24,758	17,286	11,467	13,809	8,921	10,045	766	820	1,594
9 Social insurance taxes and contributions, net	209,001	241,902	94,277	110,520	100,832	131,372	19,525	18,127	23,394
10 Payroll employment taxes and contributions[1]	179,010	203,476	85,064	90,912	88,388	106,436	16,752	17,328	21,661
11 Self-employment taxes and contributions[2]	6,756	8,709	177	6,427	398	7,667	0	0	602
12 Unemployment insurance	18,799	25,138	6,856	10,984	8,714	14,942	2,346	397	1,328
13 Other net receipts[3]	4,436	4,580	2,180	2,197	2,290	2,329	427	403	406
14 Excise taxes	35,300	37,361	16,555	16,904	19,586	18,304	3,151	2,907	3,267
15 Customs deposits	8,655	11,370	4,299	4,010	5,079	5,576	989	922	1,085
16 Estate and gift taxes	6,053	6,010	3,444	2,883	3,050	3,102	495	469	605
17 Miscellaneous receipts[4]	15,594	16,965	7,890	7,751	7,811	8,481	1,421	1,395	1,471
OUTLAYS									
18 **All types**	**795,917**	**841,800**	**390,847**	**396,477**	**406,849**	**420,700**	**79,956**	**77,583**	**76,838**
19 National defense	210,461	227,405	100,419	105,072	108,967	114,639	22,017	20,156	19,367
20 International affairs	8,927	13,313	4,406	4,705	6,117	5,426	1,423	1,297	1,254
21 General science, space, and technology	7,777	8,271	3,903	3,486	4,216	3,981	667	692	654
22 Energy	4,035	2,464	2,058	2,073	1,533	1,080	327	278	369
23 Natural resources and environment	12,676	12,677	6,941	5,892	6,933	5,463	955	1,253	1,082
24 Agriculture	22,173	12,215	13,259	10,154	5,278	7,129	2,144	2,881	3,372
25 Commerce and housing credit	4,721	5,198	2,244	2,164	2,648	2,572	-271	1,043	-737
26 Transportation	21,231	24,705	10,686	9,918	13,323	10,616	2,282	2,055	2,053
27 Community and regional development	7,302	7,803	4,187	3,124	4,327	3,154	873	627	589
28 Education, training, employment, social services	25,726	26,616	12,186	12,801	13,246	13,445	2,655	2,089	2,547
29 Health	28,655	30,435	39,072	41,206	42,150	15,748	2,515	2,677	2,822
30 Social security and medicare	223,311	235,764	133,779	143,001			19,631	20,640	20,930
31 Income security	106,211	96,714			135,579	65,212	10,880	10,704	11,600
32 Veterans benefits and services	24,845	25,640	13,240	11,334	13,621	12,849	3,350	2,393	928
33 Administration of justice	5,014	5,616	2,373	2,522	2,628	2,807	633	491	585
34 General government	4,991	4,836	2,323	2,434	2,479	2,462	143	569	244
35 General-purpose fiscal assistance	6,287	6,577	3,153	3,124	3,290	2,943	119	21	1,250
36 Net interest[6]	89,774	111,007	44,948	42,358	47,674	53,729	12,120	10,085	10,440
37 Undistributed offsetting receipts[7]	-21,424	-15,454	-8,332	-8,887	-7,262	-7,333	-2,508	-2,368	-2,513

1. Old-age, disability, and hospital insurance, and railroad retirement accounts.
2. Old-age, disability, and hospital insurance.
3. Federal employee retirement contributions and civil service retirement and disability fund.
4. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.
5. In accordance with the Social Security Amendments Act of 1983, the Treasury now provides social security and medicare outlays as a separate function. Before February 1984, these outlays were included in the income security and health functions.
6. Net interest function includes interest received by trust funds.
7. *Consists of rents and royalties on the outer continental shelf and U.S.* government contributions for employee retirement.

SOURCE. "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government" and the *Budget of the U.S. Government, Fiscal Year 1985.*

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1982 Sept. 30	1982 Dec. 31	1983 Mar. 31	1983 June 30	1983 Sept. 30	1983 Dec. 31	1984 Mar. 31	1984 June 30	1984 Sept. 30
1 **Federal debt outstanding**	**1,147.0**	**1,201.9**	**1,249.3**	**1,324.3**	**1,381.9**	**1,415.3**	**1,468.3**	**1,517.2**	**1,576.7**
2 Public debt securities	1,142.0	1,197.1	1,244.5	1,319.6	1,377.2	1,410.7	1,463.7	1,512.7	1,572.3
3 Held by public	925.6	987.7	1,043.3	1,090.3	1,138.2	1,174.4	1,223.9	1,255.1	1,309.2r
4 Held by agencies	216.4	209.4	201.2	229.3	239.0	236.3	239.8	257.6	264.1
5 Agency securities	5.0	4.8	4.8	4.7	4.7	4.6	4.6	4.5	4.5
6 Held by public	3.7	3.7	3.7	3.6	3.6	3.5	3.5	3.4	3.4
7 Held by agencies	1.2	1.2	1.1	1.1	1.1	1.1	1.1	1.1	1.1
8 **Debt subject to statutory limit**	**1,142.9**	**1,197.9**	**1,245.3**	**1,320.4**	**1,378.0**	**1,411.4**	**1,464.5**	**1,513.4**	**1,573.0**
9 Public debt securities	1,141.4	1,196.5	1,243.9	1,319.0	1,376.6	1,410.1	1,463.1	1,512.1	1,571.7
10 Other debt[1]	1.5	1.4	1.4	1.4	1.3	1.3	1.3	1.3	1.3
11 Memo: Statutory debt limit	1,143.1	1,290.2	1,290.2	1,389.0	1,389.0	1,490.0	1,490.0	1,520.0	1,573.0

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	1980	1981	1982	1983	1984 Q1	1984 Q2	1984 Q3	1984 Q4
1 **Total gross public debt**	**930.2**	**1,028.7**	**1,197.1**	**1,410.7**	**1,463.7**	**1,512.7**	**1,572.3**	**1,663.0**
By type								
2 Interest-bearing debt	928.9	1,027.3	1,195.5	1,400.9	1,452.1	1,501.1	1,559.6	1,660.6
3 Marketable	623.2	720.3	881.5	1,050.9	1,097.7	1,126.6	1,176.6	1,247.4
4 Bills	216.1	245.0	311.8	343.8	350.2	343.3	356.8	374.4
5 Notes	321.6	375.3	465.0	573.4	604.9	632.1	661.7	705.1
6 Bonds	85.4	99.9	104.6	133.7	142.6	151.2	158.1	167.9
7 Nonmarketable[1]	305.7	307.0	314.0	350.0	354.4	374.5	383.0	413.2
8 State and local government series	23.8	23.0	25.7	36.7	38.1	39.9	41.4	44.4
9 Foreign issues[2]	24.0	19.0	14.7	10.4	9.9	8.8	8.8	9.1
10 Government	17.6	14.9	13.0	10.4	9.9	8.8	8.8	9.1
11 Public	6.4	4.1	1.7	.0	.0	.0	.0	.0
12 Savings bonds and notes	72.5	68.1	68.0	70.7	71.6	72.3	73.1	73.3
13 Government account series[3]	185.1	196.7	205.4	231.9	234.6	253.2	259.5	286.2
14 Non-interest-bearing debt	1.3	1.4	1.6	9.8	11.6	11.6	12.7	2.3
By holder[4]								
15 U.S. government agencies and trust funds	192.5	203.3	209.4	236.3	239.8	257.6	263.1	
16 Federal Reserve Banks	121.3	131.0	139.3	151.9	150.8	152.9	155.0	
17 Private investors	616.4	694.5	848.4	1,022.6	1,073.0	1,102.2	1,154.1	
18 Commercial banks	112.1	111.4	131.4	188.8	189.8	182.3	183.0	
19 Money market funds	3.5	21.5	42.6	22.8	19.4	14.9	13.6	
20 Insurance companies	24.0	29.0	39.1	56.7	57.1	61.6	58.6	
21 Other companies	19.3	17.9	24.5	39.7	42.6	45.3	47.7	
22 State and local governments	87.9	104.3	127.8	155.1	162.9	165.0	n.a.	n.a.
Individuals								
23 Savings bonds	72.5	68.1	68.3	71.5	72.2	72.9	73.7	
24 Other securities	44.6	42.7	48.2	61.9	64.0	69.3	73.8	
25 Foreign and international[5]	129.7	136.6	149.5	166.3	166.3	171.5	175.5	
26 Other miscellaneous investors[6]	122.8	163.0	217.0	259.8	298.7	319.4	n.a.	

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

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

1.42 U.S. GOVERNMENT SECURITIES DEALERS Transactions

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

	Item	1981	1982	1983	1984		1985	1984 and 1985, week ending Wednesday					
					Nov.r	Dec.r	Jan.	Dec. 26	Jan. 2	Jan. 9	Jan. 16	Jan. 23	Jan. 30
	Immediate delivery[1]												
1	U.S. government securities	24,728	32,271	42,135	71,071	58,110	71,694	48,350	53,048	74,751	60,348	73,978	77,390
	By maturity												
2	Bills	14,768	18,398	22,393	31,179	28,202	32,200	23,316	25,174	32,081	29,295	36,698	30,622
3	Other within 1 year	621	810	708	2,454	2,027	1,755	1,365	1,863	2,184	1,704	1,619	1,495
4	1–5 years	4,360	6,272	8,758	18,644	14,964	17,670	15,127	12,899	18,119	11,907	17,571	22,697
5	5–10 years	2,451	3,557	5,279	10,625	7,914	12,047	5,436	7,008	13,400	10,536	11,354	13,291
6	Over 10 years	2,528	3,234	4,997	8,169	5,003	8,022	3,107	6,104	8,968	6,906	6,736	9,286
	By type of customer												
7	U.S. government securities dealers	1,640	1,769	2,257	3,680	3,981	4,288	3,404	4,853	4,572	3,729	4,482	3,902
8	U.S. government securities brokers	11,750	15,659	21,045	33,376	24,767	32,617	18,987	19,005	34,447	28,381	32,603	35,300
9	All others[2]	11,337	15,344	18,832	34,014	29,362	34,789	25,960	29,191	35,732	28,238	36,893	38,189
10	*Federal agency securities*	*3,306*	*4,142*	*5,576*	*10,168*	*8,499*	*9,843*	*6,504*	*5,535*	*9,069*	*11,761*	*10,328*	*9,495*
11	Certificates of deposit	4,477	5,001	4,333	5,203	4,380	5,428	3,405	3,349	7,998	5,324	4,870	4,092
12	Bankers acceptances	1,807	2,502	2,642	4,015	3,376	3,756	2,189	2,557	5,355	3,283	3,762	3,009
13	Commercial paper	6,128	7,595	8,036	11,079	10,882	10,776	9,283	10,436	11,373	10,630	10,414	10,132
	Futures transactions[3]												
14	Treasury bills	3,523	5,031	6,655	6,650	4,686	5,510	2,144	3,106	4,748	5,703	4,789	6,470
15	Treasury coupons	1,330	1,490	2,501	5,475	4,605	5,147	1,982	3,681	4,816	5,220	4,356	6,159
16	Federal agency securities	234	259	265	242	131	155	86	78	148	91	167	136
	Forward transactions[4]												
17	U.S. government securities	365	835	1,493	1,803	1,423	1,047	1,519	1,037	862	693	1,035	1,288
18	Federal agency securities	1,370	982	1,646	3,587	3,355	3,538	3,382	2,100	3,411	4,556	4,082	2,560

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.

NOTE. 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.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing

Averages of daily figures, in millions of dollars

Item	1982	1983	1984	1984 Nov.	1984 Dec.[r]	1985 Jan.	1985 week ending Wednesday Jan. 2	Jan. 9	Jan. 16	Jan. 23	Jan. 30
	Positions										
Net immediate[1]											
1 U.S. government securities	9,328	6,263	5,543	14,513	18,358	14,109	20,258	18,925	11,906	11,759	13,244
2 Bills	4,837	4,282	5,504	9,772[r]	13,871	11,629	13,896	12,927	9,597	11,245	12,526
3 Other within 1 year	−199	−177	63	−487	−416	−111	−253	−192	−391	−6	100
4 1–5 years	2,932	1,709	2,160	7,234[r]	7,452	5,685	9,751	6,505	5,635	4,726	5,468
5 5–10 years	−341	−78	−1,119	−1,717	−2,122	−4,024	−2,645	−2,129	−4,515	−4,794	−4,930
6 Over 10 years	2,001	528	−1,174	−431	−565	820	−627	−1,676	−1,473	495	−15
7 Federal agency securities	3,712	7,172	15,294	16,106[r]	18,471	19,429	19,166	19,139	18,290	18,886	20,934
8 Certificates of deposit	5,531	5,839	7,368	8,511	9,155	10,254	10,858	11,503	10,117	9,367	9,701
9 Bankers acceptances	2,832	3,332	3,874	4,474	4,329	4,839	4,974	5,431	4,621	4,485	4,824
10 Commercial paper	3,317	3,159	3,787	4,965	5,694	4,880	5,591	4,689	4,495	4,512	5,435
Futures positions											
11 Treasury bills	−2,508	−4,125	−4,524	−8,104[r]	−10,668	−13,133	−11,822	−12,856	−14,568	−13,901	−12,052
12 Treasury coupons	−2,361	−1,032	1,796	1,408	808	1,332	1,197	−525	977	1,561	2,209
13 Federal agency securities	−224	170	232	−21	−10	−55	−172	−150	−149	−62	108
Forward positions											
14 U.S. government securities	−788	−1,935	−1,643	−1,382	−2,188	−845	−2,075	−1,145	−1,098	−181	−803
15 Federal agency securities	−1,190	−3,561	−9,204	−9,208	−8,294	−6,990	−7,527	−7,624	−7,469	−6,286	−6,326
	Financing[2]										
Reverse repurchase agreements[3]											
16 Overnight and continuing	26,754	29,099	44,078	49,834	52,222	57,000	54,817	55,943	59,869	56,906	55,697
17 Term agreements	48,247	52,493	68,357	78,049	75,532	72,387	63,715	77,251	75,256	71,552	69,193
Repurchase agreements[4]											
18 Overnight and continuing	49,695	57,946	75,717	82,964	89,419	93,727	91,548	95,464	94,117	92,835	93,269
19 Term agreements	43,410	44,410	57,047	74,249	67,185	63,188	53,698	69,530	63,509	60,790	62,840

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. Prior to 1984, securities owned, and hence dealer positions, do not include all securities acquired under reverse RPs. After January 1984, immediate positions include reverses to maturity, which are securities that were sold after having been obtained under reverse repurchase agreements that mature on the same day as the securities. 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, that is, 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.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1981	1982	1983	1984					
				June	July	Aug.	Sept.	Oct.	Nov.
1 **Federal and federally sponsored agencies**	**221,946**	**237,085**	**239,716**	**255,376**	**258,957**	**263,642**	**267,399**	**259,330**	**260,015p**
2 Federal agencies	31,806	33,055	33,940	34,473	34,560	34,497	34,754	35,012	35,078
3 Defense Department[1]	484	354	243	181	172	162	153	149	146
4 Export-Import Bank[2,3]	13,339	14,218	14,853	15,604	15,611	15,606	15,733	15,721	15,721
5 Federal Housing Administration[4]	413	288	194	155	154	146	140	139	138
6 Government National Mortgage Association participation certificates[5]	2,715	2,165	2,165	2,165	2,165	2,165	2,165	2,165	2,165
7 Postal Service[6]	1,538	1,471	1,404	1,337	1,337	1,337	1,337	1,337	1,337
8 Tennessee Valley Authority	13,115	14,365	14,970	14,980	15,070	15,030	15,160	15,450	15,520
9 United States Railway Association[6]	202	194	111	51	51	51	51	51	51
10 Federally sponsored agencies[7]	190,140	204,030	205,776	220,903	224,397	229,145	232,645	224,318	224,937p
11 Federal Home Loan Banks	54,131	55,967	48,930	54,799	57,965	62,116	65,616	66,126	66,230
12 Federal Home Loan Mortgage Corporation	5,480	4,524	6,793	8,988	7,822	9,068	8,950	n.a.	n.a.
13 Federal National Mortgage Association[8]	58,749	70,052	74,594	79,871	80,706	79,921	80,123	80,357	81,119
14 Farm Credit Banks	71,359	71,896	72,409	73,061	73,297	73,352	73,131	72,859	72,267
15 Student Loan Marketing Association	421	1,591	3,050	4,184	4,607	4,688	4,824	5,143	5,321
MEMO									
16 **Federal Financing Bank debt**[9]	**110,698**	**126,424**	**135,791**	**141,734**	**143,322**	**144,063**	**144,836**	**144,978**	**145,174**
Lending to federal and federally sponsored agencies									
17 Export-Import Bank[3]	12,741	14,177	14,789	15,556	15,563	15,563	15,690	15,690	15,690
18 Postal Service[6]	1,288	1,221	1,154	1,087	1,087	1,087	1,087	1,087	1,087
19 Student Loan Marketing Association	5,400	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
20 Tennessee Valley Authority	11,390	12,640	13,245	13,255	13,345	13,305	13,435	13,725	13,795
21 United States Railway Association[6]	202	194	111	51	51	51	51	51	51
Other Lending[10]									
22 Farmers Home Administration	48,821	53,261	55,266	57,701	58,856	59,196	59,511	59,021	58,801
23 Rural Electrification Administration	13,516	17,157	19,766	20,611	20,671	20,742	20,587	20,694	20,889
24 Other	12,740	22,774	26,460	28,473	28,749	29,119	29,475	29,710	29,861

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

1.45 NEW SECURITY ISSUES State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1981	1982	1983	1984 Apr.	May	June	July	Aug.	Sept.	Oct.r	Nov.
1 **All issues, new and refunding**[1]	**47,732**	**79,138**	**86,421**	**5,617**	**7,075**	**6,657**	**7,323**	**9,803**	**7,248**	**12,231**	**12,480**
Type of issue											
2 General obligation	12,394	21,094	21,566	2,291	2,373	1,885	1,940	1,864	1,627	3,707	2,620
3 U.S. government loans[2]	34	225	96	3	3	3	3	5	9	7	7
4 Revenue	35,338	58,044	64,855	3,326	4,702	4,772	5,383	7,939	5,621	8,524	9,860
5 U.S. government loans[2]	55	461	253	8	13	15	18	21	23	28	36
Type of issuer											
6 State	5,288	8,438	7,140	886	497	447	457	691	589	1,109	805
7 Special district and statutory authority	27,499	45,060	51,297	2,866	3,767	3,996	5,002	6,913	4,772	6,945	6,662
8 Municipalities, counties, townships, school districts	14,945	25,640	27,984	1,865	2,811	2,214	1,864	2,199	1,887	4,177	5,013
9 **Issues for new capital, total**	**46,530**	**74,804**	**72,441**	**4,485**	**5,972**	**6,067**	**6,433**	**8,830**	**7,134**	**10,932**	**11,409**
Use of proceeds											
10 Education	4,547	6,482	8,099	475	905	764	493	601	397	735	966
11 Transportation	3,447	6,256	4,387	517	403	658	100	402	576	1,015	2,001
12 Utilities and conservation	10,037	14,259	13,588	681	1,428	1,172	382	992	2,023	2,911	469
13 Social welfare	12,729	26,635	26,910	1,203	1,385	2,120	3,719	4,294	2,802	3,449	3,392
14 Industrial aid	7,651	8,349	7,821	358	374	354	859	907	561	1,247	3,511
15 Other purposes	8,119	12,822	11,637	1,251	1,477	999	880	1,634	775	1,575	1,070

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

SOURCE. Public Securities Association.

1.46 NEW SECURITY ISSUES Corporations

Millions of dollars

Type of issue or issuer, or use	1982	1983	1984	1984 May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1 **All issues**[1,2]	**84,638**	**98,948r**	**95,967**	**4,073r**	**7,401r**	**7,642r**	**10,917r**	**7,738r**	**12,350r**	**11,931r**	**6,940**
2 **Bonds**	**54,076**	**47,369r**	**73,337**	**2,264r**	**5,180r**	**6,310r**	**8,863r**	**6,205r**	**10,403r**	**9,524r**	**5,918**
Type of offering											
3 Public	44,278	47,369r	73,337	2,264r	5,180r	6,310r	8,863r	6,205r	10,403r	9,524r	5,918
4 Private placement	9,798	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Industry group											
5 Manufacturing	12,822	7,842	14,418	383	1,440	950	2,484	1,594	2,989	1,447r	1,741
6 Commercial and miscellaneous	5,442	5,186	8,745	221	536	875	776	576	988	1,198r	555
7 Transportation	1,491	1,039	1,272	0	225	40	183	200	161	19r	110
8 Public utility	12,327	7,241	6,754	100	475	650	765	758	1,150	555	575
9 Communication	2,390	3,159	2,407	0	0	31	0	0	240	1,557	169
10 Real estate and financial	19,604	22,900r	39,741	1,560r	2,504r	3,763r	4,654r	3,076r	4,875r	4,749r	2,768
11 **Stocks**[3]	**30,562**	**51,579**	**22,628**	**1,809**	**2,221**	**1,332**	**2,054**	**1,533**	**1,947**	**2,407**	**1,022**
Type											
12 Preferred	5,113	7,213	4,118	579	244	209	334	155	555	655	91
13 Common	25,449	44,366	18,510	1,230	1,977	1,123	1,720	1,378	1,392	1,752	931
Industry group											
14 Manufacturing	5,649	14,135	4,054	442	584	204	258	212	712	227	137
15 Commercial and miscellaneous	7,770	13,112	6,277	718	316	382	558	378	489	1,025	112
16 Transportation	709	2,729	589	84	1	28	0	87	16	66	71
17 Public utility	7,517	5,001	1,624	116	282	136	44	92	146	150	66
18 Communication	2,227	1,822	419	16	11	0	123	9	69	3	26
19 Real estate and financial	6,690	14,780	9,665	433	1,027	582	1,071	755	515	936	610

1. Figures, which represent gross proceeds of issues maturing in more than one year, sold for cash in the United States, are principal amount or number of units multiplied by offering price. Excludes offerings of less than $100,000, secondary offerings, undefined or exempted issues as defined in the Securities Act of 1933, employee stock plans, investment companies other than closed-end, intracorporate transactions, and sales to foreigners.
2. Data for 1983 include only public offerings.
3. Beginning in August 1981, gross stock offerings include new equity volume from swaps of debt for equity.

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

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

Item	1983[r]	1984	1984 May	June	July	Aug.	Sept.	Oct.	Nov.[r]	Dec.
INVESTMENT COMPANIES[1]										
1 Sales of own shares[2]	84,345	107,497	8,657	8,343[r]	7,488[r]	8,956[r]	8,156[r]	9,517[r]	9,458	10,009
2 Redemptions of own shares[3]	57,100	76,160	5,993	6,156	5,777	6,497	6,185	6,766	6,343	8,947
3 Net sales	27,245	31,337	2,664	2,187[r]	1,711[r]	2,459[r]	1,971[r]	2,751[r]	3,115	1,062
4 Assets[4]	113,599	137,126	111,071	115,034	115,481	128,209	129,657	131,539	132,709	137,126
5 Cash position[5]	8,343	12,086	10,847	11,907	11,620	12,698	13,221	11,417	11,518	12,086
6 Other	105,256	125,040	100,224	103,127	103,861	115,511	116,436	120,122	121,191	125,040

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

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

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

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

Account	1982	1983	1984	1983 Q1	1983 Q2	1983 Q3	1983 Q4	1984 Q1	1984 Q2	1984 Q3	1984 Q4
1 Corporate profits with inventory valuation and capital consumption adjustment	159.1	225.2	287.1	179.1	216.7	245.0	260.0	277.4	291.1	282.8	297.3
2 Profits before tax	165.5	203.2	237.5	161.7	198.2	227.4	225.5	243.3	246.0	224.8	235.8
3 Profits tax liability	60.7	75.8	90.0	59.1	74.8	84.7	84.5	92.7	95.8	83.1	88.3
4 Profits after tax	104.8	127.4	147.5	102.6	123.4	142.6	141.1	150.6	150.2	141.7	147.5
5 Dividends	69.2	72.9	80.5	71.1	71.7	73.3	75.4	77.7	79.9	81.3	83.0
6 Undistributed profits	35.6	54.5	66.9	31.4	51.7	69.3	65.6	72.9	70.2	60.3	64.4
7 Inventory valuation	−9.5	−11.2	−5.9	−4.3	−12.1	−19.3	−9.2	−13.5	−7.3	−.2	−2.8
8 Capital consumption adjustment	3.1	33.2	55.6	21.7	30.6	36.9	43.6	47.6	52.3	58.3	64.3

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

1.49 NONFINANCIAL CORPORATIONS Assets and Liabilities

Billions of dollars, except for ratio

Account	1978	1979	1980	1981	1982	1983		1984		
						Q3	Q4	Q1	Q2r	Q3
1 **Current assets**	**1,043.7**	**1,214.8**	**1,327.0**	**1,418.4**	**1,432.7**	**1,522.8**	**1,557.3**	**1,600.6**	**1,630.6**	**1,667.3**
2 Cash	105.5	118.0	126.9	135.5	147.0	150.5	165.8	159.3	155.0	150.6
3 U.S. government securities	17.2	16.7	18.7	17.6	22.8	27.0	30.6	35.1	36.7	32.3
4 Notes and accounts receivable	388.0	459.0	506.8	532.0	519.2	565.0	577.8	596.9	612.4	628.0
5 Inventories	431.8	505.1	542.8	583.7	578.6	597.3	599.3	623.1	633.3	662.5
6 Other	101.1	116.0	131.8	149.5	165.2	183.0	183.7	186.3	193.2	194.0
7 **Current liabilities**	**669.5**	**807.3**	**889.3**	**970.0**	**976.8**	**1,026.6**	**1,043.0**	**1,079.0**	**1,111.9**	**1,143.0**
8 Notes and accounts payable	383.0	460.8	513.6	546.3	543.0	559.4	577.9	584.1	604.6	624.7
9 Other	286.5	346.5	375.7	423.7	433.8	467.2	465.2	495.0	507.3	518.4
10 **Net working capital**	**374.3**	**407.5**	**437.8**	**448.4**	**455.9**	**496.3**	**514.3**	**521.6**	**518.6**	**524.3**
11 MEMO: Current ratio[1]	1.559	1.505	1.492	1.462	1.467	1.483	1.493	1.483	1.466	1.459

1. Ratio of total current assets to total current liabilities.

NOTE. For a description of this series, see "Working Capital of Nonfinancial Corporations" in the July 1978 BULLETIN, pp. 533-37.

All data in this table reflect the most current benchmarks. Complete data are available upon request from the Flow of Funds Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SOURCE. Federal Trade Commission and Bureau of the Census.

1.50 TOTAL NONFARM BUSINESS EXPENDITURES on New Plant and Equipment ▲

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

Industry[1]	1982	1983	1984	1983				1984			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4[1]
1 **Total nonfarm business**	**282.71**	**269.22**	**307.59**	**261.71**	**261.16**	**270.05**	**283.96**	**293.15**	**302.70**	**313.11**	**321.40**
Manufacturing											
2 Durable goods industries	56.44	51.78	63.02	50.74	48.48	53.06	54.85	58.94	60.20	65.44	67.49
3 Nondurable goods industries	63.23	59.75	67.99	59.12	60.31	58.06	61.50	63.84	67.46	69.06	71.60
Nonmanufacturing											
4 Mining	15.45	11.83	12.90	12.03	10.91	11.93	12.43	13.95	12.13	12.61	12.92
Transportation											
5 Railroad	4.38	3.92	5.32	3.35	3.64	4.07	4.63	4.41	5.64	5.80	5.41
6 Air	3.93	3.77	3.02	4.09	4.10	3.57	3.32	2.77	2.98	3.16	3.18
7 Other	3.64	3.50	4.57	3.60	3.14	3.36	3.91	4.28	4.33	4.69	4.98
Public utilities											
8 Electric	33.40	34.99	34.72	33.97	34.86	35.84	35.31	35.74	35.30	34.64	33.19
9 Gas and other	8.55	7.00	9.45	7.64	6.62	6.38	7.37	7.87	9.30	10.11	10.51
10 Commercial and other[2]	93.68	92.67	106.61	87.17	89.10	93.79	100.62	101.35	105.35	107.61	112.12

▲Trade and services are no longer being reported separately. They are included in Commercial and other, line 10.

1. Anticipated by business.

2. "Other" consists of construction; wholesale and retail trade; finance and insurance; personal and business services; and communication.

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

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities

Billions of dollars, end of period

Account	1978	1979	1980	1981	1982	1983		1984		
						Q3	Q4	Q1	Q2	Q3
ASSETS										
Accounts receivable, gross										
1 Consumer	52.6	65.7	73.6	85.5	89.5	92.3	92.8	96.9	99.6	103.4
2 Business	63.3	70.3	72.3	80.6	81.0	86.8	95.2	101.1	104.2	103.2
3 Total	116.0	136.0	145.9	166.1	170.4	179.0	188.0	198.0	203.8	206.6
4 LESS: Reserves for unearned income and losses	15.6	20.0	23.3	28.9	30.5	30.1	30.6	31.9	33.4	34.7
5 Accounts receivable, net	100.4	116.0	122.6	137.2	139.8	148.9	157.4	166.1	170.4	171.9
6 Cash and bank deposits	3.5									
7 Securities	1.3	24.9[1]	27.5	34.2	39.7	45.0	45.3	47.1	48.1	49.1
8 All other	17.3									
9 **Total assets**	**122.4**	**140.9**	**150.1**	**171.4**	**179.5**	**193.9**	**202.7**	**213.2**	**218.5**	**220.9**
LIABILITIES										
10 Bank loans	6.5	8.5	13.2	15.4	18.6	17.0	19.1	14.7	15.3	16.0
11 Commercial paper	34.5	43.3	43.4	51.2	45.8	49.7	53.6	58.4	62.0	60.1
Debt										
12 Short-term, n.e.c.	8.1	8.2	7.5	9.6	8.7	8.7	11.3	12.2	15.0	15.1
13 Long-term, n.e.c.	43.6	46.7	52.4	54.8	63.5	66.2	65.4	68.7	67.6	71.2
14 Other	12.6	14.2	14.3	17.8	18.7	24.4	27.1	29.8	29.0	29.2
15 Capital, surplus, and undivided profits	17.2	19.9	19.4	22.8	24.2	27.9	26.2	29.4	29.6	29.2
16 **Total liabilities and capital**	**122.4**	**140.9**	**150.1**	**171.4**	**179.5**	**193.9**	**202.7**	**213.2**	**218.5**	**220.9**

1. Beginning Q1 1979, asset items on lines 6, 7, and 8 are combined.

NOTE. Components may not add to totals due to rounding.

These data also appear in the Board's G.20 (422) release. For address, see inside front cover.

1.52 DOMESTIC FINANCE COMPANIES Business Credit ▲

Millions of dollars, seasonally adjusted except as noted

Type	Accounts receivable outstanding Dec. 31, 1984[1]	Changes in accounts receivable			Extensions			Repayments		
		1984			1984			1984		
		Oct.	Nov.	Dec.	Oct.	Nov.	Dec.	Oct.	Nov.	Dec.
1 **Total**	**135,227**	**3,004**	**1,860**	**2,969**	**26,797**	**24,946**	**27,088**	**23,793**	**23,086**	**24,119**
Retail financing of installment sales										
2 Automotive (commercial vehicles)	11,334	62	39	−20	790	771	720	728	732	740
3 Business, industrial, and farm equipment	20,771	25	215	477	1,048	1,337	1,491	1,023	1,122	1,014
Wholesale financing										
4 Automotive	18,509	1,152	349	1,295	10,308	8,616	9,898	9,156	8,267	8,603
5 Equipment	4,593	−37	43	−82	560	617	573	597	574	655
6 All other	6,624	23	142	212	1,639	1,702	1,690	1,616	1,560	1,478
Leasing										
7 Automotive	12,353	373	271	377	885	757	917	512	486	540
8 Equipment	35,883	531	554	453	1,164	1,328	1,528	633	774	1,075
9 Loans on commercial accounts receivable and factored commercial accounts receivable	14,690	344	133	226	9,112	8,753	9,285	8,768	8,620	9,059
10 All other business credit	10,470	531	114	31	1,291	1,065	986	760	951	955

▲*Finance company data have been revised from June 1975 through November 1984.* Revised data may be obtained from the Finance Company Unit, Capital Markets Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

1. Not seasonally adjusted.

NOTE. These data also appear in the Board's G.20 (422) release. For address, see inside front cover.

1.53 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

Item	1982	1983	1984	1984 July	1984 Aug.	1984 Sept.	1984 Oct.	1984 Nov.	1984 Dec.	1985 Jan.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Conventional mortgages on new homes										
Terms[1]										
1 Purchase price (thousands of dollars)	94.6	92.8	96.8	98.3	94.3	97.4	98.4	99.5	102.6r	94.8
2 Amount of loan (thousands of dollars)	69.8	69.5	73.7	74.6	71.8	72.5	74.0	75.2	76.9r	72.3
3 Loan/price ratio (percent)	76.6	77.1	78.7	78.4	78.1	77.3	78.2	77.9	77.9	78.3
4 Maturity (years)	27.6	26.7	27.8	28.2	28.0	27.6	27.6	27.5	28.0	27.8
5 Fees and charges (percent of loan amount)[2]	2.95	2.40	2.64	3.07	2.82	2.63	2.58	2.54	2.65r	2.66
6 Contract rate (percent per annum)	14.47	12.20	11.87	11.91	11.89	12.03	12.27	12.27	12.05	11.76
Yield (percent per annum)										
7 FHLBB series[3]	15.12	12.66	12.37	12.50	12.43	12.53	12.77	12.75	12.55r	12.26
8 HUD series[4]	15.79	13.43	13.80	14.53	14.24	13.98	13.59	13.20	13.05	12.88
SECONDARY MARKETS										
Yield (percent per annum)										
9 FHA mortgages (HUD series)[5]	15.30	13.11	13.81	14.58	14.21	13.99	13.43	12.90	12.99	13.01
10 GNMA securities[6]	14.68	12.25	13.13	13.88	13.56	13.36	13.09	12.71	12.54	12.26
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	66,031	74,847	83,339	83,858	84,193	84,851	85,539	86,416	87,940	n.a.
12 FHA/VA-insured	39,718	37,393	35,148	35,049	34,938	34,844	34,791	34,752	34,711	n.a.
13 Conventional	26,312	37,454	48,191	48,809	49,255	50,006	50,749	51,664	53,229	n.a.
Mortgage transactions (during period)										
14 Purchases	15,116	17,554	16,721	1,226	820	1,145	1,087	1,297	1,962	n.a.
15 Sales	2	3,528	978	0	0	0	0	0	0	n.a.
Mortgage commitments[7]										
16 Contracted (during period)	22,105	18,607	21,007	1,976	1,227	1,142	1,638	2,150	2,758	n.a.
17 Outstanding (end of period)	7,606	5,461	6,384	6,281	6,332	6,235	6,656	5,916	6,384	n.a.
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
18 Total	5,131	5,996	n.a.	9,154	9,331	9,447	9,726	9,900	n.a.	n.a.
19 FHA/VA	1,027	974	n.a.	906	901	896	891	886	n.a.	n.a.
20 Conventional	4,102	5,022	n.a.	8,248	8,431	8,551	8,835	9,014	n.a.	n.a.
Mortgage transactions (during period)										
21 Purchases	23,673	23,089	n.a.	1,288	1,821	1,262	2,864	2,241	n.a.	n.a.
22 Sales	24,170	19,686	n.a.	1,573	1,570	1,137	2,573	1,961	n.a.	n.a.
Mortgage commitments[9]										
23 Contracted (during period)	28,179	32,852	n.a.	3,929	3,130	3,440	2,663	4,158	n.a.	n.a.
24 Outstanding (end of period)	7,549	16,964	n.a.	22,311	23,639	22,013	25,676	27,550	n.a.	n.a.

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups; compiled by the Federal Home Loan Bank Board in cooperation with the Federal Deposit Insurance Corporation.
2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) to obtain a loan.
3. Average effective interest rates on loans closed, assuming prepayment at the end of 10 years.
4. Average contract rates on new commitments for conventional first mortgages; from Department of Housing and Urban Development.
5. Average gross yields on 30-year, minimum-downpayment, Federal Housing Administration-insured first mortgages for immediate delivery in the private secondary market. 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. Includes some multifamily and nonprofit hospital loan commitments in addition to 1- to 4-family loan commitments accepted in FNMA's free market auction system, and through the FNMA-GNMA tandem plans.
8. Includes participation as well as whole loans.
9. Includes conventional and government-underwritten loans. FHLMC's mortgage commitments and mortgage transactions include activity under mortgage/securities swap programs, while the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING

Millions of dollars, end of period

Type of holder, and type of property	1982	1983	1984	1983	1984			
				Q4	Q1	Q2	Q3	Q4
1 **All holders**	**1,658,450r**	**1,827,563r**	**2,030,930**	**1,827,563r**	**1,874,489r**	**1,934,437r**	**1,987,182r**	**2,030,930**
2 1- to 4-family	1,110,315r	1,219,145r	1,349,951	1,219,145r	1,250,678r	1,287,537r	1,320,500r	1,349,951
3 Multifamily	140,063r	150,149r	163,977	150,149r	153,655r	158,349r	161,960r	163,977
4 Commercial	301,362r	348,958r	406,139	348,958r	360,540r	377,974r	393,600r	406,139
5 Farm	106,710r	109,311r	110,863	109,311r	109,616r	110,577r	111,122r	110,863
6 Major financial institutions	1,024,680r	1,110,165r	1,247,106	1,110,165r	1,138,931r	1,183,480r	1,221,779r	1,247,106
7 Commercial banks[1]	301,272r	328,323r	374,186	328,323r	340,797r	353,946r	365,386r	374,186
8 1- to 4-family	173,804r	181,300r	197,944	181,300r	185,530r	190,706r	194,933r	197,944
9 Multifamily	16,480r	18,288r	21,142	18,288r	20,005r	20,670r	21,412r	21,142
10 Commercial	102,553r	119,411r	144,623	119,411r	125,550r	132,447r	138,774r	144,623
11 Farm	8,435r	9,324r	10,477	9,324r	9,712r	10,123r	10,267r	10,477
12 Mutual savings banks	97,805	136,054	160,761	136,054	143,180	147,517	150,462r	160,761
13 1- to 4-family	66,777	96,569	114,364	96,569	101,868	105,063	106,944r	114,364
14 Multifamily	15,305	17,785	20,190	17,785	18,441	18,752	19,138r	20,190
15 Commercial	15,694	21,671	26,176	21,671	22,841	23,672	24,349r	26,176
16 Farm	29	29	31	29	30	30	31	31
17 Savings and loan associations	483,614	494,789r	554,868	494,789r	503,509r	528,172r	550,129r	554,868
18 1- to 4-family	393,323	390,883r	431,132	390,883r	397,017r	414,087r	429,101r	431,132
19 Multifamily	38,979	42,552r	48,274	42,552r	43,553r	45,951r	47,861r	48,274
20 Commercial	51,312	61,354r	75,462	61,354r	62,939r	68,134r	73,167r	75,462
21 Life insurance companies	141,989	150,999r	157,291	150,999r	151,445r	153,845	155,802	157,291
22 1- to 4-family	16,751	15,319r	14,218	15,319r	14,917r	14,437	14,204	14,218
23 Multifamily	18,856	19,107r	18,881	19,107r	19,083r	19,028	18,828	18,881
24 Commercial	93,547	103,831r	111,692	103,831r	104,890r	107,796	110,149	111,692
25 Farm	12,835	12,742r	12,500	12,742r	12,555r	12,584	12,621	12,500
26 Federal and related agencies	138,138	147,370	157,826	147,370	150,784	152,669	153,407	157,826
27 Government National Mortgage Association	4,227	3,395	2,500	3,395	2,900	2,715	2,389	2,500
28 1- to 4-family	676	630	597	630	618	605	594	597
29 Multifamily	3,551	2,765	1,903	2,765	2,282	2,110	1,795	1,903
30 Farmers Home Administration	1,786	2,141	1,800	2,141	2,094	1,344	738	1,800
31 1- to 4-family	783	1,159	449	1,159	1,005	281	206	449
32 Multifamily	218	173	124	173	303	463	126	124
33 Commercial	377	409	652	409	319	81	113	652
34 Farm	408	400	575	400	467	519	293	575
35 Federal Housing and Veterans Administration	5,228	4,894	n.a.	4,894	4,832	4,753	4,801	4,782
36 1- to 4-family	1,980	1,893	n.a.	1,893	1,956	1,894	1,967	2,007
37 Multifamily	3,248	3,001	n.a.	3,001	2,876	2,859	2,834	2,775
38 Federal National Mortgage Association	71,814	78,256	87,940	78,256	80,975	83,243	84,850	87,940
39 1- to 4-family	66,500	73,045	82,175	73,045	75,770	77,633	79,175	82,175
40 Multifamily	5,314	5,211	5,765	5,211	5,205	5,610	5,675	5,765
41 Federal Land Banks	50,350	51,052	50,679	51,052	51,004	51,136	51,182	50,679
42 1- to 4-family	3,068	3,000	2,948	3,000	2,982	2,958	2,954	2,948
43 Farm	47,282	48,052	47,731	48,052	48,022	48,178	48,228	47,731
44 Federal Home Loan Mortgage Corporation	4,733	7,632	10,125	7,632	8,979	9,478	9,447	10,125
45 1- to 4-family	4,686	7,559	9,425	7,559	8,847	8,931	8,841	9,425
46 Multifamily	47	73	700	73	132	547	606	700
47 Mortgage pools or trusts[2]	216,654	285,073	331,019	285,073	296,481	305,051	317,548	331,019
48 Government National Mortgage Association	118,940	159,850	179,873	159,850	166,261	170,893	175,770	179,873
49 1- to 4-family	115,831	155,801	175,089	155,801	161,943	166,415	171,095	175,089
50 Multifamily	3,109	4,049	4,784	4,049	4,318	4,478	4,675	4,784
51 Federal Home Loan Mortgage Corporation	42,964	57,895	70,417	57,895	59,376	61,267	63,964	70,417
52 1- to 4-family	42,560	57,273	69,817	57,273	58,776	60,636	63,352	69,817
53 Multifamily	404	622	600	622	600	631	612	600
54 Federal National Mortgage Association[3]	14,450	25,121	36,215	25,121	28,354	29,256	32,888	36,215
55 1- to 4-family	14,450	25,121	35,965	25,121	28,354	29,256	32,730	35,965
56 Multifamily	n.a.	n.a.	250	n.a.	n.a.	n.a.	158	250
57 Farmers Home Administration	40,300	42,207	44,514	42,207	42,490	43,635	44,926	44,514
58 1- to 4-family	20,005	20,404	21,578	20,404	20,573	21,331	21,595	21,578
59 Multifamily	4,344	5,090	5,835	5,090	5,081	5,081	5,618	5,835
60 Commercial	7,011	7,351	7,403	7,351	7,456	7,764	7,844	7,403
61 Farm	8,940	9,362	9,698	9,362	9,380	9,459	9,869	9,698
62 Individual and others[4]	278,978r	284,955r	294,979	284,955r	288,293r	293,237r	294,448r	294,979
63 1- to 4-family[5]	189,121r	189,189r	192,243	189,189r	190,522r	193,304r	192,809r	192,243
64 Multifamily	30,208r	31,433r	32,754	31,433r	31,776r	32,169r	32,622r	32,754
65 Commercial	30,868r	34,931r	40,131	34,931r	36,545r	38,080r	39,204r	40,131
66 Farm	28,781r	29,402r	29,851	29,402r	29,450r	29,684r	29,813r	29,851

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. Outstanding balances on FNMA's issues of securities backed by pools of conventional mortgages held in trust. Implemented by FNMA in October 1981.
4. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and U.S. agencies for which amounts are small or for which separate data are not readily available.
5. Includes estimate of residential mortgage credit provided by individuals.

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.

1.55 CONSUMER INSTALLMENT CREDIT[1] Total Outstanding, and Net Change▲

Millions of dollars

Holder, and type of credit	1981	1982	1983	1984 May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
				Amounts outstanding (end of period)							
1 **Total**	**335,691**	**355,849**	**396,082**	**418,080**	**427,565**	**435,367**	**443,537**	**450,131**	**455,318**	**463,516**	**477,014**
By major holder											
2 Commercial banks	147,622	152,490	171,978	186,668	191,519	195,265	199,654	202,452	204,582	206,635	212,391
3 Finance companies	89,818	98,693	102,862	102,967	104,460	106,219	106,881	108,437	109,289	111,196	112,548
4 Credit unions	45,953	47,253	53,471	58,517	59,893	61,151	62,679	63,808	64,716	66,528	67,858
5 Retailers[2]	31,348	32,735	35,911	33,730	34,206	34,022	34,294	34,426	34,802	36,000	39,873
6 Savings and loans	12,410	15,823	21,615	24,915	25,837	26,767	27,918	28,868	29,756	30,857	31,905
7 Gasoline companies	4,403	4,063	4,131	4,020	4,289	4,472	4,452	4,328	4,205	4,132	4,108
8 Mutual savings banks	4,137	4,792	6,114	7,263	7,361	7,471	7,659	7,812	7,968	8,168	8,331
By major type of credit											
9 Automobile	125,331	131,086	142,449	152,225	155,937	159,649	162,038	164,361	166,028	168,095	169,951
10 Commercial banks	58,081	59,555	67,557	75,787	78,018	80,103	81,786	82,706	83,620	84,326	85,501
11 Indirect paper	34,375	34,755	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
12 Direct loans	23,706	23,472	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 Credit unions	21,975	22,596	25,574	27,988	28,646	29,248	29,979	30,519	30,953	31,820	32,456
14 Finance companies	45,275	48,935	49,318	48,450	49,273	50,298	50,273	51,136	51,455	51,949	51,994
15 Revolving	64,500	69,998	80,823	82,436	84,598	85,588	87,788	89,742	91,017	93,468	101,067
16 Commercial banks	32,880	36,666	44,184	47,936	49,374	50,358	52,313	54,258	55,276	56,641	60,549
17 Retailers	27,217	29,269	32,508	30,480	30,935	30,758	31,023	31,156	31,536	32,695	36,410
18 Gasoline companies	4,403	4,063	4,131	4,020	4,289	4,472	4,452	4,328	4,205	4,132	4,108
19 Mobile home	17,958	22,254	23,680	24,104	24,427	24,751	25,178	25,482	25,484	25,686	25,892
20 Commercial banks	10,187	9,605	9,842	9,573	9,621	9,681	9,711	9,761	9,627	9,613	9,610
21 Finance companies	4,494	9,003	9,365	9,434	9,528	9,612	9,786	9,857	9,890	9,892	9,901
22 Savings and loans	2,788	3,143	3,906	4,478	4,644	4,811	5,018	5,189	5,282	5,477	5,663
23 Credit unions	489	503	567	619	634	647	663	675	685	704	718
24 Other	127,903	132,511	149,130	159,315	162,603	165,379	168,533	170,546	172,789	176,267	180,104
25 Commercial banks	46,474	46,664	50,395	53,372	54,506	55,123	55,844	55,727	56,059	56,055	56,731
26 Finance companies	40,049	40,755	44,179	45,083	45,659	46,309	46,822	47,444	47,944	49,355	50,653
27 Credit unions	23,490	24,154	27,330	29,910	30,613	31,256	32,037	32,614	33,078	34,004	34,684
28 Retailers	4,131	3,466	3,403	3,250	3,271	3,264	3,271	3,270	3,266	3,305	3,463
29 Savings and loans	9,622	12,680	17,709	20,437	21,193	21,956	22,900	23,679	24,474	25,380	26,242
30 Mutual savings banks	4,137	4,792	6,114	7,263	7,361	7,471	7,659	7,812	7,968	8,168	8,331
				Net change (during period)[3]							
31 **Total**	**18,217**	**17,886**	**40,233**	**10,233**	**7,825**	**7,106**	**5,998**	**4,283**	**6,275**	**7,950**	**6,948**
By major holder											
32 Commercial banks	607	4,442	19,488	6,065	3,835	3,192	2,631	1,384	2,756	2,483	3,028
33 Finance companies	13,062	4,504	4,169	1,304	1,353	1,402	1,111	1,204	1,191	1,718	796
34 Credit unions	1,913	1,298	6,218	1,453	962	1,566	844	686	1,216	1,990	1,130
35 Retailers[2]	1,103	651	3,176	476	471	−101	206	132	103	336	635
36 Savings and loans	1,682	2,290	5,792	979	1,069	847	1,124	769	823	1,143	1,121
37 Gasoline companies	−65	−340	68	46	89	−40	−51	−135	90	102	11
38 Mutual savings banks	−85	251	1,322	−90	46	240	133	243	96	178	249
By major type of credit											
39 Automobile	8,495	4,898	11,363	3,689	2,897	3,422	1,777	1,317	2,357	2,724	2,066
40 Commercial banks	−3,455	−9	8,002	2,807	1,907	1,852	1,150	434	1,057	1,019	1,275
41 Indirect paper	−858	225	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
42 Direct loans	2,597	234	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
43 Credit unions	914	622	2,978	695	461	750	405	327	581	955	537
44 Finance companies	11,033	3,505	329	187	529	820	222	556	719	750	254
45 Revolving	4,467	4,365	10,825	2,817	1,569	640	1,314	1,324	1,496	1,714	1,571
46 Commercial banks	3,115	3,808	7,518	2,298	1,047	764	1,159	1,323	1,279	1,289	1,001
47 Retailers	1,417	897	3,239	473	433	−84	206	136	127	323	581
48 Gasoline companies	−65	−340	68	46	89	−40	−51	−135	90	102	−11
49 Mobile home	1,049	609	1,426	302	454	462	573	318	−216	−29	−29
50 Commercial banks	−186	−508	237	−50	10	31	4	4	−91	1	29
51 Finance companies	749	471	430	156	258	185	346	150	−210	−232	−252
52 Savings and loans	466	633	763	183	174	230	214	157	72	184	181
53 Credit unions	20	14	64	13	12	16	9	7	13	20	13
54 Other	4,206	3,224	16,619	3,425	2,905	2,582	2,334	1,324	2,638	3,541	3,340
55 Commercial banks	1,133	372	3,731	1,010	871	545	318	−377	511	176	723
56 Finance companies	1,280	528	3,424	961	566	397	543	498	682	1,200	794
57 Credit unions	975	662	3,176	745	489	800	430	352	622	1,015	580
58 Retailers	314	−246	−63	3	38	−17	0	−4	−24	13	54
59 Savings and loans	1,217	1,657	5,029	796	895	617	910	612	751	959	940
60 Mutual savings banks	−85	251	1,322	−90	46	240	133	243	96	178	249

▲ These data have been revised from July 1979 through February 1984.

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. For 1982 and earlier, net change equals extensions, seasonally adjusted less liquidations, seasonally adjusted. Beginning 1983, net change equals outstandings, seasonally adjusted less outstandings of the previous period, seasonally adjusted.

NOTE. 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, not seasonally adjusted, $80.7 billion at the end of 1981, $85.9 billion at the end of 1982, and $96.9 billion at the end of 1983.

These data also appear in the Board's G.19 (421) release. For address, see inside front cover.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT

Percent unless noted otherwise

Item	1982	1983	1984	1984						
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.
INTEREST RATES										
Commercial banks[1]										
1 48-month new car[2]	16.83	13.92	....	....	....	14.08	....	....	13.91	....
2 24-month personal	18.65	16.68	....	....	....	16.75	....	....	16.63	....
3 120-month mobile home[2]	18.05	15.91	....	....	....	15.72	....	....	15.60	....
4 Credit card	18.51	18.73	....	....	....	18.81	....	....	18.82	....
Auto finance companies										
5 New car	16.15	12.58	15.24	14.33	14.68	15.01	15.16	15.18	15.24	15.24
6 Used car	20.75	18.74	18.34	17.64	17.77	17.99	18.10	18.19	18.30	18.34
OTHER TERMS[3]										
Maturity (months)										
7 New car	46.0	45.9	50.2	48.2	48.6	49.2	49.5	49.7	50.0	50.2
8 Used car	34.0	37.9	39.8	39.8	39.8	39.8	39.9	39.9	39.0	39.8
Loan-to-value ratio										
9 New car	85.3	86.0	89	88	88	88	89	88	89	89
10 Used car	90.3	92.0	93	92	92	93	93	93	93	93
Amount financed (dollars)										
11 New car	8,178	8,787	9,707	9,311	9,377	9,409	9,402	9,449	9,577	9,707
12 Used car	4,746	5,033	5,975	5,774	5,763	5,753	5,792	5,826	5,900	5,975

1. Data for midmonth of quarter only.
2. Before 1983 the maturity for new car loans was 36 months, and for mobile home loans was 84 months.
3. At auto finance companies.

NOTE. These data also appear in the Board's G.19 (421) release. For address, see inside front cover.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS

Billions of dollars; half-yearly data are at seasonally adjusted annual rates.

Transaction category, sector	1979	1980	1981	1982	1983	1984	1982		1983		1984	
							H1	H2	H1	H2	H1	H2
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**386.0**	**344.6**	**380.4**	**404.1**	**526.4**	**715.3**	**358.1**	**450.1**	**448.9**	**563.8**	**697.9**	**732.6**
By sector and instrument												
2 U.S. government	37.4	79.2	87.4	161.3	186.6	198.8	104.1	218.4	222.0	151.1	177.4	220.2
3 Treasury securities	38.8	79.8	87.8	162.1	186.7	199.0	105.5	218.8	222.1	151.2	177.6	220.3
4 Agency issues and mortgages	−1.4	−.6	−.5	−.9	.1	−.2	−1.4	−.4	−.1	−.1	−.2	−.1
5 Private domestic nonfinancial sectors	348.6	265.4	293.1	242.8	339.8	516.5	254.0	231.7	266.9	412.7	520.5	512.4
6 Debt capital instruments	211.2	192.0	159.1	158.9	239.3	288.4	140.7	177.2	214.4	264.2	280.4	296.4
7 Tax-exempt obligations	30.3	30.3	22.7	53.8	56.3	54.6	43.9	63.7	62.8	49.7	37.9	71.3
8 Corporate bonds	17.3	26.7	21.8	18.7	15.7	32.2	12.0	25.3	23.0	8.4	24.1	40.3
9 Mortgages	163.6	135.1	114.6	86.5	167.3	201.5	84.8	88.2	128.6	206.0	218.3	184.8
10 Home mortgages	120.0	96.7	76.0	52.5	108.7	128.9	53.6	51.3	83.8	133.6	140.9	116.9
11 Multifamily residential	7.8	8.8	4.3	5.5	8.4	13.8	5.1	5.8	2.8	13.9	17.1	10.4
12 Commercial	23.9	20.2	24.6	23.6	47.3	57.3	19.7	27.5	40.3	54.3	58.5	56.1
13 Farm	11.8	9.3	9.7	5.0	2.9	1.6	6.5	3.5	1.6	4.1	1.8	1.3
14 Other debt instruments	137.5	73.4	134.0	83.9	100.5	228.1	113.2	54.6	52.5	148.5	240.2	216.1
15 Consumer credit	45.4	6.3	26.7	21.0	51.3	100.6	20.6	21.4	35.9	66.6	103.0	98.2
16 Bank loans n.e.c.	51.2	36.7	54.7	55.5	27.3	71.5	69.0	42.0	13.3	41.2	83.2	59.7
17 Open market paper	11.1	5.7	19.2	−4.1	−1.2	23.8	10.0	−18.2	−10.6	8.3	31.5	16.0
18 *Other*	29.7	24.8	33.4	11.5	23.1	32.3	13.6	9.4	13.9	32.3	22.4	42.1
19 By borrowing sector	348.6	265.4	293.1	242.8	339.8	516.5	254.0	231.7	266.9	412.7	520.5	512.4
20 State and local governments	17.6	17.2	6.2	31.3	36.7	33.0	24.1	38.5	41.9	31.6	18.9	47.0
21 Households	179.3	122.1	127.5	94.5	175.4	241.6	94.7	94.3	134.8	216.0	236.6	246.6
22 Farm	21.4	14.4	16.3	7.6	4.3	2.2	9.6	5.6	.8	7.9	.6	3.8
23 Nonfarm noncorporate	34.4	33.7	40.2	39.5	63.9	76.3	36.6	42.3	50.1	77.6	86.1	66.5
24 Corporate	96.0	78.1	102.9	70.0	59.5	163.5	89.0	51.0	39.3	79.6	178.3	148.6
25 Foreign net borrowing in United States	20.2	27.2	27.2	15.7	18.9	1.7	10.2	21.2	15.3	22.5	19.2	15.7
26 Bonds	3.9	.8	5.4	6.7	3.8	2.7	2.4	11.0	4.6	2.9	1.1	4.4
27 Bank loans n.e.c.	2.3	11.5	3.7	−6.2	4.9	−6.2	−7.6	−4.7	11.3	−1.5	−6.0	−6.3
28 Open market paper	11.2	10.1	13.9	10.7	6.0	.4	12.5	9.0	−4.6	16.5	18.9	−18.1
29 U.S. government loans	2.9	4.7	4.2	4.5	4.3	4.8	3.0	6.0	3.9	4.6	5.3	4.4
30 **Total domestic plus foreign**	**406.2**	**371.8**	**407.6**	**419.8**	**545.3**	**717.0**	**368.3**	**471.4**	**504.2**	**586.3**	**717.1**	**717.0**
	Financial sectors											
31 **Total net borrowing by financial sectors**	**82.4**	**62.9**	**84.1**	**69.0**	**90.7**	**126.5**	**84.2**	**53.8**	**74.0**	**107.3**	**121.0**	**131.9**
By instrument												
32 U.S. government related	47.9	44.8	47.4	64.9	67.8	74.2	60.0	69.7	66.2	69.4	69.1	79.2
33 Sponsored credit agency securities	24.3	24.4	30.5	14.9	1.4	30.0	22.4	7.5	−4.1	6.9	30.8	29.2
34 Mortgage pool securities	23.1	19.2	15.0	49.5	66.4	44.2	36.8	62.2	70.3	62.5	38.3	50.0
35 Loans from U.S. government	.6	1.2	1.9	.4	.....	.....	.8	.....	.....	.....	.....	.....
36 Private financial sectors	34.5	18.1	36.7	4.1	22.9	52.3	24.2	−16.0	7.8	38.0	51.9	52.7
37 Corporate bonds	7.8	7.1	−.8	2.5	17.1	14.5	−2.5	7.6	15.2	18.9	14.9	14.1
38 Mortgages	*	−.1	−.5	.1	*	*	.1	.1	*	*	*	*
39 Bank loans n.e.c.	−.5	−.9	.9	1.9	−.2	.9	3.2	.6	−2.5	2.2	.1	1.7
40 *Open market paper*	18.0	4.8	20.9	−1.2	13.0	21.2	12.3	−14.7	7.2	18.8	21.2	21.1
41 Loans from Federal Home Loan Banks	9.2	7.1	16.2	.8	−7.0	15.7	11.1	−9.5	−12.1	−2.0	15.7	15.7
By sector												
42 Sponsored credit agencies	24.8	25.6	32.4	15.3	1.4	30.0	23.2	7.5	−4.1	6.9	30.8	29.2
43 Mortgage pools	23.1	19.2	15.0	49.5	66.4	44.2	36.8	62.2	70.3	62.5	38.3	50.0
44 Private financial sectors	34.5	18.1	36.7	4.1	22.9	52.3	24.2	−16.0	7.8	38.0	51.9	52.7
45 Commercial banks	1.6	.5	.4	1.2	.5	2.7	.7	1.7	.8	.2	4.8	.6
46 Bank affiliates	6.5	6.9	8.3	1.9	8.6	10.8	9.7	5.8	6.1	11.1	20.0	1.5
47 Savings and loan associations	12.6	7.4	15.5	2.5	−2.7	20.1	14.3	−9.3	−10.0	4.5	18.2	21.9
48 Finance companies	16.5	5.8	12.8	−.9	17.0	19.5	*	−1.9	11.4	22.7	9.6	29.4
49 REITs	−1.3	−2.2	.2	.1	.2	.1	.1	.1	.2	.2	.1	.1
	All sectors											
50 **Total net borrowing**	**488.7**	**434.7**	**491.8**	**488.8**	**635.9**	**843.5**	**452.5**	**525.1**	**578.2**	**693.6**	**838.1**	**848.9**
51 U.S. government securities	84.8	122.9	133.0	225.9	254.4	273.1	163.5	288.3	288.4	220.5	246.7	299.5
52 State and local obligations	30.3	30.3	22.7	53.8	56.3	54.6	43.9	63.7	62.8	49.7	37.9	71.3
53 Corporate and foreign bonds	29.0	34.6	26.4	27.8	36.5	49.4	11.8	43.8	42.8	30.3	40.1	58.8
54 Mortgages	163.5	134.9	113.9	86.5	167.2	201.5	84.8	88.2	128.5	206.0	218.2	184.7
55 Consumer credit	45.4	6.3	26.7	21.0	51.3	100.6	20.6	21.4	35.9	66.6	103.0	98.2
56 Bank loans n.e.c.	52.9	47.3	59.3	51.2	32.0	66.2	64.6	37.9	22.1	41.9	77.3	55.1
57 Open market paper	40.3	20.6	54.0	5.4	17.8	45.3	34.8	−23.9	−8.0	43.6	71.5	19.0
58 Other loans	42.4	37.8	55.8	17.2	20.3	52.8	28.5	5.9	5.7	35.0	43.4	62.2
	External corporate equity funds raised in United States											
59 **Total new share issues**	**−3.8**	**22.2**	**−4.1**	**35.3**	**67.8**	**−29.8**	**23.3**	**47.2**	**83.5**	**52.0**	**−43.3**	**−16.4**
60 *Mutual funds*	.1	5.2	6.3	18.4	32.8	38.1	12.5	24.3	36.8	28.9	39.0	37.2
61 All other	−3.9	17.1	−10.4	16.9	34.9	−67.9	10.9	22.9	46.8	23.1	−82.3	−53.6
62 Nonfinancial corporations	−7.8	12.9	11.5	11.4	28.3	−72.1	7.0	15.8	38.2	18.4	−84.5	−59.6
63 Financial corporations	3.2	2.1	.8	4.0	2.7	3.0	3.9	4.1	2.8	2.5	2.9	3.2
64 Foreign shares purchased in United States	.8	2.1	.3	1.5	4.0	1.1	−.1	3.0	5.7	2.2	−.7	2.9

1.58 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

Billions of dollars, except as noted; half-yearly data are at seasonally adjusted annual rates.

Transaction category, or sector	1979	1980	1981	1982	1983	1984	1982		1983		1984	
							H1	H2	H1	H2	H1	H2
1 **Total funds advanced in credit markets to domestic nonfinancial sectors**	**386.0**	**344.6**	**380.4**	**404.1**	**526.4**	**715.3**	**358.1**	**450.1**	**488.9**	**563.8**	**697.9**	**732.6**
By public agencies and foreign												
2 Total net advances	75.2	97.0	97.7	109.1	117.1	142.6	100.8	117.3	119.7	114.6	123.7	161.5
3 U.S. government securities	-6.3	15.7	17.2	18.0	27.6	35.8	9.7	26.2	40.5	14.6	33.4	38.2
4 Residential mortgages	35.8	31.7	23.5	61.0	76.1	56.5	47.6	74.4	80.1	72.0	52.0	61.1
5 FHLB advances to savings and loans	9.2	7.1	16.2	.8	-7.0	15.7	11.1	-9.5	-12.1	-2.0	15.7	15.7
6 Other loans and securities	36.5	42.4	40.9	29.3	20.5	34.6	32.4	26.2	11.1	29.9	22.6	46.6
Total advanced, by sector												
7 U.S. government	19.0	23.7	24.1	16.0	9.7	16.7	14.8	17.1	9.1	10.3	6.1	27.2
8 Sponsored credit agencies	53.0	45.6	48.2	65.3	69.5	71.8	61.8	68.7	68.2	70.7	73.0	70.6
9 Monetary authorities	7.7	4.5	9.2	9.8	10.9	8.4	3.8	15.7	15.6	6.2	17.1	-.3
10 *Foreign*	-4.6	23.2	16.3	18.1	27.1	45.7	20.4	15.8	26.8	27.4	27.5	64.0
Agency and foreign borrowing not in line 1												
11 Sponsored credit agencies and mortgage pools	47.9	44.8	47.4	64.9	67.8	74.2	60.0	69.7	66.2	69.4	69.1	79.2
12 Foreign	20.2	27.2	27.2	15.7	18.9	1.7	10.2	21.2	15.3	22.5	19.2	-15.7
Private domestic funds advanced												
13 Total net advances	379.0	319.6	357.3	375.6	495.9	648.6	327.5	423.8	450.8	541.1	662.5	634.7
14 U.S. government securities	91.1	107.2	115.8	207.9	226.9	237.3	153.7	262.0	247.8	205.9	213.2	261.3
15 State and local obligations	30.3	30.3	22.7	53.8	56.3	54.6	43.9	63.7	62.8	49.7	37.9	71.3
16 Corporate and foreign bonds	18.5	19.3	18.8	14.8	14.6	17.4	-.1	29.6	22.9	6.3	18.0	16.9
17 Residential mortgages	91.9	73.7	56.7	-3.2	40.9	86.1	11.0	-17.4	6.4	75.5	105.9	66.2
18 Other mortgages and loans	156.3	96.2	159.5	103.2	150.2	268.9	130.2	76.3	98.7	201.7	303.2	234.7
19 LESS: Federal Home Loan Bank advances	9.2	7.1	16.2	.8	-7.0	15.7	11.1	-9.5	-12.1	-2.0	15.7	15.7
Private financial intermediation												
20 Credit market funds advanced by private financial institutions	313.9	281.5	323.4	285.6	376.7	541.9	274.4	296.7	323.2	430.1	522.2	561.6
21 Commercial banking	123.1	100.6	102.3	107.2	136.1	176.1	99.9	114.5	121.6	150.6	192.8	159.4
22 Savings institutions	56.5	54.5	27.8	31.3	136.8	147.7	25.2	37.4	128.9	144.6	157.0	138.4
23 Insurance and pension funds	85.9	94.3	97.4	108.8	98.8	113.2	111.4	106.3	89.5	108.1	95.6	130.8
24 Other finance	48.5	32.1	96.0	38.3	5.0	104.9	37.9	38.6	-16.8	26.8	76.7	133.1
25 Sources of funds	313.9	281.5	323.4	285.6	376.7	541.9	274.4	296.7	323.2	430.1	522.2	561.6
26 Private domestic deposits and RPs	137.4	169.6	211.9	174.7	203.5	283.9	147.6	201.9	192.7	214.2	277.0	290.7
27 Credit market borrowing	34.5	18.1	36.7	4.1	22.9	52.3	24.2	-16.0	7.8	38.0	51.9	52.7
28 Other sources	142.0	93.9	74.8	106.7	150.4	205.8	102.6	110.8	122.8	177.9	193.2	218.3
29 Foreign funds	27.6	-21.7	-8.7	-26.7	22.1	20.8	-28.3	-25.1	-14.2	58.5	15.7	25.9
30 Treasury balances	.4	-2.6	-1.1	6.1	-5.3	3.8	2.0	14.1	10.1	-20.8	.9	6.8
31 Insurance and pension reserves	72.8	83.9	90.4	104.6	99.2	108.2	111.4	97.8	90.0	108.4	107.6	108.9
32 Other, net	41.2	34.2	-5.9	22.8	34.4	72.9	21.5	24.1	36.8	31.9	69.0	76.8
Private domestic nonfinancial investors												
33 Direct lending in credit markets	99.6	56.1	70.6	94.2	142.1	159.0	77.3	111.0	135.3	148.9	192.3	125.7
34 U.S. government securities	52.5	24.6	29.3	37.4	88.7	114.0	35.3	39.5	95.9	81.4	139.4	88.6
35 State and local obligations	9.9	7.0	10.5	34.4	42.5	31.8	30.1	38.7	52.7	32.3	21.5	42.1
36 Corporate and foreign bonds	1.4	-5.7	-8.1	-5.2	2.0	-6.2	17.7	7.3	-1.7	5.7	7.8	-20.1
37 Open market paper	8.6	-3.1	2.7	-.1	3.9	1.0	3.5	-3.7	-8.1	15.9	3.0	-1.0
38 Other	30.0	33.3	36.3	27.8	5.0	18.4	26.2	29.3	-3.4	13.5	20.7	16.2
39 Deposits and currency	146.8	181.1	221.9	181.9	222.6	294.6	152.1	211.7	214.5	230.7	290.2	299.0
40 Currency	8.0	10.3	9.5	9.7	14.3	14.2	6.7	12.7	14.8	13.8	17.7	10.7
41 Checkable deposits	18.3	5.2	18.0	15.7	21.7	16.4	1.9	29.5	48.0	-4.7	36.6	-3.9
42 Small time and savings accounts	59.3	82.9	47.0	138.2	219.1	148.0	83.2	193.1	278.6	159.7	124.9	171.2
43 Money market fund shares	34.4	29.2	107.5	24.7	-44.1	47.2	39.4	10.0	-84.0	-4.2	30.2	64.2
44 Large time deposits	18.8	45.8	36.9	-7.7	-7.5	69.8	21.9	-37.3	-61.0	45.9	80.0	59.7
45 Security RPs	6.6	6.5	2.5	3.8	14.3	2.4	1.1	6.6	11.0	17.5	5.3	-.5
46 Deposits in foreign countries	1.5	1.1	.5	-2.5	4.8	-3.4	-2.2	-2.9	7.0	2.7	-4.5	2.3
47 **Total of credit market instruments, deposits and *currency***	**246.5**	**237.2**	**292.5**	**276.1**	**364.7**	**453.6**	**229.4**	**322.7**	**349.8**	**379.6**	**482.5**	**424.8**
48 Public holdings as percent of total	18.5	26.1	24.0	26.0	21.5	19.9	27.4	24.9	23.7	19.5	17.2	22.5
49 Private financial intermediation (in percent)	82.8	88.1	90.5	76.0	76.0	83.5	83.8	70.0	71.7	79.5	78.8	88.5
50 Total foreign funds	23.0	1.5	7.6	-8.6	49.2	66.5	-7.9	-9.3	12.6	85.9	43.1	89.9
MEMO: Corporate equities not included above												
51 **Total net issues**	**-3.8**	**22.2**	**-4.1**	**35.3**	**67.8**	**-29.8**	23.3	**47.2**	**83.5**	**52.0**	**-43.3**	**-16.4**
52 Mutual fund shares	.1	5.2	6.3	18.4	32.8	38.1	12.5	24.3	36.8	28.9	39.0	37.2
53 Other equities	-3.9	17.1	-10.4	16.9	34.9	-67.9	10.9	22.9	46.8	23.1	-82.3	-53.6
54 Acquisitions by financial institutions	12.9	24.9	20.1	39.2	57.5	19.4	11.0	67.3	75.9	39.2	7.6	31.3
55 Other net purchases	-16.7	-2.7	-24.2	-3.9	10.2	-49.2	12.3	-20.1	7.6	12.8	-50.8	-47.6

NOTES BY LINE NUMBER.
1. *Line 1 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.
13. Line 1 less line 2 plus line 11 and 12. Also line 20 less line 27 plus line 33. Also sum of lines 28 and 47 less lines 40 and 46.
18. Includes farm and commercial mortgages.
26. Line 39 less lines 40 and 46.
27. Excludes equity issues and investment company shares. Includes line 19.
29. Foreign deposits at commercial banks, bank borrowings from foreign branches, and *liabilities of foreign banking agencies to foreign affiliates.*
30. Demand deposits at commercial banks.
31. Excludes net investment of these reserves in corporate equities.
32. Mainly retained earnings and net miscellaneous liabilities.
33. Line 12 less line 20 plus line 27.
34-38. Lines 14-18 less amounts acquired by private finance. Line 38 includes mortgages.
40. Mainly an offset to line 9.
47. *Lines 33 plus 39, or line 13 less line 28 plus 40 and 46.*
48. Line 2/line 1.
49. Line 20/line 13.
50. Sum of lines 10 and 29.
51, 53. Includes issues by financial institutions.

NOTE. Full statements for sectors and transaction types in flows and in amounts outstanding may be obtained from Flow of Funds Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

1967 = 100; monthly and quarterly data are seasonally adjusted. Exceptions noted.

Measure	1982	1983	1984	1984 May	June	July	Aug.	Sept.	Oct.	Nov.[r]	Dec.[r]	1985 Jan.
1 **Industrial production**	**138.6**	**147.6**	**163.4**	**162.8**	**164.4**	**165.9**	**166.0**	**165.0**	**164.4[r]**	**165.0**	**165.9**	**166.6**
Market groupings												
2 Products, total	141.8	149.2	164.8	163.3	165.3	167.4	167.2	166.4	166.9[r]	167.8	169.2	170.1
3 Final, total	141.5	147.1	162.8	161.1	163.1	165.2	165.1	164.6	165.2[r]	166.4	167.7	168.8
4 Consumer goods	142.6	151.7	161.8	161.7	163.0	163.8	162.5	161.6	161.6[r]	162.9	163.6	164.7
5 Equipment	139.8	140.8	164.1	160.3	163.3	167.0	168.7	168.9	170.1[r]	171.2	173.4	174.3
6 Intermediate	143.3	156.6	172.5	171.6	173.5	175.8	175.1	173.0	173.4[r]	173.2	174.6	175.0
7 Materials	133.7	145.2	161.2	162.0	162.9	163.5	164.0	162.8	160.4[r]	160.5	160.7	161.3
Industry groupings												
8 Manufacturing	137.6	148.2	164.9	164.2	165.7	167.3	167.6	166.6	166.2[r]	166.7	168.0	168.4
Capacity utilization (percent)[1]												
9 Manufacturing	71.1	75.2	n.a.	81.7	82.2	82.9	82.8	82.2	81.7[r]	81.7	82.1	82.1
10 Industrial materials industries	70.1	75.2	n.a.	82.7	82.9	83.1	83.3	82.4	81.0[r]	80.9	80.8	80.9
11 Construction contracts (1977 = 100)[2]	111.0	138.0	150.0	165.0	148.0	152.0	151.0	144.0	146.0	158.0	148.0	n.a.
12 Nonagricultural employment, total[3]	136.1	137.0	143.1	142.5	143.1	143.4	143.6	144.1	144.6	145.1	145.4	145.9
13 Goods-producing, total	102.2	100.4	106.8	106.6	107.1	107.5	107.7	107.3	107.6	107.8	108.4	108.7
14 Manufacturing, total	96.6	95.1	100.7	100.6	100.9	101.3	101.4	100.9	101.2	101.4	101.9	102.0
15 Manufacturing, production-worker	89.1[r]	87.9[r]	94.0	94.1	94.3	94.6	94.8	94.0	94.3	94.4	94.9	95.0
16 Service-producing	154.7	157.1	163.0	162.2	162.8	163.1	163.4	164.2	164.9	165.6	165.7	166.3
17 Personal income, total	410.3	435.6	478.2	472.8	477.2	480.6	483.5	487.0	489.1[r]	492.3	494.2	496.8
18 Wages and salary disbursements	367.4	388.6	422.5	419.2	422.6	424.4	425.5	428.4	428.8	432.6	436.5	438.0
19 Manufacturing	285.5	294.7	323.6	321.9	323.1	324.4	326.2	325.7	326.7	330.0	333.3	334.2
20 Disposable personal income[4]	398.0	427.1	470.5	465.3	469.1	472.5	475.5	479.1	481.1[r]	483.7	484.9	487.6
21 Retail sales[5]	326.0	373.0	411.5	413.6	417.7	410.5	407.3	413.6	415.5	421.8	419.8	422.9
Prices[6]												
22 Consumer	289.1	298.4	311.1	309.7	310.7	311.7	313.0	314.5	315.3	315.3	315.5	316.1
23 Producer finished goods	280.7	285.2	291.2	291.1	290.9	292.3	291.3	289.8	291.6	292.3	292.4	292.7

1. Ratios of indexes of production to indexes of capacity. Based on data from Federal Reserve, McGraw-Hill Economics Department, Department of Commerce, and other sources.
2. Index of dollar value of total construction contracts, including residential, nonresidential and heavy engineering, from McGraw-Hill Information Systems Company, F. W. Dodge Division.
3. Based on data in *Employment and Earnings* (U.S. Department of Labor). Series covers employees only, excluding personnel in the Armed Forces.
4. Based on data in *Survey of Current Business* (U.S. Department of Commerce).
5. Based on Bureau of Census data published in *Survey of Current Business*.
6. Data without seasonal adjustment, as published in *Monthly Labor Review*. Seasonally adjusted data for changes in the price indexes may be obtained from the Bureau of Labor Statistics, U.S. Department of Labor.

NOTE. Basic data (not index numbers) for series mentioned in notes 4, 5, and 6, and indexes for series mentioned in notes 3 and 7 may also be found in the *Survey of Current Business*.

Figures for industrial production for the last two months are preliminary and estimated, respectively.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data are seasonally adjusted. Exceptions noted.

Category	1982	1983	1984	1984							1985
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
HOUSEHOLD SURVEY DATA											
1 **Noninstitutional population**[1]	**174,450**	**176,414**	**178,602**	**178,501**	**178,669**	**178,821**	**179,005**	**179,181**	**179,353**	**179,524**	**179,600**
2 Labor force (including Armed Forces)[1]	112,383	113,749	115,763	115,836	116,097	115,867	116,006	116,241	116,292	116,682	117,091
3 Civilian labor force	110,204	111,550	113,544	113,619	113,868	113,629	113,764	114,016	114,074	114,464	114,875
Employment											
4 Nonagricultural industries[2]	96,125	97,450	101,685	102,023	102,044	101,884	102,075	102,480	102,598	102,888	103,071
5 Agriculture	3,401	3,383	3,321	3,368	3,333	3,264	3,319	3,169	3,334	3,385	3,320
Unemployment											
6 Number	10,678	10,717	8,539	8,228	8,491	8,481	8,370	8,367	8,142	8,191	8,484
7 Rate (percent of civilian labor force)	9.7	9.6	7.5	7.2	7.5	7.5	7.4	7.3	7.1	7.2	7.4
8 Not in labor force	62,067	62,665	62,839	62,665	62,572	62,954	62,999	62,940	63,061	62,842	62,509
ESTABLISHMENT SURVEY DATA											
9 **Nonagricultural payroll employment**[3]	**89,566**	**90,138**	**94,166**	**94,135**	**94,350**	**94,523**	**94,807**	**95,157**[r]	**95,494**[r]	**95,661**[r]	**96,009**
10 Manufacturing	18,781	18,497	19,589	19,629	19,696	19,725	19,616	19,686	19,718[r]	19,810[r]	19,833
11 Mining	1,128	957	999	1,002	1,007	1,017	1,020	1,012	1,009	1,003[r]	992
12 Contract construction	3,905[r]	3,940	4,315	4,343	4,356	4,356	4,374	4,382	4,396[r]	4,452[r]	4,522
13 Transportation and public utilities	5,082	4,958	5,169	5,163	5,175	5,202	5,213	5,225	5,226[r]	5,238	5,248
14 Trade	20,457	20,804	21,790	21,747	21,811	21,839	21,930	22,080	22,267[r]	22,280[r]	22,442
15 Finance	5,341	5,467	5,665	5,676	5,676	5,679	5,684	5,705	5,725[r]	5,748	5,761
16 Service	19,036	19,665	20,666	20,681	20,701	20,748	20,861	20,964	21,030[r]	21,085[r]	21,151
17 Government	15,837	15,851	15,973	15,894	15,928	15,957	16,109	16,103[r]	16,123[r]	16,045[r]	16,060

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 1983 benchmark and only seasonally adjusted data are available at this time. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION

Seasonally adjusted

Series	1984				1984				1984			
	Q1	Q2	Q3	Q4r	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4r
	Output (1967 = 100)				Capacity (percent of 1967 output)				Utilization rate (percent)			
1 **Total industry**	**159.8**	**163.1**	**165.6**	**165.1**	**198.4**	**199.7**	**201.1**	**202.4**	**80.5**	**81.7**	**82.4**	**81.5**
2 Mining	124.2	125.1	129.0	124.3	165.7	165.9	166.1	166.3	75.0	75.4	77.7	74.8
3 Utilities	179.2	183.1	181.1	182.2	213.8	215.3	216.8	218.3	83.8	85.0	83.5	83.5
4 **Manufacturing**	**161.0**	**164.4**	**167.2**	**167.0**	**199.5**	**201.0**	**202.5**	**204.0**	**80.7**	**81.8**	**82.5**	**81.8**
5 Primary processing	160.5	162.5	162.2	160.8	196.5	197.2	198.0	198.7	81.7	82.4	81.9	80.9
6 Advanced processing	161.7	165.2	169.7	169.9	201.1	203.0	204.9	206.8	80.3	81.4	82.8	82.1
7 **Materials**	**158.8**	**162.1**	**163.4**	**160.5**	**194.7**	**195.9**	**197.2**	**198.4**	**81.6**	**82.7**	**82.9**	**80.9**
8 Durable goods	157.6	162.0	164.6	162.5	197.1	198.3	199.5	200.8	79.9	81.7	82.5	80.9
9 Metal materials	97.3	100.3	97.2	92.0	139.1	138.5	137.9	137.3	70.0	72.4	70.5	67.0
10 Nondurable goods	183.7	186.6	185.7	182.4	221.8	223.4	225.2	226.9	82.8	83.5	82.5	80.4
11 Textile, paper, and chemical	193.2	195.9	194.9	190.7	234.2	236.2	238.2	240.3	82.5	82.9	81.8	79.4
12 Paper	165.8	168.5	171.0	167.9	168.5	169.5	170.5	171.5	98.4	99.4	100.3	97.9
13 Chemical	236.7	240.4	238.4	235.5	302.3	305.2	308.0	310.9	78.3	78.8	77.4	75.8
14 Energy materials	131.2	132.4	133.1	128.8	155.8	156.4	157.0	157.6	84.2	84.6	84.8	81.7

Series	Previous cycle[1]		Latest cycle[2]		1984	1984								1985
	High	Low	High	Low	Jan.	May	June	July	Aug.	Sept.	Oct.r	Nov.r	Dec.r	Jan.
	Capacity utilization rate (percent)													
15 **Total industry**	**88.4**	**71.1**	**87.3**	**69.6**	**80.1**	**81.5**	**82.1**	**82.7**	**82.5**	**81.9**	**81.4**	**81.5**	**81.7**	**81.9**
16 Mining	91.8	86.0	88.5	69.6	75.4	75.4	76.6	78.3	77.3	77.4	74.3	75.0	74.9	75.2
17 Utilities	94.9	82.0	86.7	79.0	84.8	84.7	85.4	84.1	83.3	83.2	82.9	84.6	82.8	84.3
18 **Manufacturing**	**87.9**	**69.0**	**87.5**	**68.8**	**80.1**	**81.7**	**82.2**	**82.8**	**82.8**	**82.0**	**81.7**	**81.7**	**82.1**	**82.1**
19 Primary processing	93.7	68.2	91.4	66.2	80.6	82.4	82.6	82.3	82.1	81.5	81.2	80.7	80.8	80.8
20 Advanced processing	85.5	69.4	85.9	70.0	80.0	81.2	81.9	83.0	83.1	82.4	81.8	82.0	82.6	82.7
21 **Materials**	**92.6**	**69.3**	**88.9**	**66.6**	**80.6**	**82.7**	**82.9**	**83.1**	**83.2**	**82.4**	**81.0**	**80.9**	**80.8**	**80.9**
22 Durable goods	91.4	63.5	88.4	59.8	78.5	81.5	82.0	82.5	82.9	82.2	81.3	80.8	80.6	80.4
23 Metal materials	97.8	68.0	95.4	46.2	67.3	72.2	72.1	70.8	70.8	69.8	67.6	66.7	66.6	65.6
24 Nondurable goods	94.4	67.4	91.7	70.7	81.9	83.9	83.3	83.0	82.9	81.5	80.5	80.4	80.4	80.1
25 Textile, paper, and chemical	95.1	65.4	92.3	68.6	81.5	83.3	82.6	82.5	82.4	80.5	79.7	79.3	79.4	79.0
26 Paper	99.4	72.4	97.9	86.3	99.3	99.8	99.8	101.5	99.7	99.7	98.7	97.0	98.0	n.a.
27 Chemical	95.5	64.2	91.3	64.0	76.7	79.0	78.4	77.9	78.1	76.1	75.7	75.9	75.7	n.a.
28 Energy materials	94.5	84.4	88.9	78.5	84.4	84.3	85.0	85.3	84.7	84.3	81.0	82.0	82.1	83.7

1. Monthly high 1973; monthly low 1975.
2. Monthly highs 1978 through 1980; monthly lows 1982.

NOTE. These data also appear in the Board's G.3 (402) release. For address, see inside front cover.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value

Monthly data are seasonally adjusted

Grouping	1967 proportion	1984 avg.	1984 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.[r]	Nov.	Dec.[p]	1985 Jan.[e]
			Index (1967 = 100)												
MAJOR MARKET															
1 **Total index**	**100.00**	**163.4**	**158.5**	**160.0**	**160.8**	**162.1**	**162.8**	**164.4**	**165.9**	**166.0**	**165.0**	**164.4**	**165.0**	**165.9**	**166.6**
2 Products	60.71	164.8	159.7	160.4	161.1	162.5	163.3	165.3	167.4	167.2	166.4	166.9	167.8	169.2	170.1
3 Final products	47.82	162.8	157.5	158.0	158.6	160.2	161.1	163.1	165.2	165.1	164.6	165.2	166.4	167.7	168.8
4 Consumer goods	27.68	161.8	159.5	159.4	160.2	161.4	161.7	163.0	163.8	162.5	161.6	161.6	162.9	163.6	164.7
5 Equipment	20.14	164.1	154.9	156.1	156.4	158.5	160.3	163.3	167.0	168.7	168.9	170.1	171.2	173.4	174.3
6 Intermediate products	12.89	172.5	167.8	169.0	170.2	171.0	171.6	173.5	175.8	175.1	173.0	173.4	173.2	174.6	175.0
7 Materials	39.29	161.2	156.6	159.4	160.4	161.5	162.0	162.9	163.5	164.0	162.8	160.4	160.5	160.7	161.3
Consumer goods															
8 Durable consumer goods	7.89	162.2	163.4	162.5	163.1	162.2	161.4	163.6	163.7	162.6	159.6	158.7	162.1	163.7	166.9
9 Automotive products	2.83	181.4	184.5	182.1	184.1	180.9	179.8	184.3	185.0	181.8	173.0	171.9	184.0	186.3	193.8
10 Autos and utility vehicles	2.03	158.1	163.3	162.2	164.1	158.4	155.9	158.7	161.1	159.2	145.6	145.0	161.5	164.7	174.4
11 Autos	1.90	135.3	140.7	140.4	142.4	134.5	132.9	136.2	138.7	134.3	121.1	123.6	138.9	142.5	151.4
12 Auto parts and allied goods	.80	240.5	238.4	232.6	234.7	238.0	240.6	249.3	245.8	239.1	242.7	240.2	241.1	241.2	243.0
13 Home goods	5.06	151.5	151.5	151.5	151.3	151.7	151.1	152.0	151.8	151.9	152.0	151.4	149.8	151.1	151.9
14 Appliances, A/C, and TV	1.40	134.3	136.4	135.1	134.4	136.1	134.0	134.9	133.4	132.3	136.4	133.5	130.5	133.9	134.8
15 Appliances and TV	1.33	137.5	140.0	138.6	138.0	138.8	136.7	138.0	136.9	135.9	140.2	136.8	133.2	137.0	.....
16 Carpeting and furniture	1.07	179.5	183.1	178.7	180.2	181.0	179.6	179.4	179.5	180.8	179.3	178.1	177.5	176.5	.....
17 Miscellaneous home goods	2.59	149.3	146.7	149.1	148.5	148.0	148.6	150.0	150.3	150.6	149.2	150.0	148.8	149.9	150.6
18 Nondurable consumer goods	19.79	161.6	157.9	158.2	159.1	161.1	161.8	162.7	163.9	162.4	162.4	162.7	163.2	163.5	163.8
19 Clothing	4.29	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
20 Consumer staples	15.50	171.6	166.5	166.9	168.0	170.2	171.6	173.2	174.5	172.7	173.1	173.8	174.2	174.3	174.5
21 Consumer foods and tobacco	8.33	.....	156.5	156.8	157.6	160.4	161.0	161.9	162.9	161.8	162.1	162.4	161.5	.....	.....
22 Nonfood staples	7.17	184.3	178.2	178.7	180.1	181.6	183.9	186.3	188.0	185.4	185.9	187.0	189.0	187.8	188.2
23 Consumer chemical products	2.63	241.0	231.6	231.9	231.3	233.4	235.9	241.5	247.1	244.3	247.3	247.5	246.7	249.2	.....
24 Consumer paper products	1.92	146.0	138.8	140.3	141.8	144.0	145.6	147.9	151.5	148.7	146.7	146.9	148.5	149.7	.....
25 Consumer energy products	2.62	155.5	153.4	153.3	156.8	157.1	159.8	159.0	155.3	153.3	153.0	155.6	160.8	154.0	.....
26 Residential utilities	1.45	.....	180.0	172.8	177.7	177.4	181.1	182.4	178.6	175.0	174.1	177.4	186.6	.....	.....
Equipment															
27 Business	12.63	181.1	170.7	171.9	172.1	173.5	176.5	181.1	185.5	187.6	186.4	187.3	188.4	190.9	191.4
28 Industrial	6.77	140.6	133.7	134.6	134.8	135.9	138.5	140.4	143.1	143.3	143.5	145.3	145.7	147.5	146.5
29 Building and mining	1.44	187.7	185.1	182.0	175.2	173.6	182.9	185.8	190.0	191.6	190.7	194.6	197.2	200.3	195.7
30 Manufacturing	3.85	127.5	119.7	120.9	124.2	126.2	127.4	128.6	130.1	129.7	129.8	131.0	130.2	131.7	132.0
31 Power	1.47	128.8	120.0	123.8	122.7	124.1	124.1	126.7	131.0	131.2	133.0	134.5	135.8	137.0	136.0
32 Commercial transit, farm	5.86	227.8	213.3	215.1	215.3	217.0	220.5	228.1	234.5	238.9	235.9	235.8	237.7	241.0	243.2
33 Commercial	3.26	325.4	303.2	305.9	306.9	309.6	315.5	326.3	333.4	339.2	336.5	338.5	341.6	347.7	351.7
34 Transit	1.93	115.3	110.1	110.1	109.2	108.9	109.7	115.1	120.4	124.5	121.4	117.8	118.2	119.3	119.1
35 Farm	.67	76.4	73.6	75.7	75.0	78.0	77.1	76.1	81.8	80.3	76.4	76.1	76.2	72.2	.....
36 Defense and space	7.51	135.6	128.3	129.5	130.1	133.2	133.1	133.5	135.9	136.8	139.5	141.1	142.3	144.1	145.7
Intermediate products															
37 Construction supplies	6.42	159.0	155.5	156.6	159.1	159.6	159.5	160.9	161.9	160.9	158.2	158.6	157.2	158.9	159.3
38 Business supplies	6.47	185.9	180.1	181.3	181.3	182.3	183.5	186.1	189.5	189.1	187.6	188.0	189.1	190.2	.....
39 Commercial energy products	1.14	193.8	192.1	191.6	187.0	190.0	190.8	195.3	194.9	193.3	194.5	194.8	199.6	198.5	.....
Materials															
40 Durable goods materials	20.35	161.7	154.6	158.6	159.5	161.3	161.6	163.0	164.2	165.3	164.3	162.9	162.3	162.3	162.3
41 Durable consumer parts	4.58	134.6	131.6	133.1	133.0	133.2	132.6	134.7	135.1	136.6	136.2	136.3	135.5	138.5	140.4
42 Equipment parts	5.44	212.5	198.2	204.0	206.7	210.9	210.6	214.0	218.8	220.1	219.6	216.1	216.1	215.9	214.4
43 Durable materials n.e.c.	10.34	147.0	141.8	146.0	146.3	147.7	148.6	148.7	148.3	149.2	147.7	146.7	145.9	144.7	144.5
44 Basic metal materials	5.57	101.1	97.7	103.0	103.0	105.7	104.5	104.1	103.4	102.0	99.8	97.8	95.7	93.9	.....
45 Nondurable goods materials	10.47	184.5	181.2	184.1	185.9	185.7	187.4	186.7	186.5	186.7	184.0	182.1	182.3	182.7	182.6
46 Textile, paper, and chemical materials	7.62	193.6	190.5	193.9	195.3	195.0	196.8	195.8	195.9	196.3	192.4	190.7	190.5	191.0	190.7
47 Textile materials	1.85	117.2	119.9	119.9	120.6	118.9	121.9	119.6	118.8	120.1	115.6	112.0	109.8	110.2	.....
48 Paper materials	1.62	168.1	167.0	166.8	163.5	166.7	169.2	169.5	172.8	170.0	170.3	168.9	166.3	168.4	.....
49 Chemical materials	4.15	237.7	231.3	237.6	241.1	240.0	241.1	240.2	239.3	240.6	235.3	234.5	236.0	236.0	.....
50 Containers, nondurable	1.70	175.5	173.5	173.0	176.0	175.7	176.6	176.7	176.6	175.3	175.8	174.3	176.5	176.8	.....
51 Nondurable materials n.e.c.	1.14	137.5	130.5	135.2	137.7	138.6	140.5	140.5	138.8	139.6	140.8	136.0	136.6	136.0	.....
52 Energy materials	8.48	131.3	131.3	131.0	131.3	132.1	131.9	133.2	133.7	133.0	132.7	127.6	129.2	129.6	132.4
53 Primary energy	4.65	119.3	119.3	121.3	119.6	119.5	119o8	120.1	122.7	121.8	121.6	113.1	114.9	116.8	.....
54 Converted fuel materials	3.82	146.0	145.8	142.8	145.4	147.3	146.5	149.0	147.1	146.8	146.1	145.2	146.5	145.2	.....
Supplementary groups															
55 Home goods and clothing	9.35	139.6	140.1	140.3	140.1	141.0	139.8	139.6	139.7	139.6	138.9	138.3	137.7	138.9	139.7
56 Energy, total	12.23	142.3	141.6	141.4	141.9	142.8	143.3	144.5	144.0	143.0	142.8	139.8	142.5	141.2	143.5
57 Products	3.76	167.2	165.1	164.9	166.0	167.1	169.2	170.0	167.3	165.4	165.5	167.5	172.5	167.5	.....
58 Materials	8.48	131.3	131.3	131.0	131.3	132.1	131.9	133.2	133.7	133.0	132.7	127.6	129.2	129.6	132.4

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value—Continued

Grouping	SIC code	1967 proportion	1984 avg.	1984 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.r	Nov.	Dec.p	1985 Jan.e
				Index (1967 = 100)												
MAJOR INDUSTRY																
1 Mining and utilities	......	12.05	151.9	151.4	148.9	150.4	151.3	152.1	154.1	154.4	153.0	153.3	150.5	153.1	151.3	153.4
2 Mining	......	6.36	125.7	124.8	124.1	123.8	123.3	125.0	127.0	129.9	128.3	128.7	123.6	124.8	124.6	125.2
3 Utilities	......	5.69	181.2	181.0	176.5	180.0	182.7	182.3	184.3	181.8	180.6	180.9	180.6	184.7	181.2	184.9
4 Electric	......	3.88	205.3	206.8	200.0	204.6	207.7	206.8	209.6	205.9	204.0	204.4	203.8	209.1	203.3	208.9
5 Manufacturing	......	87.95	164.9	159.5	161.4	162.1	163.4	164.2	165.7	167.3	167.6	166.6	166.2	166.7	168.0	168.4
6 Nondurable	......	35.97	179.5	175.2	177.2	177.6	179.1	179.9	181.3	181.8	181.7	180.3	179.4	179.9	180.7	180.8
7 Durable	......	51.98	154.8	148.6	150.5	151.4	152.6	153.3	154.9	157.2	157.8	157.1	157.1	157.6	159.2	159.8
Mining																
8 Metal	10	.51	91.5	89.4	97.4	100.0	98.5	98.0	96.8	96.4	83.4	84.5	91.2	87.7	74.1	.....
9 Coal	11.12	.69	155.8	151.5	163.2	164.0	151.4	153.9	161.5	176.5	171.7	173.7	127.8	134.4	142.1	144.5
10 Oil and gas extraction	13	4.40	121.6	123.1	119.6	118.2	118.8	120.4	121.6	122.8	122.5	122.4	122.6	123.6	123.5	123.8
11 Stone and earth minerals	14	.75	145.3	134.8	133.0	135.8	140.4	144.0	147.9	151.9	153.5	154.6	147.8	148.0	149.5	.....
Nondurable manufactures																
12 Foods	20	8.75	.....	159.4	160.0	161.2	163.1	164.2	165.1	164.9	164.7	164.3	164.0	163.4	.....	.....
13 Tobacco products	21	.67	.....	116.4	110.9	111.8	113.3	112.8	118.3	115.1	113.8	113.1	119.5	117.4	.....	.....
14 Textile mill products	22	2.68	138.7	143.9	142.3	143.5	140.0	140.5	140.7	139.8	140.3	135.4	133.3	132.8	133.0	.....
15 Apparel products	23	3.31	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
16 Paper and products	26	3.21	174.4	172.3	176.6	173.8	172.4	174.1	174.6	176.7	176.7	177.5	173.5	173.7	175.0	174.1
17 Printing and publishing	27	4.72	169.7	163.4	164.8	165.2	166.3	167.5	169.0	172.6	173.1	170.5	172.3	174.0	175.0	175.5
18 Chemicals and products	28	7.74	228.3	221.5	224.8	225.0	228.3	227.9	231.0	232.0	231.6	230.8	228.0	230.0	230.7	.....
19 Petroleum products	29	1.79	124.6	118.8	127.6	127.0	126.8	127.9	127.5	124.7	124.3	122.6	122.9	124.0	122.4	120.4
20 Rubber and plastic products	30	2.24	332.3	317.2	318.5	323.8	328.0	334.1	341.0	341.4	341.5	338.4	338.6	335.1	336.1	.....
21 Leather and products	31	.86	60.0	61.4	63.9	63.9	63.5	61.4	60.0	60.6	59.1	57.9	55.0	55.9	58.0	.....
Durable manufactures																
22 Ordnance, private and government	19.91	3.64	103.6	99.7	99.6	100.6	101.4	100.8	101.7	102.7	105.5	107.1	107.7	109.0	108.7	109.2
23 Lumber and products	24	1.64	149.1	146.0	145.6	149.3	151.2	146.3	148.5	146.0	148.8	149.2	152.6	152.2	155.5	.....
24 Furniture and fixtures	25	1.37	190.5	183.8	185.6	184.6	186.6	190.5	191.9	192.6	195.3	194.3	194.7	193.8	192.8	.....
25 Clay, glass, stone products	32	2.74	159.6	157.8	160.4	160.2	160.0	160.6	159.7	160.9	160.0	158.0	160.1	159.0	158.5	.....
26 Primary metals	33	6.57	95.3	93.2	98.4	97.5	99.3	98.2	97.9	94.5	94.4	94.1	92.7	91.4	90.5	91.0
27 Iron and steel	331.2	4.21	80.0	80.7	86.0	84.4	84.0	83.5	83.5	76.5	77.7	77.5	74.6	73.9	75.0	.....
28 Fabricated metal products	34	5.93	137.6	131.7	132.8	134.9	135.5	136.5	138.7	140.6	140.0	139.5	140.7	138.7	141.5	141.5
29 Nonelectrical machinery	35	9.15	181.7	169.5	170.9	171.9	174.9	178.8	182.0	186.9	189.1	187.9	187.7	188.7	190.8	190.7
30 Electrical machinery	36	8.05	217.4	206.2	209.9	212.0	214.6	214.5	216.0	221.5	221.5	222.8	222.3	222.1	225.2	226.1
31 Transportation equipment	37	9.27	137.6	134.9	135.2	135.8	134.5	135.0	137.2	140.6	141.0	137.6	137.2	141.3	142.8	145.3
32 Motor vehicles and parts	371	4.50	165.7	166.3	164.4	165.8	161.9	163.0	165.3	169.0	169.6	162.4	161.7	170.8	171.7	177.1
33 Aerospace and miscellaneous transportation equipment	372-9	4.77	111.1	105.3	107.7	107.5	108.8	108.6	110.8	113.8	113.9	114.2	114.1	113.6	115.6	115.4
34 Instruments	38	2.11	174.4	167.8	168.6	169.7	171.0	171.8	174.5	176.7	177.4	178.5	176.5	177.5	182.4	181.4
35 Miscellaneous manufactures	39	1.51	149.8	151.1	152.0	152.3	152.1	151.5	150.8	152.4	149.2	147.0	148.3	146.1	147.5	147.5
		Gross value (billions of 1972 dollars, annual rates)														
MAJOR MARKET																
36 Products, total	......	**507.4**	**670.6**	**655.1**	**656.9**	**661.8**	**661.1**	**665.9**	**671.5**	**682.4**	**678.2**	**673.6**	**674.7**	**680.9**	**684.8**	**689.4**
37 Final	......	390.9	517.3	505.3	505.0	509.6	509.0	514.0	518.1	525.9	522.3	519.7	521.3	527.4	529.8	533.5
38 Consumer goods	......	277.5	348.6	345.3	345.3	347.7	347.8	349.5	350.9	353.2	347.4	345.4	346.7	351.5	351.9	354.5
39 Equipment	......	113.4	168.7	160.0	159.7	161.9	161.2	164.4	167.2	172.8	174.9	174.4	174.5	175.9	177.9	179.0
40 Intermediate	......	116.6	153.3	149.8	151.9	152.2	152.2	151.9	153.4	156.5	155.9	153.8	153.5	153.5	155.0	155.9

NOTE. These data also appear in the Board's G.12.3 (414) release. For address, see inside front cover.

2.14 HOUSING AND CONSTRUCTION

Monthly figures are at seasonally adjusted annual rates except as noted.

Item	1981	1982	1983	1984 Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.[r]	Nov.[r]	Dec.
	Private residential real estate activity (thousands of units)												
NEW UNITS													
1 Permits authorized	986	1,000	1,605	1,765[r]	1,802[r]	1,774[r]	1,819[r]	1,590[r]	1,508[r]	1,481[r]	1,436[r]	1,613	1,627
2 1-family	564	546	902	1,004[r]	983[r]	943[r]	941[r]	849[r]	835[r]	865[r]	817[r]	838	852
3 2-or-more-family	421	454	703	761[r]	819[r]	831[r]	878[r]	741[r]	673[r]	616[r]	619[r]	775	775
4 Started	1,084	1,062	1,703	1,700[r]	1,949[r]	1,787[r]	1,837[r]	1,730[r]	1,590[r]	1,669[r]	1,564[r]	1,600	1,595
5 1-family	705	663	1,067	1,076[r]	1,163[r]	1,118[r]	1,077[r]	996[r]	962[r]	1,009[r]	979[r]	1,043	1,084
6 2-or-more-family	379	400	635	624[r]	786[r]	669[r]	760[r]	734[r]	628[r]	660[r]	585[r]	557	511
7 Under construction, end of period[1]	682	720	1,003	1,065	1,091	1,094	1,101	1,105	1,091	1,090	1,077	1,073	1,074
8 1-family	382	400	524	571	582	589	589	586	573	567	569	570	579
9 2-or-more-family	301	320	479	494	509	506	512	519	517	523	507	502	496
10 Completed	1,266	1,005	1,390	1,590	1,654	1,756	1,739	1,718	1,689	1,661	1,607	1,558	1,589
11 1-family	818	631	924	1,031	974	1,081	1,051	1,076	1,039	1,059	957	1,002	932
12 2-or-more-family	447	374	466	559	680	675	688	642	650	602	650	556	657
13 Mobile homes shipped	241	240	296[r]	290[r]	287	295	298[r]	301	302[r]	282[r]	302[r]	291	282
Merchant builder activity in 1-family units													
14 Number sold	436	413	622	682	649	616	635	615	562	662[r]	652[r]	588	606
15 Number for sale, end of period[1]	278	255	304	320	328	333	339	341	344	343	347	350	357
Price (thousands of dollars)[2]													
Median													
16 Units sold	68.8	69.3	75.5	78.4	79.6	81.4	80.5	80.7	82.0	81.3[r]	80.0[r]	82.3	76.3
Average													
17 Units sold	83.1	83.8	89.9	97.7	96.2	101.9	98.8	97.1	96.9	101.3[r]	94.8[r]	99.8	99.0
EXISTING UNITS (1-family)													
18 Number sold	2,418	1,991	2.719	3,020	3,090	3,060	2,960	2,770	2,700	2,670	2,650	2,820	2,850
Price of units sold (thousands of dollars)[2]													
19 Median	66.1	67.7	69.8	72.2	72.5	73.1	73.8	74.5	73.7	72.1	72.0	72.4	72.8
20 Average	78.0	80.4	82.5	85.1	86.1	86.2	87.7	88.2	87.8	85.6	85.9	85.5	86.9
	Value of new construction[3] (millions of dollars)												
CONSTRUCTION													
21 **Total put in place**	239,112	230,068	262.167	309,744	308,596	316,398	315,279	314,223	318,031	318,685	317,876	315,950	318,734
22 Private	185,761	179,090	211.369	254,958	254,057	261,182	257,789	258,245	261,165	260,871	261,181	259,821	262,776
23 Residential	86,564	74,808	111.727	141,087	136,577	138,401	136,418	137,818	138,926	137,106	135,191	132,204	130,427
24 Nonresidential, total	99,197	104,282	99,642	113,871	117,480	122,781	121,371	120,427	122,239	123,765	125,990	127,617	132,349
Buildings													
25 Industrial	17,031	17,346	12.863	14,363	13,633	15,170	14,065	13,784	14,613	14,917	14,921	15,362	15,682
26 *Commercial*	34,243	37,281	35,787	45,280	47,353	49,719	48,947	48,435[r]	49,496[r]	50,862	53,535	54,581	58,184
27 Other	9,543	10,507	11,660	13,190	13,271	13,821	13,327	12,744[r]	12,059[r]	12,079	12,129	12,040	12,538
28 Public utilities and other	38,380	39,148	39,332	41,038	43,223	44,071	45,032	45,464	46,071	45,907	45,405	45,634	45,945
29 Public	53,346	50,977	50,798	54,786	54,539	55,216	57,490	55,979	56,866	57,814	56,695	56,129	55,958
30 Military	1,966	2,205	2.544	2,872	2,827	2,649	2,703	2,345	2,851	3,508	2,897	2,708	2,775
31 Highway	13,599	13,428	14,225	16,205	16,781	16,949	16,824	17,136	17,322	17,209	16,888	17,797	n.a.
32 Conservation and development	5,300	5,029	4,822	4,531	4,518	4,356	4,492	4,520	4,520	4,890	4,607	5,054	n.a.
33 Other	32,481	30,315	29,207	31,178	30,413	31,262	33,471	31,978	32,173	32,207	32,303	30,570	n.a.

1. Not at annual rates.
2. Not seasonally adjusted.
3. Value of new construction data in recent periods may not be strictly comparable with data in prior periods because of changes by the Bureau of the Census in its estimating techniques. For a description of these changes see *Construction Reports* (C-30-76-5), issued by the Bureau in July 1976.

NOTE. Census Bureau estimates for all series except (a) mobile homes, which are *private, domestic shipments as reported by the Manufactured Housing* Institute and seasonally adjusted by the Census Bureau, and (b) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from originating agency. Permit authorizations are those reported to the Census Bureau from 16,000 jurisdictions beginning with 1978.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data, except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (at annual rate)				Change from 1 month earlier					Index level Jan. 1985 (1967 = 100)[1]
	1984 Jan.	1985 Jan.	1984 Mar.r	1984 June r	1984 Sept.r	1984 Dec.r	1984 Sept.r	1984 Oct.r	1984 Nov.r	1984 Dec.r	1985 Jan.	
CONSUMER PRICES[2]												
1 **All items**	**4.1**	**3.6**	**5.4**	**3.2**	**4.5**	**3.0**	**.4**	**.3**	**.2**	**.3**	**.2**	**316.1**
2 Food	3.9	2.6	8.4	−.5	3.9	3.7	.1	.3	.2	.4	.2	307.3
3 Energy items	.5	−.5	1.2	.3	.1	−.7	.5	−.1	.1	−.2	−.8	414.5
4 All items less food and energy	4.8	4.5	5.1	4.8	5.3	3.5	.4	.3	.2	.3	.4	307.9
5 Commodities	4.7	3.3	3.8	3.9	3.8	.9	.4	.1	.0	.2	.5	256.5
6 Services	4.9	5.3	6.0	5.2	6.2	5.0	.4	.5	.4	.4	.4	366.4
PRODUCER PRICES												
7 Finished goods	2.0	1.1	6.1	−.4	.0	1.8	.0	.0	.3	.2	.0	292.7
8 Consumer foods	5.3	.7	15.2	−7.5	4.5	4.5	−.1	.1	.4	.6	−.6	274.2
9 Consumer energy	−7.1	−5.4	−5.2	5.0	−19.7	5.7	−1.0	1.6	.4	−.6	−2.4	713.0
10 Other consumer goods	2.7	2.5	5.6	.8	2.5	.0	.2	−.5	.3	.2	.7	250.0
11 Capital equipment	2.2	2.2	3.9	2.2	2.3	.0	.2	−.2	.2	.0	.4	298.1
12 Intermediate materials[3]	1.9	1.5	4.2	2.7	−1.1	1.1	−.1	.1	.2	.1	.0	325.4
13 Excluding energy	3.1	1.9	4.1	2.0	.9	1.3	−.1	.1	.3	.0	.0	305.1
Crude materials												
14 Foods	10.2	−4.8	8.9	−19.2	−1.7	12.0	.5	−.8	3.4	.3	−2.4	251.3
15 Energy	−3.2	−3.5	−1.6	4.0	1.0	−7.0	−.7	−.3	−.9	−.6	−2.2	758.4
16 Other	14.3	−3.6	.9	14.3	−15.3	−10.7	.3	−2.0	−.5	−.4	−1.4	254.1

1. Not seasonally adjusted.
2. Figures for consumer prices are those for all urban consumers and reflect a rental equivalence measure of homeownership after 1982.
3. Excludes intermediate materials for food manufacturing and manufactured animal feeds.

SOURCE. Bureau of Labor Statistics.

2.16 GROSS NATIONAL PRODUCT AND INCOME

Billions of current dollars except as noted; quarterly data are at seasonally adjusted annual rates.

Account	1982	1983	1984[r]	1983	1984			
				Q4	Q1	Q2	Q3	Q4
GROSS NATIONAL PRODUCT								
1 **Total**	**3,069.3**	**3,304.8**	**3,664.2**	**3,431.7**	**3,553.3**	**3,644.7**	**3,694.6**	**3,764.2**
By source								
2 Personal consumption expenditures	1,984.9	2,155.9	2,342.0	2,230.2	2,276.5	2,332.7	2,361.4	2,397.4
3 Durable goods	245.1	279.8	318.5	299.8	310.9	320.7	317.2	325.3
4 Nondurable goods	757.5	801.7	856.8	823.0	841.3	858.3	861.4	866.0
5 Services	982.2	1,074.4	1,166.7	1,107.5	1,124.4	1,153.7	1,182.8	1,206.1
6 Gross private domestic investment	414.9	471.6	637.0	540.0	623.8	627.0	662.8	634.3
7 Fixed investment	441.0	485.1	579.1	527.3	550.0	576.4	591.0	599.0
8 Nonresidential	349.6	352.9	425.3	383.9	398.8	420.8	435.7	445.9
9 Structures	142.1	129.7	150.5	136.6	142.2	150.0	151.4	158.3
10 Producers' durable equipment	207.5	223.2	274.8	247.3	256.7	270.7	284.2	287.7
11 Residential structures	91.4	132.2	153.8	143.4	151.2	155.6	155.3	153.1
12 Nonfarm	86.6	127.6	148.7	138.7	146.4	150.5	150.1	147.9
13 Change in business inventories	-26.1	-13.5	57.9	12.7	73.8	50.6	71.8	35.3
14 Nonfarm	-24.0	-3.1	49.3	14.1	60.6	47.0	63.7	25.9
15 Net exports of goods and services	19.0	-8.3	-62.5	-29.8	-51.5	-58.7	-90.6	-49.2
16 Exports	348.4	336.2	364.8	346.1	358.9	362.4	368.6	369.4
17 Imports	329.4	344.4	427.3	375.9	410.4	421.1	459.3	418.5
18 Government purchases of goods and services	650.5	685.5	747.7	691.4	704.4	743.7	761.0	781.7
19 Federal	258.9	269.7	295.6	266.3	267.6	296.4	302.0	316.3
20 State and local	391.5	415.8	452.1	425.1	436.8	447.4	458.9	465.4
By major type of product								
21 Final sales, total	3,095.4	3,318.3	3,606.3	3,419.0	3,479.5	3,594.1	3,622.8	3,728.9
22 Goods	1,276.7	1,355.7	1,542.9	1,423.9	1,498.0	1,544.8	1,549.1	1,579.6
23 Durable	499.9	555.3	655.7	607.4	632.3	647.9	654.7	687.8
24 Nondurable	776.9	800.4	887.2	816.5	865.7	896.9	894.4	891.8
25 Services	1,510.8	1,639.3	1,764.6	1,681.3	1,713.7	1,742.6	1,783.3	1,819.0
26 Structures	281.7	309.8	356.6	326.5	341.6	357.2	362.1	365.6
27 Change in business inventories	-26.1	-13.5	57.9	12.7	73.8	50.6	71.8	35.3
28 Durable goods	-18.0	-2.1	30.4	14.5	34.9	18.2	41.7	26.8
29 Nondurable goods	-8.1	-11.3	27.5	-1.7	38.9	32.4	30.1	8.5
30 **MEMO: Total GNP in 1972 dollars**	**1,480.0**	**1,534.7**	**1,639.9**	**1,572.7**	**1,610.9**	**1,638.8**	**1,645.2**	**1,664.8**
NATIONAL INCOME								
31 **Total**	**2,446.8**	**2,646.7**	**2,961.9**	**2,766.5**	**2,873.5**	**2,944.8**	**2,984.9**	**3,044.2**
32 Compensation of employees	1,864.2	1,984.9	2,173.0	2,055.4	2,113.4	2,159.2	2,191.9	2,227.5
33 Wages and salaries	1,568.7	1,658.8	1,804.0	1,715.4	1,755.9	1,793.3	1,819.1	1,847.5
34 Government and government enterprises	306.6	328.2	349.8	335.0	342.9	347.5	352.0	356.9
35 Other	1,262.2	1,331.1	1,454.1	1,380.4	1,413.0	1,445.8	1,467.1	1,490.6
36 Supplement to wages and salaries	295.5	326.2	369.0	340.0	357.4	365.9	372.8	380.0
37 Employer contributions for social insurance	140.0	153.1	173.5	157.9	169.4	172.4	174.7	177.5
38 Other labor income	155.5	173.1	195.5	182.1	188.1	193.5	198.1	202.5
39 Proprietors' income[1]	111.1	121.7	154.2	131.9	154.9	149.8	153.7	158.3
40 Business and professional[1]	89.2	107.9	126.2	114.6	122.5	126.3	126.4	129.7
41 Farm[1]	21.8	13.8	28.0	17.3	32.5	23.4	27.3	28.6
42 Rental income of persons[2]	51.5	58.3	62.5	60.4	61.0	62.0	63.0	63.9
43 Corporate profits[1]	159.1	225.2	287.1	260.0	277.4	291.1	282.8	297.3
44 Profits before tax[3]	165.5	203.2	237.5	225.5	243.3	246.0	224.8	235.8
45 Inventory valuation adjustment	-9.5	-11.2	-5.9	-9.2	-13.5	-7.3	-.2	-2.8
46 Capital consumption adjustment	3.1	33.2	55.6	43.6	47.6	52.3	58.3	64.3
47 Net interest	260.9	256.6	285.1	258.9	266.8	282.8	293.5	297.3

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.
3. For after-tax profits, dividends, and the like, see table 1.48.

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

2.17 PERSONAL INCOME AND SAVING

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

Account	1982	1983	1984r	1983	1984			
				Q4	Q1	Q2	Q3	Q4
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**2,584.6**	**2,744.2**	**3,012.8**	**2,836.5**	**2,920.5**	**2,984.6**	**3,047.3**	**3,098.9**
2 Wage and salary disbursements	1,568.7	1,659.2	1,803.9	1,715.4	1,755.7	1,793.1	1,819.5	1,847.3
3 Commodity-producing industries	509.3	519.3	569.3	539.0	555.9	567.0	573.3	581.0
4 Manufacturing	382.9	395.2	433.9	411.9	424.6	432.2	436.4	442.5
5 Distributive industries	378.6	398.6	432.0	413.2	419.2	429.5	436.4	442.8
6 Service industries	374.3	413.1	452.8	428.2	437.9	449.3	457.3	466.8
7 Government and government enterprises	306.6	328.2	349.8	335.0	342.8	347.3	352.4	356.7
8 Other labor income	155.5	173.1	195.5	182.1	188.1	193.5	198.1	202.5
9 Proprietors' income[1]	111.1	121.7	154.2	131.9	154.9	149.8	153.7	158.3
10 Business and professional[1]	89.2	107.9	126.2	114.6	122.5	126.3	126.4	129.7
11 Farm[1]	21.8	13.8	28.0	17.3	32.5	23.4	27.3	28.6
12 Rental income of persons[2]	51.5	58.3	62.5	60.4	61.0	62.0	63.0	63.9
13 Dividends	66.5	70.3	77.7	72.8	75.0	77.2	78.5	80.2
14 Personal interest income	366.6	376.3	434.8	388.2	403.9	425.6	449.3	460.1
15 Transfer payments	376.1	405.0	416.7	408.8	411.3	415.2	418.6	421.8
16 Old-age survivors, disability, and health insurance benefits	204.5	221.6	237.3	227.7	232.1	235.2	238.2	243.5
17 LESS: Personal contributions for social insurance	111.4	119.6	132.5	123.2	129.6	131.8	133.4	135.2
18 EQUALS: Personal income	2,584.6	2,744.2	3,012.8	2,836.5	2,920.5	2,984.6	3,047.3	3,098.9
19 LESS: Personal tax and nontax payments	404.1	404.2	435.2	407.9	418.3	430.3	440.9	451.1
20 EQUALS: Disposable personal income	2,180.5	2,340.1	2,577.7	2,428.6	2,502.2	2,554.3	2,606.4	2,647.8
21 LESS: Personal outlays	2,044.5	2,222.0	2,420.8	2,300.0	2,349.6	2,409.5	2,442.3	2,482.0
22 EQUALS: Personal saving	136.0	118.1	156.8	128.7	152.5	144.8	164.1	165.8
MEMO								
Per capita (1972 dollars)								
23 Gross national product	6,369.7	6,543.4	6,924.9	6,681.4	6,829.4	6,933.2	6,943.2	6,993.2
24 Personal consumption expenditures	4,145.9	4,302.8	4,489.6	4,386.0	4,426.5	4,502.3	4,498.4	4,530.8
25 Disposable personal income	4,555.0	4,670.0	4,940.0	4,776.0	4,865.0	4,930.0	4,965.0	5,000.0
26 Saving rate (percent)	6.2	5.0	6.1	5.3	6.1	5.7	6.3	6.3
GROSS SAVING								
27 **Gross saving**	**408.8**	**437.2**	**554.3**	**485.7**	**543.9**	**551.0**	**556.4**	**565.8**
28 Gross private saving	524.0	571.7	676.7	615.0	651.3	660.2	689.4	705.9
29 Personal saving	136.0	118.1	156.8	128.7	152.5	144.8	164.1	165.8
30 Undistributed corporate profits[1]	29.2	76.5	116.7	100.0	107.0	115.3	118.4	125.9
31 Corporate inventory valuation adjustment	-9.5	-11.2	-5.9	-9.2	-13.5	-7.3	-.2	-2.8
Capital consumption allowances								
32 Corporate	221.8	231.2	246.3	236.4	239.9	244.1	248.1	252.9
33 Noncorporate	137.1	145.9	157.0	150.0	151.8	156.0	158.8	161.3
34 Wage accruals less disbursements	.0	.0	.0	.0	.0	.0	.0	.0
35 Government surplus, or deficit (-), national income and product accounts	-115.3	-134.5	-122.4	-129.3	-107.4	-109.2	-133.0	-140.1
36 Federal	-148.2	-178.6	-175.2	-180.5	-161.3	-163.7	-180.6	-195.3
37 State and local	32.9	44.1	52.8	51.2	53.9	54.5	47.6	55.2
38 Capital grants received by the United States, net	.0	.0	.0	.0	.0	.0	.0	.0
39 **Gross investment**	**408.3**	**437.7**	**n.a.**	**480.9**	**546.1**	**542.0**	**543.4**	**552.8**
40 Gross private domestic	414.9	471.6	637.0	540.0	623.8	627.0	662.8	634.3
41 Net foreign	-6.6	-33.9	-90.9	-59.1	-77.7	-85.0	-119.4	-81.5
42 **Statistical discrepancy**	**-.5**	**.5**	**-8.2**	**-4.8**	**2.2**	**-9.0**	**-13.0**	**-13.0**

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	1981	1982	1983	1983		1984		
				Q3	*Q4*	*Q1*	*Q2*	*Q3*[p]
1 Balance *on current account*	6,294	−9,199	−41,563	−11,846	−17,213	−19,673	−24,704	−32,900
2 Not seasonally adjusted	....	....	....	−14,498	−15,964	−18,616	−24,381	−35,471
3 Merchandise trade balance[2]	−28,001	−36,469	−61,055	−17,501	−19,407	−25,855	−25,845	−33,134
4 Merchandise exports	237,085	211,198	200,257	50,437	51,829	53,935	54,563	55,497
5 Merchandise imports	−265,086	−247,667	−261,312	−67,938	−71,236	−79,790	−80,408	−88,631
6 Military transactions, net	−1,116	195	515	−55	−273	−370	−404	−241
7 Investment income, net[3]	34,053	27,802	23,508	7,172	5,119	7,748	3,459	3,678
8 Other service transactions, net	8,191	7,331	4,121	681	434	951	243	−385
9 Remittances, pensions, and other transfers	−2,382	−2,635	−2,590	−665	−688	−717	−726	−711
10 U.S. government grants (*excluding military*)	−4,451	−5,423	−6,060	−1,478	−2,398	−1,430	−1,431	−2,107
11 Change in U.S. government assets, other than official reserve assets, net (increase, −)	−5,107	−6,143	−5,013	−1,204	−1,429	−2,037	−1,235	−1,474
12 Change in U.S. official reserve assets (increase, −)	−5,175	−4,965	−1,196	529	−953	−657	−565	−799
13 Gold	0	0	0	0	0	0	0	0
14 *Special drawing rights (SDRs)*	−1,823	−1,371	−66	−209	545	−226	−288	−271
15 Reserve position in International Monetary Fund	−2,491	−2,552	−4,434	−88	−1,996	−200	−321	−331
16 Foreign currencies	−861	−1,041	3,304	826	498	−231	44	−197
17 Change in *U.S.* private assets abroad (increase, −)[3]	−100,694	−107,790	−43,281	−8,548	−12,461	705	−17,237	18,297
18 Bank-reported claims	−84,175	−111,070	−25,391	−2,871	−8,239	1,955	−20,612	18,359
19 Nonbank-reported claims	−1,181	6,626	−5,333	−233	−1,671	1,659	2,120	n.a.
20 U.S. purchase of foreign securities, net	−5,714	−8,102	−7,676	−1,571	−983	637	−820	−1,167
21 U.S. direct investments abroad, net[3]	−9,624	4,756	−4,881	−3,873	−1,568	−3,546	2,075	1,105
22 Change in foreign official assets in the United States (*increase,* +)	5,003	3,318	5,339	−2,703	6,555	−2,784	−345	−1,022
23 U.S. Treasury securities	5,019	5,728	6,989	−611	2,603	−288	−310	−577
24 Other U.S. government obligations	1,289	−694	−487	−363	417	−8	147	85
25 Other U.S. government liabilities[4]	−300	382	199	137	161	242	448	−244
26 Other U.S. liabilities reported by U.S. banks	−3,670	−1,747	433	−1,403	3,498	−2,131	349	201
27 Other foreign official assets[5]	2,665	−351	−1,795	−463	−124	−599	−979	−487
28 Change in foreign private assets in the United States (increase, +)[3]	76,310	91,863	76,383	22,281	27,249	18,444	40,750	7,256
29 U.S. bank-reported liabilities	42,128	65,922	49,059	14,792	22,325	8,775	20,789	−3,879
30 U.S. nonbank-reported liabilities	917	−2,383	−1,318	1,311	−228	4,404	4,055	n.a.
31 *Foreign private purchases of U.S. Treasury securities, net*	2,946	7,062	8,731	995	1,673	1,358	6,477	5,153
32 Foreign purchases of other U.S. securities, net	7,171	6,396	8,612	1,861	1,134	1,516	587	1,684
33 Foreign direct investments in the United States, net[3]	23,148	14,865	11,299	3,322	2,345	2,391	8,842	4,298
34 Allocation of SDRs	1,093	0	0	0	0	0	0	0
35 Discrepancy	22,275	32,916	9,331	1,491	−1,748	6,002	3,336	10,642
36 Owing to seasonal adjustments	....	....	....	−2,518	2,657	−154	−104	−2,386
37 Statistical discrepancy in recorded data before seasonal adjustment	22,275	32,916	9,331	4,009	−4,405	6,156	3,440	13,028
MEMO								
Changes *in official assets*								
38 U.S. official reserve assets (increase, −)	−5,175	−4,965	−1,196	529	−953	−657	−565	−799
39 Foreign official assets in the United States (increase, +)	5,303	2,936	5,140	−2,840	6,394	−3,026	−793	−778
40 Change in Organization of Petroleum Exporting Countries official assets in the United States (part of line 22 above)	13,581	7,291	−8,639	−2,051	−1,640	−2,447	−2,170	2,274
41 Transfers under military grant programs (excluded from lines 4, 6, and 10 above)	675	593	205	49	84	41	44	45

1. *Seasonal factors are no longer calculated for lines 6, 10, 12–16, 18–20, 22–34, and 38–41.*

2. Data are on an international accounts (IA) basis. Differs from the Census basis data, shown in table 3.11, for reasons of coverage and timing; military exports are excluded from merchandise data and are included in line 6.

3. Includes reinvested earnings.

4. Primarily associated with military sales contracts and other transactions arranged with or through foreign official agencies.

5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

NOTE. Data are from Bureau of Economic Analysis, *Survey of Current Business* (Department of Commerce).

3.11 U.S. FOREIGN TRADE

Millions of dollars; monthly data are seasonally adjusted.

Item	1981	1982	1983	1984 June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments	233,677	212,193	200,486	17,633	19,442	18,036	18,177	18,387	18,373	19,230
2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses	261,305	243,952	258,048	25,356	31,883	26,567	29,430	26,313	27,033	26,169
3 **Trade balance**	**−27,628**	**−31,759**	**−57,562**	**−7,723**	**−12,440**	**−8,531**	**−11,253**	**−7,926**	**−8,661**	**−6,939**

NOTE. The data through 1981 in this table are reported by the Bureau of Census data of a free-alongside-ship (f.a.s.) value basis—that is, value at the port of export. Beginning in 1981, foreign trade of the U.S. Virgin Islands is included in the Census basis trade data; this adjustment has been made for all data shown in the table. Beginning with 1982 data, the value of imports are on a customs valuation basis.

The Census basis data differ from merchandise trade data shown in table 3.10, U.S. International Transactions Summary, for reasons of coverage and timing. On the *export side*, the largest adjustments are: (1) the addition of exports to Canada not covered in Census statistics, and (2) the exclusion of military sales (which are combined with other military transactions and reported separately in the "service account" in table 3.10, line 6). On the *import side*, additions are made for gold, ship purchases, imports of electricity from Canada, and other transactions; military payments are excluded and shown separately as indicated above.

SOURCE. FT900 "Summary of U.S. Export and Import Merchandise Trade" (Department of Commerce, Bureau of the Census).

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Type	1981	1982	1983	1984 July	Aug.	Sept.	Oct.	Nov.	Dec.	1985 Jan.
1 **Total**	**30,075**	**33,958**	**33,747**	**34,392**	**34,760**	**34,306**	**34,570**	**34,727**	**34,934**	**34,380**
2 Gold stock, including Exchange Stabilization Fund[1]	11,151	11,148	11,121	11,099	11,098	11,097	11,096	11,096	11,096	11,095
3 Special drawing rights[2,3]	4,095	5,250	5,025	5,453	5,652	5,554	5,539	5,693	5,641	5,693
4 Reserve position in International Monetary Fund[2]	5,055	7,348	11,312	11,735	11,820	11,619	11,618	11,675	11,541	11,322
5 Foreign currencies[4]	9,774	10,212	6,289	6,105	6,190	6,036	6,317	6,263	6,656	6,270

1. Gold held under earmark at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13. Gold stock is valued at $42.22 per fine troy ounce.
2. Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, 16 currencies were used; from January 1981, 5 currencies have been used. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974.
3. Includes allocations by the International Monetary Fund of SDRs as follows: $867 million on Jan. 1, 1970; $717 million on Jan. 1, 1971; $710 million on Jan. 1, 1972; $1,139 million on Jan. 1, 1979; $1,152 million on Jan. 1, 1980; and $1,093 million on Jan. 1, 1981; plus transactions in SDRs.
4. Valued at current market exchange rates.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS

Millions of dollars, end of period

Assets	1981	1982	1983	1984 July	Aug.	Sept.	Oct.	Nov.	Dec.	1985 Jan.
1 Deposits	505	328	190	215	242	206	270	392	253	244
Assets held in custody										
2 U.S. Treasury securities[1]	104,680	112,544	117,670	115,760	117,130	115,678	115,542	117,433	118,267	117,330
3 Earmarked gold[2]	14,804	14,716	14,414	14,270	14,258	14,256	14,260	14,265	14,265	14,261

1. Marketable U.S. Treasury bills, notes, and bonds; and nonmarketable U.S. Treasury securities payable in dollars and in foreign currencies.
2. Earmarked gold is valued at $42.22 per fine troy ounce.

NOTE. Excludes deposits and U.S. Treasury securities held for international and regional organizations. Earmarked gold is gold held for foreign and international accounts and is not included in the gold stock of the United States.

3.14 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data

Millions of dollars, end of period

Asset account	1981	1982	1983[r]	1984 June[r]	July[r]	Aug.[r]	Sept.[r]	Oct.[r]	Nov.	Dec.[p]
					All foreign countries					
1 **Total, all currencies**	**462,847**	**469,712**	**477,090**	**477,856**	**465,902**	**462,486**	**454,082**	**448,284**	**452,012**	**452,012**
2 Claims on United States	63,743	91,805	115,542	125,424	118,484	117,078	114,160	109,055	112,623	113,265
3 Parent bank	43,267	61,666	82,026	90,458	82,885	82,437	80,035	75,499	77,767	77,926
4 Other banks in United States[1]	20,476	30,139	33,516	13,980	13,987	13,216	13,125	12,591	13,553	13,968
5 Nonbanks[1]				20,986	21,612	21,425	21,000	20,965	21,303	21,371
6 Claims on foreigners	378,954	358,493	342,689	332,488	327,298	324,474	319,375	319,097	319,443	318,688
7 Other branches of parent bank	87,821	91,168	96,004	95,866	91,410	93,507	92,646	90,821	91,319	94,794
8 Banks	150,763	133,752	117,668	105,798	107,471	103,346	101,574	102,246	103,037	100,064
9 Public borrowers	28,197	24,131	24,517	23,292	23,291	22,654	22,554	23,030	22,914	23,037
10 Nonbank foreigners	112,173	109,442	107,785	107,532	105,126	104,967	102,601	103,000	102,173	100,793
11 Other assets	20,150	19,414	18,859	19,944	20,120	20,934	20,547	20,132	19,946	20,059
12 **Total payable in U.S. dollars**	**350,735**	**361,982**	**371,508**	**368,000**	**357,598**	**352,807**	**346,929**	**340,431**	**345,485**	**349,364**
13 Claims on United States	62,142	90,085	113,436	123,202	116,145	114,754	111,677	106,429	110,265	111,313
14 Parent bank	42,721	61,010	80,909	89,325	81,664	81,291	78,847	74,129	76,572	77,046
15 Other banks in United States[1]	19,421	29,075	32,527	13,759	13,674	12,897	12,769	12,338	13,355	13,786
16 Nonbanks[1]				20,118	20,807	20,566	20,061	19,962	20,338	20,481
17 Claims on foreigners	276,937	259,871	247,406	234,301	230,840	227,132	224,603	223,355	224,210	227,281
18 Other branches of parent bank	69,398	73,537	78,431	77,412	73,653	75,969	75,509	73,472	74,606	78,356
19 Banks	122,110	106,447	93,332	81,438	82,400	77,402	76,567	76,910	77,083	76,688
20 Public borrowers	22,877	18,413	17,890	17,045	17,186	16,783	16,943	17,302	17,359	17,245
21 Nonbank foreigners	62,552	61,474	60,977	58,406	57,601	56,978	55,584	55,671	55,162	54,992
22 Other assets	11,656	12,026	10,666	10,497	10,613	10,921	10,649	10,647	11,010	10,770
					United Kingdom					
23 **Total, all currencies**	**157,229**	**161,067**	**158,732**	**159,038**	**155,643**	**154,250**	**147,696**	**147,543**	**148,627**	**144,377**
24 Claims on United States	11,823	27,354	34,433	36,338	33,697	31,691	29,333	28,933	29,487	27,667
25 Parent bank	7,885	23,017	29,111	30,621	27,863	26,054	23,772	23,264	23,758	21,854
26 Other banks in United States[1]	3,938	4,337	5,322	1,252	1,273	1,087	1,327	1,214	1,484	1,429
27 Nonbanks[1]				4,465	4,561	4,550	4,234	4,455	4,245	4,384
28 Claims on foreigners	138,888	127,734	119,280	117,492	116,740	117,255	113,299	113,524	114,270	111,828
29 Other branches of parent bank	41,367	37,000	36,565	38,620	37,728	39,313	37,499	37,638	37,401	37,953
30 Banks	56,315	50,767	43,352	40,069	40,980	39,906	39,133	38,696	39,262	37,443
31 Public borrowers	7,490	6,240	5,898	5,876	5,786	5,510	5,330	5,441	5,424	5,334
32 Nonbank foreigners	33,716	33,727	33,465	32,927	32,246	32,526	31,337	31,749	32,183	31,098
33 Other assets	6,518	5,979	5,019	5,208	5,206	5,304	5,064	5,086	4,870	4,882
34 **Total payable in U.S. dollars**	**115,188**	**123,740**	**126,012**	**123,933**	**120,488**	**118,337**	**114,358**	**113,418**	**114,886**	**112,801**
35 Claims on United States	11,246	26,761	33,756	35,387	32,587	30,641	28,282	27,898	28,595	26,860
36 Parent bank	7,721	22,756	28,756	30,181	27,239	25,509	23,323	22,806	23,363	21,487
37 Other banks in United States[1]	3,525	4,005	5,000	1,144	1,149	950	1,195	1,113	1,437	1,363
38 Nonbanks[1]				4,062	4,199	4,182	3,764	3,979	3,795	4,010
39 Claims on foreigners	99,850	92,228	88,917	85,447	84,729	84,553	83,082	82,456	82,977	82,945
40 Other branches of parent bank	35,439	31,648	31,838	32,867	31,762	33,623	32,704	32,461	32,675	33,607
41 Banks	40,703	36,717	32,188	28,778	29,444	27,961	27,986	27,093	27,290	26,805
42 Public borrowers	5,595	4,329	4,194	4,284	4,288	3,983	3,879	4,063	4,094	4,030
43 Nonbank foreigners	18,113	19,534	20,697	19,518	19,235	18,986	18,513	18,839	18,918	18,503
44 Other assets	4,092	4,751	3,339	3,099	3,172	3,143	2,994	3,064	3,314	2,996
					Bahamas and Caymans					
45 **Total, all currencies**	**149,108**	**145,156**	**152,083**	**154,029**	**147,912**	**147,319**	**144,578**	**138,798**	**141,448**	**146,641**
46 Claims on United States	46,546	59,403	75,309	82,132	78,252	78,882	77,013	71,750	75,522	77,205
47 Parent bank	31,643	34,653	48,720	54,632	50,285	51,384	50,078	45,480	48,070	49,303
48 Other banks in United States[1]	14,903	24,750	26,589	11,891	11,932	11,540	11,072	10,716	11,283	11,858
49 Nonbanks[1]				15,609	16,035	15,958	15,863	15,554	16,169	16,044
50 Claims on foreigners	98,057	81,450	72,868	68,109	65,620	64,263	63,545	63,010	61,996	65,520
51 Other branches of parent bank	12,951	18,720	20,626	17,926	15,567	16,093	15,639	15,117	13,837	17,682
52 Banks	55,151	42,699	36,842	31,746	32,007	30,505	30,075	30,259	30,516	30,159
53 Public borrowers	10,010	6,413	6,093	5,993	6,000	5,883	6,119	6,040	6,060	6,077
54 Nonbank foreigners	19,945	13,618	12,592	12,444	12,046	11,782	11,712	11,594	11,583	11,602
55 Other assets	4,505	4,303	3,906	3,788	4,040	4,174	4,020	4,038	3,930	3,916
56 **Total payable in U.S. dollars**	**143,743**	**139,605**	**145,641**	**147,871**	**141,950**	**141,139**	**138,693**	**132,834**	**136,064**	**141,407**

1. Data for assets vis-a-vis other banks in the United States and vis-a-vis nonbanks are combined for dates prior to June 1984.

3.14 Continued

Liability account	1981	1982	1983[r]	1984 June[r]	1984 July[r]	1984 Aug.[r]	1984 Sept.[r]	1984 Oct.[r]	1984 Nov.	1984 Dec.[p]
	All foreign countries									
57 **Total, all currencies**	**462,847**	**469,712**	**477,090**	**477,856**	**465,902**	**462,486**	**454,082**	**448,284**	**452,012**	**452,012**
58 Negotiable CDs[2]	n.a.	n.a.	n.a.	43,421	41,297	41,656	39,866	38,520	37,915	37,725
59 To United States	137,767	179,015	188,070	162,578	155,231	152,635	147,003	139,402	138,354	146,808
60 Parent bank	56,344	75,621	81,261	81,025	78,067	77,160	75,026	74,756	70,339	78,110
61 Other banks in United States	19,197	33,405	29,453	23,174	22,365	19,693	20,120	18,913	18,613	18,386
62 Nonbanks	62,226	69,989	77,356	58,379	54,799	55,782	51,857	45,733	49,402	50,312
63 To foreigners	305,630	270,853	269,685	252,180	248,651	246,565	245,746	248,185	253,956	246,790
64 Other branches of parent bank	86,396	90,191	90,615	92,384	89,081	90,747	90,426	89,530	90,729	93,206
65 Banks	124,906	96,860	92,889	83,024	80,082	78,796	77,471	82,226	86,815	78,235
66 Official institutions	25,997	19,614	18,896	19,523	21,261	20,238	21,566	19,501	20,883	20,241
67 Nonbank foreigners	68,331	64,188	68,845	57,249	58,227	56,784	56,283	56,928	55,529	55,108
68 Other liabilities	19,450	19,844	19,335	19,677	20,723	21,630	21,467	22,177	21,787	20,689
69 **Total payable in U.S. dollars**	**364,447**	**379,270**	**388,291**	**385,338**	**374,735**	**370,356**	**364,247**	**356,342**	**361,660**	**365,594**
70 Negotiable CDs[2]	n.a.	n.a.	n.a.	40,852	38,990	39,610	37,629	36,102	35,608	35,227
71 To United States	134,700	175,528	184,305	158,034	150,973	148,102	142,482	135,131	134,159	142,764
72 Parent bank	54,492	73,295	79,035	78,316	75,542	74,574	72,254	72,245	67,814	75,625
73 Other banks in United States	18,883	33,040	28,936	22,593	21,749	19,019	19,457	18,259	18,064	17,880
74 Nonbanks	61,325	69,193	76,334	57,125	53,682	54,509	50,771	44,627	48,281	49,259
75 To foreigners	217,602	192,510	194,139	176,549	174,414	171,880	173,610	174,090	180,824	177,576
76 Other branches of parent bank	69,299	72,921	73,522	74,448	71,438	73,501	73,412	72,204	74,552	77,222
77 Banks	79,594	57,463	57,022	46,986	44,858	42,373	42,772	46,218	50,502	45,123
78 Official institutions	20,288	15,055	13,855	14,124	16,117	15,476	16,850	14,850	16,068	15,733
79 Nonbank foreigners	48,421	47,071	51,260	40,991	42,001	40,530	40,576	40,818	39,702	39,498
80 Other liabilities	12,145	11,232	9,847	9,903	10,358	10,764	10,526	11,019	11,069	10,027
	United Kingdom									
81 **Total, all currencies**	**157,229**	**161,067**	**158,732**	**159,038**	**155,643**	**154,250**	**147,696**	**147,543**	**148,627**	**144,377**
82 Negotiable CDs[2]	n.a.	n.a.	n.a.	39,840	37,998	38,265	36,600	34,948	34,269	34,413
83 To United States	38,022	53,954	55,799	31,949	29,682	29,667	27,280	26,558	25,338	25,254
84 Parent bank	5,444	13,091	14,021	18,532	16,730	18,127	16,130	16,598	15,116	14,651
85 Other banks in United States	7,502	12,205	11,328	4,701	4,277	3,548	3,451	3,388	3,040	3,118
86 Nonbanks	25,076	28,658	30,450	8,716	8,675	7,992	7,699	6,572	7,182	7,485
87 To foreigners	112,255	99,567	95,847	79,802	80,261	78,469	75,901	77,985	81,217	77,420
88 Other branches of parent bank	16,545	18,361	19,038	21,298	21,459	22,252	21,536	21,023	20,846	21,631
89 Banks	51,336	44,020	41,624	32,917	31,435	30,735	28,996	32,436	34,739	30,436
90 Official institutions	16,517	11,504	10,151	9,928	11,301	10,480	10,625	9,650	10,505	10,154
91 Nonbank foreigners	27,857	25,682	25,034	15,659	16,066	15,002	14,744	14,876	15,127	15,199
92 Other liabilities	6,952	7,546	7,086	7,447	7,702	7,849	7,915	8,052	7,803	7,290
93 **Total payable in U.S. dollars**	**120,277**	**130,261**	**131,167**	**128,922**	**126,294**	**124,260**	**119,337**	**118,084**	**119,278**	**117,457**
94 Negotiable CDs[2]	n.a.	n.a.	n.a.	38,463	36,757	37,219	35,398	33,703	33,168	33,070
95 To United States	37,332	53,029	54,691	30,602	28,349	28,027	25,738	25,178	24,024	24,077
96 Parent bank	5,350	12,814	13,839	18,244	16,390	17,701	15,679	16,209	14,742	14,339
97 Other banks in United States	7,249	12,026	11,044	4,486	4,018	3,244	3,131	3,144	2,830	2,941
98 Nonbanks	24,733	28,189	29,808	7,872	7,941	7,082	6,953	5,825	6,452	6,797
99 To foreigners	79,034	73,477	73,279	56,274	57,495	55,337	54,590	55,482	58,163	56,919
100 Other branches of parent bank	12,048	14,300	15,403	17,362	17,472	18,384	18,175	17,600	17,562	18,294
101 Banks	32,298	28,810	29,320	19,541	18,197	16,984	16,015	18,309	20,262	18,356
102 Official institutions	13,612	9,668	8,279	7,945	9,610	8,920	9,375	8,306	9,072	8,871
103 Nonbank foreigners	21,076	20,699	20,277	11,426	12,216	11,049	11,025	11,267	11,267	11,398
104 Other liabilities	3,911	3,755	3,197	3,583	3,693	3,677	3,586	3,721	3,923	3,391
	Bahamas and Caymans									
105 **Total, all currencies**	**149,108**	**145,156**	**152,083**	**154,029**	**147,912**	**147,319**	**144,578**	**138,798**	**141,448**	**146,641**
106 Negotiable CDs[2]	n.a.	n.a.	n.a.	1,065	965	905	788	878	898	615
107 To United States	85,759	104,425	111,299	111,047	106,338	103,915	100,682	95,084	95,831	102,804
108 Parent bank	39,451	47,081	50,980	46,050	45,098	42,373	42,064	42,850	40,516	47,161
109 Other banks in United States	10,474	18,466	16,057	16,989	16,498	14,742	15,459	14,143	14,155	13,922
110 Nonbanks	35,834	38,878	44,262	48,008	44,742	46,800	43,159	38,091	41,160	41,721
111 To foreigners	60,012	38,274	38,445	39,338	37,828	39,598	40,213	39,855	41,747	40,302
112 Other branches of parent bank	20,641	15,796	14,936	13,873	12,381	14,446	15,283	14,823	16,455	16,782
113 Banks	23,202	10,166	11,876	12,485	12,635	12,200	11,978	13,059	13,986	12,397
114 Official institutions	3,498	1,967	1,919	2,681	2,427	2,674	3,028	2,211	2,376	2,054
115 Nonbank foreigners	12,671	10,345	11,274	10,299	10,385	10,278	9,924	9,762	8,930	9,069
116 Other liabilities	3,337	2,457	2,339	2,579	2,781	2,901	2,895	2,981	2,972	2,920
117 **Total payable in U.S. dollars**	**145,284**	**141,908**	**148,278**	**149,959**	**143,961**	**143,294**	**140,902**	**135,143**	**137,712**	**143,420**

2. Before June 1984, liabilities on negotiable CDs were included in liabilities to the United States or liabilities to foreigners, according to the address of the initial purchaser.

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1982	1983	1984 June	July[r]	Aug.	Sept.	Oct.[r]	Nov.	Dec.[p]
1 **Total**[1]	**172,718**	**177,950[r]**	**174,084[r]**	**174,492**	**177,276[r]**	**173,407[r]**	**176,177**	**178,220**	**180,373**
By type									
2 Liabilities reported by banks in the United States[2]	24,989	25,534	23,737	25,869	26,381	24,038	26,893	25,779	26,000
3 U.S. Treasury bills and certificates[3]	46,658	54,341	53,977	51,974	54,022	54,627	55,780	59,570	59,976
U.S. Treasury bonds and notes									
4 Marketable	67,733	68,514	68,898[r]	69,075	70,441[r]	68,471[r]	67,647	67,045	68,940
5 Nonmarketable[4]	8,750	7,250	6,600	6,600	5,800	5,800	5,800	5,800	5,800
6 U.S. securities other than U.S. Treasury securities[5]	24,588	22,311[r]	20,872	20,974	20,632	20,471	20,057	20,026	19,657
By area									
7 Western Europe[1]	61,298	67,645	70,119[r]	68,749	70,399[r]	68,091[r]	68,682	70,825	70,005
8 Canada	2,070	2,438	994	1,250	1,434	1,069	1,321	1,466	1,528
9 Latin America and Caribbean	6,057	6,248	7,070	6,993	8,170	7,053	8,109	8,885	8,631
10 Asia	96,034	92,572	88,427	90,391	90,464	90,403[r]	91,491	89,677	93,505
11 Africa	1,350	958	996	970	838	897	967	1,316	1,234
12 Other countries[6]	5,909	8,089[r]	6,478	6,139	5,971	5,894	5,607	6,051	5,470

1. Includes the *Bank for International Settlements.*
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes bonds and notes payable in foreign currencies.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.
6. Includes countries in Oceania and Eastern Europe.

NOTE. Based on Treasury Department data and on data reported to the Treasury Department by banks (including Federal Reserve Banks) and securities dealers in the United States.

3.16 LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in Foreign Currencies

Millions of dollars, end of period

Item	1981	1982	1983	1984 Mar.	June	Sept.	Dec.[p]
1 Banks' own liabilities	3,523	4,844	5,219	5,817[r]	6,402	5,901	7,378
2 Banks' own claims	4,980	7,707	7,231	9,034	9,623	9,006	10,736
3 Deposits	3,398	4,251	2,731	4,024	4,280	3,696	3,925
4 Other claims	1,582	3,456	4,501	5,010	5,344	5,310	6,811
5 Claims of banks' domestic customers[1]	971	676	1,059	361	227	281	569

1. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of their domestic customers.

NOTE. Data on claims exclude foreign currencies held by U.S. monetary authorities.

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States
Payable in U.S. dollars

Millions of dollars, end of period

Holder and type of liability	1981▲	1982	1983	1984						
				June	July^r	Aug.	Sept.	Oct.^p	Nov.	Dec.^p
1 **All foreigners**	**243,889**	**307,056**	**369,607^r**	**402,237^r**	**398,282**	**396,436^r**	**398,598**	**388,951**	**398,530**	**405,109**
2 Banks' own liabilities	163,817	227,089	279,087^r	305,564^r	302,690	296,595^r	299,732	290,282	296,914	305,120
3 Demand deposits	19,631	15,889	17,470^r	17,618^r	16,355	16,229	17,198	16,490	17,447	19,635
4 Time deposits[1]	29,039	68,797	90,632^r	105,241^r	109,419	107,604^r	111,901	109,612	112,677	110,218
5 Other[2]	17,647	23,184	25,874^r	23,354^r	25,711	23,630	22,087	24,423	23,629	26,174
6 Own foreign offices[3]	97,500	119,219	145,111^r	159,350^r	151,205	149,132^r	148,546	139,758	143,161	149,092
7 Banks' custody liabilities[4]	80,072	79,967	90,520^r	96,673^r	95,593	99,842	98,866	98,669	101,616	99,990
8 U.S. Treasury bills and certificates[5]	55,315	55,628	68,669	72,191	71,244	74,148	73,160	73,295	76,531	75,838
9 Other negotiable and readily transferable instruments[6]	18,788	20,636	17,467^r	19,479^r	19,358	20,567	20,833	20,281	19,669	18,760
10 Other	5,970	3,702	4,385	5,003	4,990	5,127	4,873	5,094	5,417	5,391
11 **Nonmonetary international and regional organizations[7]**	**2,721**	**4,922**	**5,957**	**5,055**	**5,344**	**5,748**	**6,279**	**4,801**	**5,831**	**4,083**
12 Banks' own liabilities	638	1,909	4,632	2,920	2,612	1,960	3,305	2,053	2,779	1,644
13 Demand deposits	262	106	297	182	142	325	209	144	354	263
14 Time deposits[1]	58	1,664	3,584	2,209	2,213	1,446	2,526	1,513	2,114	1,092
15 Other[2]	318	139	750	529	257	189	570	396	311	288
16 Banks' custody liabilities[4]	2,083	3,013	1,325	2,135	2,732	3,788	2,975	2,748	3,052	2,440
17 U.S. Treasury bills and certificates	541	1,621	463	887	1,709	2,722	1,834	1,455	1,448	916
18 Other negotiable and readily transferable instruments[6]	1,542	1,392	862	1,248	1,023	1,067	1,140	1,292	1,604	1,524
19 Other	0	0	0	0	0	0	0	0	0	0
20 **Official institutions[8]**	**79,126**	**71,647**	**79,876**	**77,714**	**77,843**	**80,403**	**78,665**	**82,673**	**85,349**	**85,975**
21 Banks' own liabilities	17,109	16,640	19,427	16,616	18,504	18,222	16,274	19,247	18,738	18,952
22 Demand deposits	2,564	1,899	1,837	1,898	1,875	2,003	1,969	1,725	2,133	1,921
23 Time deposits[1]	4,230	5,528	7,318	7,548	8,028	8,060	7,877	8,695	9,461	9,307
24 Other[2]	10,315	9,212	10,272	7,169	8,601	8,158	6,429	8,828	7,145	7,724
25 Banks' custody liabilities[4]	62,018	55,008	60,448	61,098	59,338	62,181	62,391	63,426	66,611	67,024
26 U.S. Treasury bills and certificates[5]	52,389	46,658	54,341	53,977	51,974	54,022	54,627	55,780	59,570	59,976
27 Other negotiable and readily transferable instruments[6]	9,581	8,321	6,082	7,030	7,356	8,149	7,746	7,626	7,010	7,023
28 Other	47	28	25	91	9	10	18	20	31	25
29 **Banks[9]**	**136,008**	**185,881**	**226,887^r**	**253,566^r**	**249,537**	**243,552^r**	**246,077**	**233,654**	**238,414**	**246,739**
30 Banks' own liabilities	124,312	169,449	205,347^r	228,978^r	224,222	218,081^r	221,185	209,529	214,879	223,891
31 Unaffiliated foreign banks	26,812	50,230	60,236^r	69,627^r	73,017	68,949^r	72,640	69,771	71,718	74,799
32 Demand deposits	11,614	8,675	8,759^r	9,071^r	8,174	7,884	8,453	8,389	8,528	10,522
33 Time deposits[1]	8,720	28,386	37,439^r	45,591^r	48,663	46,901^r	49,763	46,755	47,702	47,028
34 Other[2]	6,477	13,169	14,038^r	14,965^r	16,180	14,164	14,424	14,627	15,489	17,248
35 Own foreign offices[3]	97,500	119,219	145,111^r	159,350^r	151,205	149,132^r	148,546	139,758	143,161	149,092
36 Banks' custody liabilities[4]	11,696	16,432	21,540	24,588	25,315	25,471	24,892	24,124	23,534	22,848
37 U.S. Treasury bills and certificates	1,685	5,809	10,178	12,771	13,022	12,766	12,234	11,828	11,409	10,927
38 Other negotiable and readily transferable instruments[6]	4,400	7,857	7,485	7,446	7,867	8,172	8,421	7,802	7,328	7,156
39 Other	5,611	2,766	3,877	4,371	4,426	4,534	4,236	4,494	4,797	4,766
40 **Other foreigners**	**26,035**	**44,606**	**56,887^r**	**65,903^r**	**65,558**	**66,733^r**	**67,576**	**67,824**	**68,937**	**68,312**
41 Banks' own liabilities	21,759	39,092	49,680^r	57,050^r	57,351	58,332^r	58,968	59,453	60,518	60,634
42 Demand deposits	5,191	5,209	6,577	6,466	6,163	6,017	6,567	6,232	6,433	6,929
43 Time deposits	16,030	33,219	42,290^r	49,893^r	50,515	51,195^r	51,735	52,648	53,400	52,791
44 Other[2]	537	664	813	691	672	1,120	665	573	685	914
45 Banks' custody liabilities[4]	4,276	5,514	7,207^r	8,853^r	8,207	8,401	8,609	8,372	8,419	7,678
46 U.S. Treasury bills and certificates	699	1,540	3,686	4,556	4,540	4,639	4,465	4,232	4,103	4,020
47 Other negotiable and readily transferable instruments[6]	3,265	3,065	3,038^r	3,756^r	3,111	3,180	3,525	3,560	3,727	3,058
48 Other	312	908	483	541	556	582	619	580	588	601
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	10,747	14,307	10,346^r	10,946^r	10,904	11,415	11,048	10,714	10,431	10,461

▲ Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents.

1. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
2. Includes borrowing under repurchase agreements.
3. U.S. banks: includes amounts due to own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. Agencies, branches, and majority-owned subsidiaries of foreign banks: principally amounts due to head office or parent foreign bank, and foreign branches, agencies or wholly owned subsidiaries of head office or parent foreign bank.
4. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
5. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
6. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
7. Principally the International Bank for Reconstruction and Development, and the Inter-American and Asian Development Banks.
8. Foreign central banks and foreign central governments, and the Bank for International Settlements.
9. Excludes central banks, which are included in "Official institutions."

3.17 Continued

Area and country	1981▲	1982	1983	1984 June	July	Aug.	Sept.	Oct.	Nov.	Dec.p
1 **Total**	**243,889**	**307,056**	**369,607r**	**402,237r**	**398,282r**	**396,436r**	**398,598**	**388,951r**	**398,530**	**405,109**
2 **Foreign countries**	**241,168**	**302,134**	**363,649r**	**397,182r**	**392,938r**	**390,688r**	**392,319**	**384,151r**	**392,700**	**401,026**
3 Europe	91,275	117,756	138,072r	156,086r	152,759r	150,785r	147,244	146,413r	149,517	151,566
4 Austria	596	519	585	770	668r	758	693	744	627	615
5 Belgium-Luxembourg	4,117	2,517	2,709	5,154r	4,848r	4,789	4,278	4,093	3,613	4,114
6 Denmark	333	509	466	291	429	408	341	337	434	438
7 Finland	296	748	531	1,248	947	489	638	407r	487	418
8 France	8,486	8,171	9,441	11,670	12,031	11,539	11,547	11,641r	11,934	12,701
9 Germany	7,645	5,351	3,599	3,663	3,973r	3,758	3,036	3,331r	3,378	3,346
10 Greece	463	537	520	596	600	566	567	609	602	699
11 Italy	7,267	5,626	8,462	8,148r	6,960	8,356r	8,266	8,976	11,056	10,757
12 Netherlands	2,823	3,362	4,290	5,735	5,615	5,116	5,239	4,421r	5,077	4,799
13 Norway	1,457	1,567	1,673	2,084	1,624	2,026	1,912	1,895	1,693	1,548
14 Portugal	354	388	373	425	440	539	434	540	552	597
15 Spain	916	1,405	1,603	1,774	1,825	1,971	1,984	1,905	1,873	2,080
16 Sweden	1,545	1,390	1,799	1,486	1,833	2,095	2,008	1,945	1,839	1,599
17 Switzerland	18,716	29,066	32,246r	35,174r	33,330r	32,919r	32,995	32,461r	31,445	31,097
18 Turkey	518	296	467	315	340	354	320	557	457	585
19 United Kingdom	28,286	48,172	60,683	69,885	69,767	67,976	65,445	65,384r	66,944	67,882
20 Yugoslavia	375	499	562	556	525	435	514	579	565	602
21 Other Western Europe[1]	6,541	7,006	7,403	6,459	6,539r	6,114r	6,247	6,062r	6,397	7,065
22 U.S.S.R.	49	50	65	41	31	47	41	50	54	79
23 Other Eastern Europe[2]	493	576	596	612	435r	532	738	476	488	546
24 Canada	10,250	12,232	16,026	17,572	19,221	18,170	17,536	16,767r	16,662	15,976
25 Latin America and Caribbean	85,223	114,163	140,088r	153,196r	149,541r	150,972r	152,069	145,771r	149,570	153,267
26 Argentina	2,445	3,578	4,038	4,535	4,439	4,411	4,384	4,484	4,606	4,424
27 Bahamas	34,856	44,744	55,818r	62,737r	60,075r	60,077r	58,321	52,912r	55,015	56,300
28 Bermuda	765	1,572	2,266r	2,559r	2,505r	2,763	3,177	3,043	3,309	2,369
29 Brazil	1,568	2,014	3,168	3,690	4,120	4,697	4,427	4,714	4,978	5,330
30 British West Indies	17,794	26,381	34,545	34,639r	33,984r	33,789	35,926	34,419r	34,336	36,901
31 Chile	664	1,626	1,842	1,970	2,176	2,070	1,874	2,052	2,185	2,001
32 Colombia	2,993	2,594	1,689	1,809	1,801	1,791	1,957	2,022	2,057	2,514
33 Cuba	9	9	8	9	7	7	8	8	8	10
34 Ecuador	434	455	1,047	908	845	951	931	924	1,029	1,092
35 Guatemala	479	670	788	825	811	831	810	855	884	896
36 Jamaica	87	126	109	157	116	126	180	122	110	186
37 Mexico	7,235	8,377	10,392	11,976	11,733r	12,268	12,869	12,466	13,426	12,692
38 Netherlands Antilles	3,182	3,597	3,879	4,459	4,253	4,261	4,179	4,187r	4,180	4,149
39 Panama	4,857	4,805	5,924	6,652	6,664	6,506	6,811	6,578	6,843	6,928
40 Peru	694	1,147	1,166	1,279	1,278	1,273	1,343	1,304	1,258	1,247
41 Uruguay	367	759	1,244	1,309	1,302	1,319	1,418	1,361	1,309	1,394
42 Venezuela	4,245	8,417	8,632	10,129	9,684	10,046	9,615	10,367	10,011	10,542
43 Other Latin America and Caribbean	2,548	3,291	3,535	3,553r	3,749r	3,786	3,839	3,952	4,027	4,292
44 Asia	49,822	48,716	58,570r	60,389r	61,884r	61,559r	66,397	66,028r	67,182	71,098
China										
45 Mainland	158	203	249	469	644	671	876	861	844	1,153
46 Taiwan	2,082	2,761	4,051r	4,672r	4,891r	4,799	4,970	5,041	5,355	4,976
47 Hong Kong	3,950	4,465	6,657	6,416	6,117	6,110	6,977	6,236r	6,535	7,240
48 India	385	433	464	498	621	800	644	616	606	506
49 Indonesia	640	857	997	1,281	911	1,137	939	1,339	884	1,026
50 Israel	592	606	1,722	768	804	726	750	2,017	1,023	1,268
51 Japan	20,750	16,078	18,079	19,433	19,442	19,792	21,310	19,644r	20,750	20,929
52 Korea	2,013	1,692	1,648	1,276	1,393	1,641	1,572	1,552	1,609	1,691
53 Philippines	874	770	1,234	1,032	976	1,084	1,020	1,097	1,252	1,380
54 Thailand	534	629	747	875	779	782	741	980	1,458	1,257
55 Middle-East oil-exporting countries[3]	12,992	13,433	12,976r	12,414r	14,792r	13,200	13,754	13,890r	13,436	16,779
56 Other Asia	4,853	6,789	9,748r	11,256r	10,515r	10,815r	12,844	12,755r	13,432	12,893
57 Africa	3,180	3,124	2,827	3,331	3,145	3,052	3,018	3,329r	3,492	3,454
58 Egypt	360	432	671	893	858	743	629	763	739	757
59 Morocco	32	81	84	133	128	119	136	115	117	118
60 South Africa	420	292	449	420	409	350	318	459	460	328
61 Zaire	26	23	87	136	99	101	148	141	163	152
62 Oil-exporting countries[4]	1,395	1,280	620	816	706	775	821	998	1,034	1,132
63 Other Africa	946	1,016	917	932	946	964	966	852r	978	967
64 Other countries	1,419	6,143	8,067	6,609	6,389	6,150	6,055	5,844	6,277	5,665
65 Australia	1,223	5,904	7,857	6,316	6,095	5,749	5,687	5,464	5,598	5,286
66 All other	196	239	210	293	294	401	368	379	679	379
67 Nonmonetary international and regional organizations	2,721	4,922	5,957	5,055	5,344	5,748	6,279	4,801	5,831	4,083
68 International	1,661	4,049	5,273	4,436	4,740	4,973	5,411	4,086	5,055	3,376
69 Latin American regional	710	517	419	438	431	445	488	518	593	587
70 Other regional[5]	350	357	265	180	173	330	381	196	183	120

▲ Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents.

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.

2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.

3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

4. Comprises Algeria, Gabon, Libya, and Nigeria.

5. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States
Payable in U.S. Dollars

Millions of dollars, end of period

Area and country	1981▲	1982	1983	1984						
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.p
1 **Total**	**251,589**	**355,705**	**391,312r**	**407,649r**	**404,168r**	**396,232r**	**393,959**	**383,444r**	**384,194**	**398,367**
2 **Foreign countries**	**251,533**	**355,636**	**391,148r**	**407,535r**	**403,959r**	**396,034r**	**393,888**	**382,762r**	**383,709**	**397,690**
3 Europe	49,262	85,584	91,927r	104,014r	102,311r	100,084r	98,173	95,370r	97,783	97,755
4 Austria	121	229	401	632	636r	581	572	521	537	574
5 Belgium-Luxembourg	2,849	5,138	5,639	6,724r	6,108r	6,156	6,286	5,363	4,984	4,639
6 Denmark	187	554	1,275	1,197r	1,189r	1,088r	1,057	544	520	648
7 Finland	546	990	1,044	1,100	928	872	882	887	1,093	891
8 France	4,127	7,251	8,766	9,375r	9,732	9,985r	9,094	8,822	9,309	9,091
9 Germany	940	1,876	1,284r	1,155r	1,142	1,257	1,220	1,097	1,261	1,293
10 Greece	333	452	476	1,036	979	974	1,086	929r	806	817
11 Italy	5,240	7,560	9,018	8,556	8,331	7,832	7,803	7,820r	8,850	9,074
12 Netherlands	682	1,425	1,267r	1,766r	1,811	1,440	1,470	1,190r	1,229	1,349
13 Norway	384	572	690	729	648	649	649	676	602	675
14 Portugal	529	950	1,114	1,463	1,503	1,433	1,387	1,346	1,262	1,239
15 Spain	2,095	3,744	3,573r	3,799r	3,955	3,700	3,355	3,189r	3,010	2,881
16 Sweden	1,205	3,038	3,358	3,191r	2,677	2,404	2,596	2,362	2,313	2,220
17 Switzerland	2,213	1,639	1,863r	1,909r	1,544r	1,580r	1,741	2,067	2,264	2,205
18 Turkey	424	560	812	1,160	1,210	1,145	1,132	1,145	1,097	1,130
19 United Kingdom	23,849	45,781	47,364r	56,026r	55,556r	54,752r	53,676	53,269r	54,510	54,982
20 Yugoslavia	1,225	1,430	1,718	1,808	1,817	1,857	1,888	1,868	1,898	1,886
21 Other Western Europe[1]	211	368	477	571	800	732	660	660r	603	611
22 U.S.S.R	377	263	192	175	172	175	176	159	169	142
23 Other Eastern Europe[2]	1,725	1,762	1,598	1,643	1,573	1,471	1,442	1,454r	1,467	1,406
24 Canada	9,193	13,678	16,341	17,459r	18,350	16,326	16,604	16,634r	15,870	16,020
25 Latin America and Caribbean	138,347	187,969	205,491r	209,196r	208,404r	203,465r	203,001	198,372r	198,799	207,487
26 Argentina	7,527	10,974	11,749	11,162	11,381	11,021	11,108	11,014r	10,980	11,028
27 Bahamas	43,542	56,649	59,633r	59,438r	58,479r	56,612r	55,216	52,006	54,084	58,027
28 Bermuda	346	603	566	559	543	509	508	551	638	659
29 Brazil	16,926	23,271	24,667	26,226	26,009r	25,991	26,140	26,146r	26,108	26,333
30 British West Indies	21,981	29,101	35,527r	37,701r	38,782r	35,390r	36,002	34,866r	33,633	37,915
31 Chile	3,690	5,513	6,072	6,492r	6,648	6,619	6,836	6,795r	6,703	6,850
32 Colombia	2,018	3,211	3,745	3,559	3,490	3,444	3,438	3,343	3,406	3,503
33 Cuba	3	3	0	21	0	0	0	0	0	0
34 Ecuador	1,531	2,062	2,307	2,373	2,396	2,380	2,365	2,452	2,431	2,420
35 Guatemala[3]	124	124	129	125	124	130	120	141	148	158
36 Jamaica[3]	62	181	215	216	219	216	225	234	222	252
37 Mexico	22,439	29,552	34,802r	35,227r	35,306r	35,016	35,602	35,364r	35,294	34,682
38 Netherlands Antilles	1,076	839	1,154	1,312	1,381	1,302	1,296	1,337	1,337	1,359
39 Panama	6,794	10,210	7,848	8,017r	7,057r	8,202	7,639	7,540r	7,351	7,702
40 Peru	1,218	2,357	2,536	2,473	2,487	2,401	2,397	2,416r	2,358	2,384
41 Uruguay	157	686	977	950	961	930	934	962	990	1,088
42 Venezuela	7,069	10,643	11,287	11,175r	10,836r	11,137	10,982	11,029	10,993	11,017
43 Other Latin America and Caribbean	1,844	1,991	2,277r	2,171r	2,306r	2,165	2,191	2,175r	2,123	2,112
44 Asia	49,851	60,952	67,837r	67,030r	64,812r	65,979r	66,006	62,356r	61,348	66,376
China										
45 Mainland	107	214	292	554	640	639	563	409r	545	710
46 Taiwan	2,461	2,288	1,908	1,702r	1,510r	1,573	1,651	1,588	1,679	1,853
47 Hong Kong	4,132	6,787	8,489r	8,141	6,967	6,809	7,139	7,155	6,933	7,357
48 India	123	222	330	355	323	295	354	302	381	427
49 Indonesia	352	348	805	969	952	906	886	821	797	731
50 Israel	1,567	2,029	1,832	1,910	1,827	1,869	1,802	1,890	1,938	2,082
51 Japan	26,797	28,379	30,354r	29,035r	27,727	29,005r	30,601	26,862r	26,392	29,036
52 Korea	7,340	9,387	9,943r	9,641r	9,799	9,547r	9,586	9,253r	8,896	9,266
53 Philippines	1,819	2,625	2,107	2,495	2,650	2,756	2,578	2,510	2,487	2,583
54 Thailand	565	643	1,219r	1,123r	1,120r	1,262r	1,113	1,072	1,112	1,125
55 Middle East oil-exporting countries[4]	1,581	3,087	4,954	5,118	5,214	4,924	4,506	4,650r	4,678	5,075
56 Other Asia	3,009	4,943	5,603	5,986	6,081	6,396	5,227	5,844r	5,510	6,131
57 Africa	3,503	5,346	6,654	6,840	7,048	6,969	6,830	6,862	6,719	6,616
58 Egypt	238	322	747	734	638	613	650	674	693	728
59 Morocco	284	353	440	497	549	556	545	582	536	583
60 South Africa	1,011	2,012	2,634	3,065	3,307	3,281	3,152	3,140	2,960	2,792
61 Zaire	112	57	33	39	43	30	18	18	19	18
62 Oil-exporting countries[5]	657	801	1,073	1,004	1,025	996	944	938	911	839
63 Other	1,201	1,802	1,727	1,502	1,485	1,493	1,522	1,510	1,600	1,655
64 Other countries	1,376	2,107	2,898r	2,996	3,036	3,210	3,274	3,169	3,189	3,436
65 Australia	1,203	1,713	2,256r	2,435	2,481	2,582	2,673	2,508r	2,487	2,760
66 All other	172	394	642	561	554	628	601	661	702	676
67 Nonmonetary international and regional organizations[6]	56	68	164	114	209	198	71	681	485	677

▲ Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents.

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."

NOTE. Data for period before April 1978 include claims of banks' domestic customers on foreigners.

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1981▲	1982	1983r	1984						
				Juner	Julyr	Aug.r	Sept.	Oct.r	Nov.	Dec.p
1 **Total**	**287,557**	**396,015**	**426,215**	**444,293**	....	....	**427,985**	....	....	**431,274**
2 Banks' own claims on foreigners	251,589	355,705	391,312	407,649	404,168	396,232	393,959	383,444	384,194	398,367
3 Foreign public borrowers	31,260	45,422	57,569	59,388	59,797	58,477	59,617	61,361	60,842	61,236
4 Own foreign offices[1]	96,653	127,293	146,393	158,219	155,665	153,652	152,030	143,576	144,394	155,905
5 *Unaffiliated foreign banks*	74,704	121,377	123,837	129,419	127,239	123,716	122,482	120,873	121,401	123,815
6 Deposits	23,381	44,223	47,126	49,074	48,340	46,990	47,379	46,778	45,803	48,028
7 Other	51,322	77,153	76,711	80,345	78,899	76,725	75,103	74,094	75,598	75,787
8 All other foreigners	48,972	61,614	63,514	60,624	61,467	60,387	59,830	57,634	57,558	57,411
9 Claims of banks' domestic customers[2]	35,968	40,310	34,903	36,643	....	....	34,026	....	....	32,907
10 Deposits	1,378	2,491	2,969	3,458	....	....	4,575	....	....	3,380
11 Negotiable and readily transferable instruments[3]	26,352	30,763	26,064	25,823	....	....	23,396	....	....	23,805
12 Outstanding collections and other claims	8,238	7,056	5,870	7,362	....	....	6,055	....	....	5,723
13 MEMO: Customer liability on acceptances	29,952	38,153	37,715	42,391	....	....	38,586	....	....	36,677
Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[4]	40,369	42,499	45,856	44,197	43,291	44,040	43,755r	42,231	44,506	n.a.

1. *U.S. banks:* includes amounts due from own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. *Agencies, branches, and majority-owned subsidiaries of foreign banks:* principally amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the account of their domestic customers.
3. Principally negotiable time certificates of deposit and bankers acceptances.
4. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see July 1979 BULLETIN, p. 550.

▲ Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents.

NOTE. Beginning April 1978, data for banks' own claims are given on a monthly basis, but the data for claims of banks' own domestic customers are available on a quarterly basis only.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Maturity; by borrower and area	1981▲	1982	1983	1984			
			Dec.r	Mar.r	Juner	Sept.	Dec.p
1 **Total**	**154,590**	**228,150**	**243,715**	**238,819**	**249,646**	**240,674**	**243,246**
By borrower							
2 Maturity of 1 year or less[1]	116,394	173,917	176,158	163,567	172,144	162,914	165,547
3 Foreign public borrowers	15,142	21,256	24,039	20,453	21,018	21,059	22,059
4 All other foreigners	101,252	152,661	152,120	143,114	151,126	141,854	143,489
5 Maturity of over 1 year[1]	38,197	54,233	67,557	75,252	77,501	77,760	77,699
6 Foreign public borrowers	15,589	23,137	32,521	36,333	37,797	38,410	39,594
7 All other foreigners	22,608	31,095	35,036	38,919	39,704	39,350	38,105
By area							
Maturity of 1 year or less[1]							
8 Europe	28,130	50,500	56,117	54,393	59,666	56,769	58,382
9 Canada	4,662	7,642	6,211	6,509	6,925	5,896	5,961
10 Latin America and Caribbean	48,717	73,291	73,660	65,658	65,109	61,479	60,500
11 Asia	31,485	37,578	34,403	31,206	34,002	32,252	33,796
12 Africa	2,457	3,680	4,199	4,472	4,790	4,798	4,442
13 All other[2]	943	1,226	1,569	1,330	1,652	1,720	2,466
Maturity of over 1 year[1]							
14 Europe	8,100	11,636	13,576	13,334	12,827	11,269	9,572
15 Canada	1,808	1,931	1,857	2,038	2,203	1,801	1,884
16 Latin America and Caribbean	25,209	35,247	43,888	51,233	54,271	56,577	57,821
17 Asia	1,907	3,185	4,850	5,150	5,098	5,106	5,303
18 Africa	900	1,494	2,286	2,291	1,865	1,857	2,011
19 All other[2]	272	740	1,101	1,206	1,237	1,150	1,107

▲ Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents.

1. Remaining time to maturity.
2. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks[1]

Billions of dollars, end of period

Area or country	1980	1981	1982		1983				1984		
			Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June[7]	Sept.[p]
1 **Total**	**352.0**	**415.2**	**438.4**	**438.7**	**443.8**	**439.9**	**432.0**	**438.0**	**434.0**	**429.8[r]**	**408.6**
2 G-10 countries and Switzerland	162.1	175.5	175.4	179.7	182.7	177.3	169.1	168.2	165.7	157.8	148.6
3 Belgium-Luxembourg	13.0	13.3	13.6	13.1	13.7	13.3	12.6	12.4	11.0	10.8	9.8
4 France	14.1	15.3	15.8	17.1	17.1	17.1	16.2	16.3	15.9	14.3	14.4
5 Germany	12.1	12.9	12.2	12.7	13.5	12.6	11.6	11.3	11.7	11.0	10.0
6 Italy	8.2	9.6	9.7	10.3	10.2	10.5	10.0	11.4	11.2	11.5	9.7
7 Netherlands	4.4	4.0	3.8	3.6	4.3	4.0	3.6	3.5	3.3	3.0	3.4
8 Sweden	2.9	3.7	4.7	5.0	4.3	4.7	4.9	5.1	5.2	4.3	3.5
9 Switzerland	5.0	5.5	5.1	5.0	4.6	4.8	4.2	4.3	4.3	4.2	3.9
10 United Kingdom	67.4	70.1	70.3	72.1	73.3	70.7	67.8	65.3	64.5	60.2	57.9
11 Canada	8.4	10.9	11.0	10.4	12.5	10.8	9.0	8.3	8.7	8.9	8.1
12 Japan	26.5	30.2	29.3	30.2	29.2	28.7	29.2	30.1	30.0	29.5	27.9
13 Other developed countries	21.6	28.4	32.7	33.7	34.0	34.5	34.3	36.1	35.7	37.1	36.3
14 Austria	1.9	1.9	2.0	1.9	2.1	2.1	1.9	1.9	2.0	2.0	1.8
15 Denmark	2.3	2.3	2.5	2.4	3.3	3.4	3.3	3.4	3.4	3.1	2.9
16 Finland	1.4	1.7	1.8	2.2	2.1	2.1	1.8	2.4	2.1	2.3	1.9
17 Greece	2.8	2.8	2.6	3.0	2.9	2.9	2.9	2.8	3.0	3.3	3.2
18 Norway	2.6	3.1	3.4	3.3	3.3	3.4	3.2	3.3	3.2	3.2	3.2
19 Portugal	.6	1.1	1.6	1.5	1.4	1.4	1.4	1.5	1.4	1.7	1.6
20 Spain	4.4	6.6	7.7	7.5	7.1	7.2	7.2	7.1	7.1	7.3	6.9
21 Turkey	1.5	1.4	1.5	1.4	1.5	1.4	1.5	1.7	1.9	2.0	1.9
22 Other Western Europe	1.7	2.1	2.1	2.3	2.3	2.0	2.1	1.8	1.8	1.9	1.7
23 South Africa	1.1	2.8	3.6	3.7	3.6	3.9	4.7	4.7	4.8	4.7	5.0
24 Australia	1.3	2.5	4.0	4.4	4.6	4.6	4.4	5.5	5.2	5.7	6.2
25 OPEC countries[2]	22.7	24.8	27.3	27.4	28.5	28.3	27.2	28.9	28.6	26.7	24.9
26 Ecuador	2.1	2.2	2.3	2.2	2.2	2.2	2.1	2.2	2.1	2.1	2.1
27 Venezuela	9.1	9.9	10.4	10.5	10.4	10.4	9.8	9.9	9.7	9.5	9.0
28 Indonesia	1.8	2.6	2.9	3.2	3.5	3.2	3.4	3.8	4.0	4.0	3.8
29 Middle East countries	6.9	7.5	9.0	8.7	9.3	9.5	9.1	10.0	9.8	8.4	7.4
30 African countries	2.8	2.5	2.7	2.8	3.0	3.0	2.8	3.0	3.0	2.7	2.5
31 Non-OPEC developing countries	77.4	96.3	104.1	107.1	108.1	108.8	109.8	111.5	112.0	113.3[r]	111.9
Latin America											
32 Argentina	7.9	9.4	9.2	8.9	9.0	9.4	9.5	9.5	9.5	9.2	9.1
33 Brazil	16.2	19.1	22.4	22.9	23.2	22.7	23.1	23.1	25.1	25.4	26.3
34 Chile	3.7	5.8	6.2	6.3	6.0	5.8	6.3	6.4	6.5	6.7	7.1
35 Colombia	2.6	2.6	2.8	3.1	2.9	3.2	3.2	3.2	3.1	3.0	2.9
36 Mexico	15.9	21.6	25.0	24.5	25.1	25.3	25.9	26.1	25.6	26.7	26.1
37 Peru	1.8	2.0	2.6	2.6	2.4	2.6	2.4	2.4	2.3	2.3	2.2
38 Other Latin America	3.9	4.1	4.3	4.0	4.2	4.3	4.2	4.2	4.3	4.0	3.9
Asia											
China											
39 Mainland	.2	.2	.2	.2	.2	.2	.2	.3	.3	.6	.5
40 Taiwan	4.2	5.1	4.9	5.3	5.1	5.1	5.2	5.3	4.9	5.3[r]	5.2
41 India	.3	.3	.5	.6	.7	.7	.8	1.0	1.0	1.0	1.1
42 Israel	1.5	2.1	1.9	2.3	2.0	2.3	1.7	1.9	1.6	1.9	1.7
43 Korea (South)	7.1	9.4	9.4	10.9	10.9	10.9	10.9	11.4	11.1	11.2	10.1
44 Malaysia	1.1	1.7	1.8	2.1	2.5	2.6	2.8	2.9	2.8	2.7	3.0
45 Philippines	5.1	6.0	6.1	6.3	6.6	6.4	6.2	6.2	6.7	6.3	5.9
46 Thailand	1.6	1.5	1.3	1.6	1.6	1.8	1.7	2.1	1.9	1.8	1.8
47 Other Asia	.6	1.0	1.3	1.1	1.4	1.2	1.0	1.0	.9	1.1	1.2
Africa											
48 Egypt	.8	1.1	1.3	1.2	1.1	1.3	1.4	1.5	1.5	1.4	1.2
49 Morocco	.7	.7	.8	.7	.8	.8	.8	.8	.8	.8	.8
50 Zaire	.2	.2	.1	.1	.1	.1	.1	.1	.1	.1	.1
51 Other Africa[3]	2.1	2.3	2.2	2.4	2.3	2.2	2.4	2.3	2.2	1.9	1.9
52 Eastern Europe	7.4	7.8	6.3	6.2	5.7	5.8	5.3	5.3	4.9	4.9	4.6
53 U.S.S.R.	.4	.6	.3	.3	.3	.4	.2	.2	.2	.2	.2
54 Yugoslavia	2.3	2.5	2.2	2.2	2.2	2.3	2.3	2.4	2.3	2.3	2.3
55 Other	4.6	4.7	3.8	3.7	3.2	3.0	2.8	2.8	2.5	2.4	2.1
56 Offshore banking centers	47.0	63.7	72.2	66.8	67.9	69.1	69.4	71.1	70.7	72.8	65.6
57 Bahamas	13.7	19.0	21.4	19.0	18.5	20.7	21.8	22.0	24.6	27.0	23.5
58 Bermuda	.6	.7	.8	.9	1.0	.8	.8	.9	.7	.7	1.0
59 Cayman Islands and other British West Indies	10.6	12.4	13.6	12.9	12.5	12.6	11.0	12.7	11.4	11.6	10.2
60 Netherlands Antilles	2.1	3.2	3.3	3.3	3.1	2.6	4.1	4.2	3.3	3.3	3.3
61 Panama[4]	5.4	7.7	8.1	7.6	7.1	6.6	5.7	6.0	6.3	6.4	5.6
62 Lebanon	.2	.2	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	8.1	11.8	15.1	13.9	15.1	14.5	15.2	14.9	14.4	13.5	12.6
64 Singapore	5.9	8.7	9.8	9.2	10.4	11.2	10.5	10.3	9.9	10.2	9.5
65 Others[5]	.3	.1	.0	.0	.0	.0	.1	.0	.0	.0	.0
66 Miscellaneous and unallocated[6]	14.0	18.8	20.4	17.9	16.9	16.2	16.9	17.0	16.4	17.3	16.8

1. The banking offices covered by these data are the U.S. offices and foreign branches of U.S.-owned banks and of U.S. subsidiaries of foreign-owned banks. Offices *not* covered include (1) U.S. agencies and branches of foreign banks, and (2) foreign subsidiaries of U.S. banks. To minimize duplication, the data are *adjusted to exclude the claims on foreign branches held by a U.S. office or another* foreign branch of the same banking institution. The data in this table combine foreign branch claims in table 3.14 (the sum of lines 7 through 10) with the claims of U.S. offices in table 3.18 (excluding those held by agencies and branches of foreign banks and those constituting claims on own foreign branches).

2. Besides the Organization of Petroleum Exporting Countries shown individually, this group includes other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates) as well as Bahrain and Oman (not formally members of OPEC).

3. Excludes Liberia.

4. Includes Canal Zone beginning December 1979.

5. Foreign branch claims only.

6. Includes New Zealand, Liberia, and international and regional organizations.

7. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

	Type, and area or country	1980	1981	1982	1983		1984		
					Sept.	Dec.	Mar.	June	Sept.^{p}
1	**Total**	**29,434**	**28,618**	**27,512**	**26,325**	**24,866**	**29,189**	**34,000**	**30,708**
2	Payable in dollars	25,689	24,909	24,280	23,546	21,918	25,968	30,815	27,910
3	Payable in foreign currencies	3,745	3,709	3,232	2,780	2,948	3,221	3,185	2,799
	By type								
4	Financial liabilities	11,330	12,157	11,066	10,900	10,349	14,165	18,327	15,854
5	Payable in dollars	8,528	9,499	8,858	9,025	8,619	12,134	16,297	14,069
6	Payable in foreign currencies	2,802	2,658	2,208	1,875	1,730	2,031	2,030	1,784
7	Commercial liabilities	18,104	16,461	16,446	15,425	14,516	15,024	15,674	14,855
8	Trade payables	12,201	10,818	9,438	8,567	7,736	7,865	7,897	6,921
9	Advance receipts and other liabilities	5,903	5,643	7,008	6,858	6,780	7,159	7,776	7,934
10	Payable in dollars	17,161	15,409	15,423	14,521	13,299	13,834	14,518	13,841
11	Payable in foreign currencies	943	1,052	1,023	904	1,218	1,190	1,155	1,014
	By area or country								
	Financial liabilities								
12	Europe	6,481	6,825	6,501	6,014	5,675	7,071	7,230	6,700
13	Belgium-Luxembourg	479	471	505	379	302	428	359	419
14	France	327	709	783	785	820	933	900	904
15	Germany	582	491	467	449	498	519	561	508
16	Netherlands	681	748	711	730	581	527	583	584
17	Switzerland	354	715	792	500	486	641	563	513
18	United Kingdom	3,923	3,565	3,102	3,014	2,839	3,790	4,013	3,471
19	Canada	964	963	746	788	768	798	735	820
20	Latin America and Caribbean	3,136	3,356	2,751	2,737	2,609	4,914	8,888	6,754
21	Bahamas	964	1,279	904	784	751	1,419	3,603	2,610
22	Bermuda	1	7	14	13	13	51	13	11
23	Brazil	23	22	28	32	32	37	25	32
24	British West Indies	1,452	1,241	1,027	1,095	1,018	2,635	4,457	3,244
25	Mexico	99	102	121	185	215	245	237	246
26	Venezuela	81	98	114	117	124	121	124	128
27	Asia	723	976	1,039	1,327	1,268	1,355	1,449	1,551
28	Japan	644	792	715	896	835	947	1,000	1,070
29	Middle East oil-exporting countries[2]	38	75	169	201	170	170	180	140
30	Africa	11	14	17	19	19	19	16	16
31	Oil-exporting countries[3]	1	0	0	0	0	0	0	0
32	All other[4]	15	24	12	15	10	9	9	13
	Commercial liabilities								
33	Europe	4,402	3,770	3,831	3,633	3,245	3,567	3,409	3,967
34	Belgium-Luxembourg	90	71	52	47	62	40	45	34
35	France	582	573	598	523	437	488	525	430
36	Germany	679	545	468	472	427	417	501	552
37	Netherlands	219	220	346	243	268	259	265	238
38	Switzerland	499	424	367	460	241	477	246	417
39	United Kingdom	1,209	880	1,027	967	732	847	794	1,133
40	Canada	888	897	1,495	1,418	1,841	1,776	1,840	1,923
41	Latin America and Caribbean	1,300	1,044	1,570	1,508	1,445	1,778	1,705	1,758
42	Bahamas	8	2	16	1	1	14	17	1
43	Bermuda	75	67	117	77	67	158	124	110
44	Brazil	111	67	60	48	44	68	31	68
45	British West Indies	35	2	32	14	6	33	5	8
46	Mexico	367	340	436	512	585	682	568	641
47	Venezuela	319	276	642	539	404	531	630	628
48	Asia	10,242	9,384	8,144	7,638	6,741	6,620	6,989	5,554
49	Japan	802	1,094	1,226	1,305	1,247	1,291	1,235	1,388
50	Middle East oil-exporting countries[2,5]	8,098	7,008	5,503	4,817	4,178	3,735	4,190	2,361
51	Africa	817	703	753	628	553	539	684	587
52	Oil-exporting countries[3]	517	344	277	231	167	243	217	251
53	All other[4]	456	664	651	600	692	743	1,046	1,067

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.
5. Revisions include a reclassification of transactions, which also affects the totals for Asia and the grand totals.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type, and area or country	1980	1981	1982	1983		1984		
				Sept.	Dec.	Mar.	June	Sept.[p]
1 **Total**	**34,482**	**36,185**	**28,725**	**32,934**	**34,547**	**32,773**	**31,322**	**29,537**
2 Payable in dollars	31,528	32,582	26,085	30,029	31,458	29,885	28,357	26,762
3 Payable in foreign currencies	2,955	3,603	2,640	2,905	3,089	2,888	2,965	2,775
By type								
4 Financial claims	19,763	21,142	17,684	22,038	23,416	21,911	20,874	19,254
5 Deposits	14,166	15,081	13,058	16,907	18,020	16,665	15,759	14,542
6 Payable in dollars	13,381	14,456	12,628	16,463	17,523	16,236	15,250	14,110
7 Payable in foreign currencies	785	625	430	445	497	428	510	432
8 Other financial claims	5,597	6,061	4,626	5,130	5,396	5,246	5,114	4,711
9 Payable in dollars	3,914	3,599	2,979	3,279	3,441	3,457	3,358	3,028
10 Payable in foreign currencies	1,683	2,462	1,647	1,851	1,955	1,788	1,756	1,683
11 Commercial claims	14,720	15,043	11,041	10,896	11,131	10,862	10,448	10,283
12 Trade receivables	13,960	14,007	9,994	9,562	9,721	9,540	9,105	8,867
13 Advance payments and other claims	759	1,036	1,047	1,334	1,410	1,321	1,343	1,416
14 Payable in dollars	14,233	14,527	10,478	10,287	10,494	10,191	9,749	9,624
15 Payable in foreign currencies	487	516	563	609	637	671	699	659
By area or country								
Financial claims								
16 Europe	6,069	4,596	4,873	6,232	6,440	6,179	6,259	5,424
17 Belgium-Luxembourg	145	43	15	25	37	30	37	15
18 France	298	285	134	135	154	175	151	162
19 Germany	230	224	178	161	159	148	161	187
20 Netherlands	51	50	97	89	71	57	158	62
21 Switzerland	54	117	107	34	38	90	61	64
22 United Kingdom	4,987	3,546	4,064	5,577	5,768	5,470	5,438	4,703
23 Canada	5,036	6,755	4,377	5,244	6,111	5,610	5,098	4,344
24 Latin America and Caribbean	7,811	8,812	7,546	9,500	9,809	9,079	8,238	8,320
25 Bahamas	3,477	3,650	3,279	3,829	4,745	3,787	3,122	3,162
26 Bermuda	135	18	32	62	96	3	5	5
27 Brazil	96	30	62	49	53	87	83	84
28 British West Indies	2,755	3,971	3,255	4,457	3,830	4,302	4,210	4,187
29 Mexico	208	313	274	315	291	279	230	232
30 Venezuela	137	148	139	137	134	130	124	128
31 Asia	607	758	698	764	764	753	963	893
32 Japan	189	366	153	257	297	309	307	376
33 Middle East oil-exporting countries[2]	20	37	15	8	4	7	8	7
34 Africa	208	173	158	151	147	144	158	160
35 Oil-exporting countries[3]	26	46	48	45	55	42	35	37
36 All other[4]	32	48	31	148	145	145	158	113
Commercial claims								
37 Europe	5,544	5,405	3,826	3,394	3,670	3,608	3,555	3,563
38 Belgium-Luxembourg	233	234	151	116	135	173	142	128
39 France	1,129	776	474	486	459	413	408	410
40 Germany	599	561	357	382	348	363	443	367
41 Netherlands	318	299	350	282	334	308	306	303
42 Switzerland	354	431	360	292	317	336	250	289
43 United Kingdom	929	985	811	738	809	787	812	888
44 Canada	914	967	633	792	829	1,061	933	1,024
45 Latin America and Caribbean	3,766	3,479	2,526	2,870	2,695	2,419	2,042	1,886
46 Bahamas	21	12	21	15	8	8	4	14
47 Bermuda	108	223	261	246	190	216	89	88
48 Brazil	861	668	258	611	493	357	310	219
49 British West Indies	34	12	12	12	7	7	8	10
50 Mexico	1,102	1,022	775	898	884	745	577	509
51 Venezuela	410	424	351	282	272	268	241	242
52 Asia	3,522	3,959	3,050	2,934	3,063	2,997	3,085	2,879
53 Japan	1,052	1,245	1,047	1,033	1,114	1,186	1,178	1,087
54 Middle East oil-exporting countries[2]	825	905	751	719	737	701	710	702
55 Africa	653	772	588	562	588	497	536	594
56 Oil-exporting countries[3]	153	152	140	131	139	132	128	135
57 All other[4]	321	461	417	344	286	280	297	338

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transactions, and area or country	1982	1983	1984 Jan.-Dec.	1984 June	1984 July	1984 Aug.	1984 Sept.	1984 Oct.	1984 Nov.	1984 Dec.p
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	41,881	69,770	60,457	4,553r	3,377r	7,255	4,052	4,657r	4,837	4,482
2 Foreign sales	37,981	64,360	63,394	4,902r	3,946r	7,399	4,892	5,398r	4,752	5,049
3 **Net purchases, or sales (−)**	**3,901**	**5,410**	**−2,937**	**−349r**	**−569r**	**−144**	**−840**	**−741r**	**86**	**−567**
4 **Foreign countries**	**3,816**	**5,312**	**−3,052**	**−359r**	**−578r**	**−290**	**−909**	**−752r**	**74**	**−466**
5 Europe	2,530	3,979	−2,992	−319r	−592r	−410	−690	−529r	−96	−359
6 France	−143	−97	−405	−3	−45	−28	−67	−37	−46	−54
7 Germany	333	1,045	−50	2	−38	−125	−63	−10	11	−105
8 *Netherlands*	*−63*	*−109*	*−315*	*76*	*−34*	*−19*	*−66*	*−47*	*−15*	*−29*
9 Switzerland	−579	1,325	−1,490	−120	−321	−358	−335	−130r	−34	249
10 United Kingdom	3,117	1,799	−664	−181r	−127r	146	−131	−251r	11	91
11 Canada	222	1,151	1,673	158	188	129	149	150	47	134
12 Latin America and Caribbean	317	529	493	38	−58	213	9	−89	30	67
13 Middle East[1]	366	−808r	−1,998	−215	−55	−214	207	−270	−12	−196
14 Other Asia	247	395r	−377	−27	−76r	−57	−160	−92	74	−97
15 Africa	2	42	−23	3	−2	−5	−6	−8	−8	−6
16 Other countries	131	24	171	2	16	54	−3	87	39	−11
17 **Nonmonetary international and regional organizations**	**85**	**98**	**115**	**10**	**9**	**147**	**69**	**11**	**11**	**−101**
BONDS[2]										
18 Foreign purchases	21,639	24,000r	39,154	2,004	3,082	2,885	3,356	6,994	4,899	6,359
19 Foreign sales	20,188	23,097r	26,030	1,795	2,503	2,030	2,035	3,060	2,556	2,901
20 **Net purchases, or sales (−)**	**1,451**	**903r**	**13,124**	**208**	**579**	**855**	**1,321**	**3,934**	**2,342**	**3,458**
21 **Foreign countries**	**1,479**	**888r**	**12,827**	**168**	**539**	**902**	**1,278**	**3,954**	**2,130**	**3,482**
22 Europe	2,082	909r	11,648	272	480	502	1,004	3,956	1,950	3,292
23 France	305	−89	207	4	33	17	8	143	−11	24
24 Germany	2,110	344r	1,728	122	256	181	19	606	139	182
25 Netherlands	33	51	93	11	3	16	2	22	−1	15
26 Switzerland	157	583r	644	35	13	49	9	253	159	276
27 United Kingdom	−589	434	8,378	77	−80	311	922	2,860	1,599	2,733
28 Canada	24	123	−71	32	−35	54	3	−3	13	14
29 Latin America and Caribbean	159	100	390	15	14	76	64	42r	44	78
30 Middle East[1]	−752	−1,161r	−1,011	−287	−60	1	−19	−232	−45	−179
31 Other Asia	−22	865	1,862	135	138	265	223	192	169	276
32 Africa	−19	0	1	0	0	1	1	0	−2	1
33 Other countries	7	52	9	0	1	3	3	0	2	0
34 **Nonmonetary international and regional organizations**	**−28**	**15**	**297**	**40**	**41**	**−48**	**43**	**−20**	**213**	**−24**
	Foreign securities									
35 Stocks, net purchases, or sales (−)	−1,341	−3,765	−1,074	35r	111r	−489r	−340	−318	−177	−221
36 Foreign purchases	7,163	13,281	14,584	1,126r	899r	1,284r	921	1,333	1,147	1,169
37 Foreign sales	8,504	17,046	15,658	1,161r	787r	1,773r	1,261	1,651	1,324	1,390
38 Bonds, net purchases, or sales (−)	−6,642r	−3,239r	−3,089	241	178r	−287r	−481	−1,187	−231	−662
39 Foreign purchases	27,167	36,333r	57,820	5,308	4,427	5,770	4,122	4,527r	6,601	5,619
40 Foreign sales	33,809r	39,572	60,909	5,066	4,249r	6,057r	4,604	5,714r	6,832	6,281
41 **Net purchases, or sales (−), of stocks and bonds**	**−7,983r**	**−7,004r**	**−4,163**	**207r**	**289r**	**−777r**	**−821**	**−1,505**	**−408**	**−882**
42 **Foreign countries**	**−6,817r**	**−6,559r**	**−4,061**	**192r**	**227r**	**−613r**	**−884**	**−1,470**	**−561**	**−461**
43 Europe	−2,584	−5,492r	−8,634	−473r	−468r	−602r	−962	−1,574	−707	−1,188
44 Canada	−2,363	−1,328r	413	122	174	−7	−198	−68	−23	254
45 Latin America and Caribbean	324r	1,120	2,474	465	237	127	28	217	207	104
46 Asia	−1,822	−855	1,686	80	331r	136r	169	−30	88	226
47 Africa	−9	141	−107	−4	−21	11	−14	−19	−16	3
48 Other countries	−364	−144r	107	−1r	−25	−5r	92	6	−110	139
49 **Nonmonetary international and regional organizations**	**−1,165**	**−445**	**−102**	**15**	**62**	**−163**	**64**	**−36**	**153**	**−422**

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Includes state and local government securities, and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Holdings and Transactions

Millions of dollars

Country or area	1982	1983	1984 Jan.–Dec.	1984 June	July	Aug.	Sept.	Oct.	Nov.	Dec.p
	Holdings (end of period)[1]									
1 **Estimated total[2]**	**85,220**	**88,913r**	....	**93,263r**	**94,862r**	**101,457r**	**97,664r**	**100,595r**	**102,792r**	**110,336**
2 Foreign countries[2]	80,637	83,799r	....	86,738r	87,909r	93,486r	91,755r	92,847r	95,140r	100,242
3 Europe[2]	29,284	35,509	....	39,287r	40,375r	44,365r	43,653r	44,448r	45,223r	46,571
4 Belgium-Luxembourg	447	16	....	135	138	171	191	218	259	305
5 Germany[2]	14,841	17,290	....	19,735	19,627	20,663	19,915	19,876	19,913	20,249
6 Netherlands	2,754	3,129	....	3,003r	3,109r	3,122r	3,116r	3,574r	3,567	3,583
7 Sweden	677	847	....	940	957	905	981	980	981	893
8 Switzerland[2]	1,540	1,118	....	1,752	2,021	2,089	2,188	2,015	1,728	1,753
9 United Kingdom	6,549	8,515	....	9,200	9,443	12,301	11,988	12,729	12,974	13,742
10 Other Western Europe	2,476	4,594	....	4,528r	5,087r	5,122r	5,275r	5,056r	5,803	6,048
11 Eastern Europe	0	0	....	−1	−1	−1	−1	−1	−1	−1
12 Canada	602	1,301	....	1,600	1,631	1,862	2,149	2,386	2,578	2,827
13 Latin America and Caribbean	1,076	863	....	676r	133r	446r	611	931	1,897	2,277
14 Venezuela	188	64	....	75	75	76	79	80	88	78
15 Other Latin America and Caribbean	656	716	....	488r	590r	822	914	975	1,032	1,245
16 Netherlands Antilles	232	83	....	112	−532	−452	−382	−124	777	955
17 Asia	49,543	46,008r	....	45,011r	45,575r	46,575r	45,100	44,797	45,166	48,371
18 Japan	11,578	13,892r	....	15,334r	15,719r	16,248r	16,230r	17,082r	18,369	19,954
19 Africa	77	79	....	88	88	−11	15	15	10	12
20 All other	55	38	....	77	108	250	227	271	266	183
21 Nonmonetary international and regional organizations	4,583	5,114	....	6,525	6,953r	7,971	5,909	7,748	7,652	10,094
22 International	4,186	4,404	....	5,860	6,241	7,340	5,191	6,843	6,655	9,016
23 Latin American regional	6	6	....	6	6	6	6	6	6	6
	Transactions (net purchases, or sales (−) during period)									
24 **Total[2]**	**14,972**	**3,693r**	**21,423**	**−114**	**1,599**	**6,596**	**−3,799**	**2,931**	**2,197**	**7,544**
25 Foreign countries[2]	16,072	3,162r	16,443	972	1,172	5,576	−1,736	1,092	2,293	5,102
26 Official institutions	14,550	779	453	−896r	177	1,366	−1,968	−823	−602	1,895
27 Other foreign[2]	1,518	2,382r	15,990	1,868r	994	4,210	232	1,915	2,895	3,207
28 Nonmonetary international and regional organizations	−1,097	535	4,981	−1,086	428	1,020	−2,063	1,839	−96	2,441
MEMO: Oil-exporting countries										
29 Middle East[3]	7,575	−5,419	−6,277	67	−312	−411	−144	−983	−1,284	−200
30 Africa[4]	−552	−1	−101	0	0	−100	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.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Percent per annum

Country	Rate on Jan. 31, 1985		Country	Rate on Jan. 31, 1985		Country	Rate on Jan. 31, 1985	
	Per-cent	Month effective		Per-cent	Month effective		Per-cent	Month effective
Austria	4.5	June 1984	France[1]	10.75	Nov. 1984	Norway	8.0	June 1979
Belgium	11.0	Feb. 1984	Germany, Fed. Rep. of	4.5	June 1984	Switzerland	4.0	Mar. 1983
Brazil	49.0	Mar. 1981	Italy	16.5	Sept. 1984	United Kingdom[2]	....	....
Canada	10.09	Dec. 1984	Japan	5.0	Oct. 1983	Venezuela	11.0	May 1983
Denmark	7.0	Oct. 1983	Netherlands	5.0	Sept. 1983			

1. As of the end of February 1981, the rate is that at which the Bank of France discounts Treasury bills for 7 to 10 days.
2. Minimum lending rate suspended as of Aug. 20, 1981.

NOTE. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper and/or government commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood the central bank transacts the largest proportion of its credit operations.

3.27 FOREIGN SHORT-TERM INTEREST RATES

Percent per annum, averages of daily figures

Country, or type	1982	1983	1984	1984 July	Aug.	Sept.	Oct.	Nov.	Dec.	1985 Jan.
1 Eurodollars	12.24	9.57	10.75	12.02	11.81	11.67	10.77	9.50	8.90	8.37
2 United Kingdom	12.21	10.06	9.91	11.38	11.09	10.79	10.60	9.87	9.74	11.63
3 Canada	14.38	9.48	11.29	13.03	12.41	12.20	11.99	11.09	10.41	9.70
4 Germany	8.81	5.73	5.96	6.09	6.00	5.81	6.06	5.92	5.81	5.84
5 Switzerland	5.04	4.11	4.35	4.72	4.81	5.04	5.23	5.03	4.96	5.13
6 Netherlands	8.26	5.58	6.08	6.39	6.26	6.23	6.16	5.87	5.77	5.87
7 France	14.61	12.44	11.66	11.70	11.37	11.00	10.75	10.54	10.66	10.43
8 Italy	19.99	18.95	17.08	16.73	16.50	17.28	17.13	17.13	16.86	15.82
9 Belgium	14.10	10.51	11.41	11.90	11.73	11.16	11.00	10.81	10.75	10.75
10 Japan	6.84	6.49	6.32	6.31	6.35	6.33	6.31	6.32	6.33	6.27

NOTE. Rates are for 3-month interbank loans except for Canada, finance company paper; Belgium, 3-month Treasury bills; and Japan, Gensaki rate.

3.28 FOREIGN EXCHANGE RATES

Currency units per dollar

Country/currency	1982	1983	1984	1984 Aug.	1984 Sept.	1984 Oct.	1984 Nov.	1984 Dec.	1985 Jan.
1 Australia/dollar[1]	101.65	90.14	87.937	84.73	83.08	83.64	85.88	84.00	81.51
2 Austria/schilling	17.060	17.968	20.005	20.268	21.293	21.557	21.075	21.802	22.267
3 Belgium/franc	45.780	51.121	57.749	58.282	61.132	62.048	60.475	62.380	63.455
4 Brazil/cruzeiro	179.22	573.27	1841.50	1994.30	2226.79	2453.64	2734.16	3008.55	3346.67
5 Canada/dollar	1.2344	1.2325	1.2953	1.3035	1.3145	1.3189	1.3168	1.3201	1.3240
6 China, P.R./yuan	1.8978	1.9809	2.3308	2.3718	2.5469	2.6488	2.6785	2.7953	2.8160
7 Denmark/krone	8.3443	9.1483	10.354	10.5174	10.9753	11.090	10.824	11.126	11.330
8 Finland/markka	4.8086	5.5636	6.0007	6.0626	6.2783	6.3726	6.2653	6.4563	6.6368
9 France/franc	6.5793	7.6203	8.7355	8.8567	9.3041	9.4108	9.1981	9.5083	9.7036
10 Germany/deutsche mark	2.428	2.5539	2.8454	2.8856	3.0314	3.0678	2.9985	3.1044	3.1706
11 Greece/drachma	66.872	87.895	112.73	115.11	120.40	126.06	123.63	127.26	129.38
12 Hong Kong/dollar	6.0697	7.2569	7.8188	7.8388	7.8430	7.8242	7.8235	7.8287	7.8110
13 India/rupee	9.4846	10.1040	11.348	11.556	11.858	12.027	12.078	12.293	12.612
14 Ireland/pound[1]	142.05	124.81	108.64	106.84	102.28	100.85	103.41	100.37	98.23
15 Israel/shekel	24.407	55.865	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
16 Italy/lira	1354.00	1519.30	1756.10	1780.47	1870.79	1898.98	1863.05	1912.52	1948.76
17 Japan/yen	249.06	237.55	237.45	242.26	245.46	246.75	243.63	247.96	254.18
18 Malaysia/ringgit	2.3395	2.3204	2.3448	2.3331	2.3528	2.4076	2.4300	2.4164	2.4804
19 Mexico/peso	72.990	155.01	192.31	196.98	197.71	203.33	210.79	219.56	227.56
20 Netherlands/guilder	2.6719	2.8543	3.2083	3.2539	3.4188	3.4597	3.3817	3.5035	3.5819
21 New Zealand/dollar[1]	75.101	66.790	57.837	49.912	48.953	48.614	49.278	48.260	47.040
22 Norway/krone	6.4567	7.3012	8.1596	8.2991	8.6246	8.8721	8.7175	8.9805	9.1765
23 Philippines/peso	8.5324	11.0940	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
24 Portugal/escudo	80.101	111.610	147.70	151.02	158.45	163.36	163.10	167.31	172.56
25 Singapore/dollar	2.1406	2.1136	2.1325	2.1472	2.1635	2.1667	2.1554	2.1732	2.2011
26 South Africa/rand[1]	92.297	89.85	69.534	63.76	60.08	56.54	55.47	52.66	46.34
27 South Korea/won	731.93	776.04	807.91	811.42	815.82	820.03	818.89	825.73	832.16
28 Spain/peseta	110.09	143.500	160.78	164.41	170.19	172.15	168.10	171.98	175.13
29 Sri Lanka/rupee	20.756	23.510	25.428	25.285	25.605	25.906	26.075	26.213	26.392
30 Sweden/krona	6.2838	7.6717	8.2706	8.3489	8.5892	8.6887	8.5957	8.8614	9.0716
31 Switzerland/franc	2.0327	2.1006	2.3500	2.4150	2.5049	2.5245	2.4700	2.5602	2.6590
32 Taiwan/dollar	n.a.	n.a.	39.633	39.092	39.159	39.226	39.419	39.509	39.209
33 Thailand/baht	23.014	22.991	23.582	23.018	23.013	23.020	26.736	27.091	27.330
34 United Kingdom/pound[1]	174.80	151.59	133.66	131.32	125.63	121.96	123.92	118.61	112.71
35 Venezuela/bolivar	4.2981	10.6840	n.a.	12.725	n.a.	n.a.	n.a.	n.a.	n.a.
MEMO									
United States/dollar[2]	116.57	125.34	138.19	140.21	145.70	147.56	144.92	149.24	152.83

1. Value in U.S. cents.
2. Index of weighted-average exchange value of U.S. dollar against currencies of other G-10 countries plus Switzerland. March 1973 = 100. Weights are 1972–76 global trade of each of the 10 countries. Series revised as of August 1978. For description and back data, see "Index of the Weighted-Average Exchange Value of the U.S. Dollar: Revision" on p. 700 of the August 1978 BULLETIN.

NOTE. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) release. For address, see inside front cover.

Guide to Tabular Presentation, Statistical Releases, and Special Tables

GUIDE TO TABULAR PRESENTATION

Symbols and Abbreviations

c	Corrected	0	Calculated to be zero
e	Estimated	n.a.	Not available
p	Preliminary	n.e.c.	Not elsewhere classified
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)	IPCs	Individuals, partnerships, and corporations
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)	REITs	Real estate investment trusts
		RPs	Repurchase agreements
		SMSAs	Standard metropolitan statistical areas
		. . . . .	Cell not applicable

General Information

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local government" also includes municipalities, special districts, and other political subdivisions.

In some of the tables details do not add to totals because of rounding.

STATISTICAL RELEASES

List Published Semiannually, with Latest Bulletin Reference

	Issue	*Page*
Anticipated schedule of release dates for periodic releases	December 1984	A77

SPECIAL TABLES

Published Irregularly, with Latest Bulletin Reference

Assets and liabilities of commercial banks, March 31, 1983	August 1983	A70
Assets and liabilities of commercial banks, June 30, 1983	December 1983	A68
Assets and liabilities of commercial banks, September 30, 1983	March 1984	A68
Assets and liabilities of commercial banks, December 31, 1983	June 1984	A66
Assets and liabilities of U.S. branches and agencies of foreign banks, December 31, 1983	June 1984	A72
Assets and liabilities of U.S. branches and agencies of foreign banks, March 31, 1984	November 1984	A4
Assets and liabilities of U.S. branches and agencies of foreign banks, June 30, 1984	April 1985	A70
Assets and liabilities of U.S. branches and agencies of foreign banks, September 30, 1984	April 1985	A74

Special tables begin on next page.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, June 30, 1984[1]

Millions of dollars

Item	All states[2]			New York		California, total[4]	Illinois, branches	Other states[2]	
	Total	Branches[3]	Agencies	Branches[3]	Agencies			Branches	Agencies
1 **Total assets**[5]	**251,835**	**196,633**	**55,202**	**175,019**	**5,803**	**45,717**	**11,777**	**6,613**	**6,906**
2 Cash and due from depository institutions	54,479	49,704	4,775	46,601	331	4,613	2,057	492	384
3 Currency and coin (U.S. and foreign)	22	19	2	14	1	2	2	2	1
4 Balances with Federal Reserve Banks	990	924	66	829	14	45	24	54	25
5 Balances with other central banks	46	46	0	38	0	0	8	0	0
6 Demand balances with commercial banks in United States	1,409	1,237	171	1,117	53	95	80	21	42
7 All other balances with depository institutions in United States and with banks in foreign countries	51,732	47,209	4,522	44,343	259	4,465	1,939	414	312
8 Time and savings balances with commercial banks in United States	25,249	22,556	2,693	20,886	213	2,585	1,128	250	187
9 Balances with other depository institutions in United States	541	528	14	516	0	13	0	11	1
10 Balances with banks in foreign countries	25,941	24,125	1,816	22,940	46	1,867	811	152	125
11 Foreign branches of U.S. banks	2,056	2,020	36	1,953	10	36	57	0	0
12 Other banks in foreign countries	23,885	22,105	1,780	20,987	36	1,831	753	152	125
13 Cash items in process of collection	281	268	13	260	4	6	5	2	4
14 **Total securities, loans, and lease financing receivables**	**143,843**	**109,205**	**34,638**	**94,521**	**4,364**	**27,560**	**9,046**	**3,303**	**5,049**
15 Total securities, book value	9,790	8,888	902	8,412	103	801	319	33	122
16 U.S. Treasury	4,962	4,744	218	4,522	87	54	174	25	100
17 Obligations of other U.S. government agencies and corporations	538	518	20	512	1	16	1	2	6
18 Obligations of states and political subdivisions in United States	66	56	10	41	0	1	14	1	9
19 Other bonds, notes, debentures, and corporate stock	4,224	3,570	654	3,337	15	731	129	5	7
20 Federal funds sold and securities purchased under agreements to resell	6,923	5,965	958	5,722	521	374	158	73	74
By holder									
21 Commercial banks in United States	6,120	5,463	656	5,220	234	359	158	73	74
22 Others	804	502	302	502	287	15	0	0	0
By type									
23 One-day maturity or continuing contract	6,364	5,406	958	5,163	521	374	158	73	74
24 Securities purchased under agreements to resell	269	222	47	222	40	0	0	0	7
25 Other	6,095	5,183	912	4,940	482	374	158	73	67
26 Other securities purchased under agreements to resell	559	559	0	559	0	0	0	0	0
27 Total loans, gross	134,423	100,638	33,785	86,418	4,264	26,804	8,733	3,275	4,929
28 Less: Unearned income on loans	369	320	49	308	4	45	6	4	2
29 Equals: Loans, net	134,053	100,317	33,736	86,110	4,261	26,759	8,727	3,270	4,927
Total loans, gross, by category									
30 Real estate loans	4,883	2,147	2,736	1,377	16	1,996	225	252	1,017
31 Loans to financial institutions	52,156	40,245	11,911	35,654	887	10,784	3,606	497	727
32 Commercial banks in United States	28,605	21,670	6,935	19,170	234	6,946	1,830	316	109
33 U.S. branches and agencies of other foreign banks	24,302	17,717	6,585	15,708	199	6,660	1,361	304	69
34 Other commercial banks	4,303	3,953	350	3,462	35	286	468	12	40
35 Banks in foreign countries	21,181	16,401	4,779	14,747	596	3,714	1,349	180	594
36 Foreign branches of U.S. banks	870	688	182	639	0	210	16	5	0
37 Other	20,311	15,713	4,597	14,108	596	3,504	1,333	175	594
38 Other financial institutions	2,370	2,173	197	1,737	57	125	428	1	23
39 Loans for purchasing or carrying securities	1,080	1,079	1	1,001	1	77	0	1	0
40 Commercial and industrial loans	58,753	43,683	15,070	35,790	1,861	12,010	4,332	2,316	2,443
41 U.S. addressees (domicile)	35,859	25,874	9,985	19,452	259	8,878	3,726	1,624	1,920
42 Non-U.S. addressees (domicile)	22,894	17,809	5,085	16,339	1,602	3,133	606	691	524
43 Loans to individuals for household, family, and other personal expenditures	252	226	26	179	2	27	8	29	8
44 All other loans	17,298	13,258	4,040	12,417	1,498	1,909	562	180	733
45 Loans to foreign governments and official institutions	16,444	12,547	3,897	11,784	1,477	1,799	532	146	706
46 Other	854	711	143	633	20	110	29	34	27
47 Lease financing receivables	0	0	0	0	0	0	0	0	0
48 All other assets	46,590	31,759	14,831	28,174	587	13,169	516	2,745	1,399
49 Customers' liability on acceptances outstanding	15,909	12,238	3,671	11,783	131	3,468	197	228	103
50 U.S. addressees (domicile)	9,907	6,981	2,926	6,763	31	2,890	174	29	20
51 Non-U.S. addressees (domicile)	6,002	5,257	745	5,020	100	578	23	199	83
52 Net due from related banking institutions[6]	24,365	14,611	9,755	12,017	262	8,598	26	2,388	1,075
53 Other	6,315	4,910	1,405	4,374	194	1,104	293	129	221

4.30 Continued

Item	All states[2]			New York		California, total[4]	Illinois, branches	Other states[2]	
	Total	Branches[3]	Agencies	Branches[3]	Agencies			Branches	Agencies
54 **Total liabilities[5]**	**251,875**	**196,633**	**55,202**	**175,019**	**5,803**	**45,717**	**11,777**	**6,613**	**6,906**
55 Total deposits and credit balances	132,292	114,725	17,567	105,079	2,034	14,909	3,838	3,898	2,534
56 Individuals, partnerships, and corporations	40,698	37,863	2,835	32,574	87	1,568	1,013	3,358	2,098
57 U.S. addressees (domicile)	21,530	21,464	66	17,122	18	386	735	3,253	17
58 Non-U.S. addressees (domicile)	19,168	16,399	2,769	15,453	69	1,182	278	105	2,081
59 U.S. government, states, and political subdivisions in United States	115	115	0	25	0	4	3	83	0
60 All other	91,499	76,747	14,751	72,480	1,948	13,356	2,822	457	437
61 Foreign governments and official institutions	5,845	5,528	318	5,273	140	221	20	61	130
62 Commercial banks in United States	36,533	28,298	8,235	26,367	939	7,679	1,242	149	156
63 U.S. branches and agencies of other foreign banks	26,370	20,048	6,322	18,622	423	6,307	903	78	38
64 Other commercial banks in United States	10,163	8,250	1,913	7,745	516	1,372	339	72	119
65 Banks in foreign countries	48,667	42,531	6,136	40,482	839	5,424	1,546	240	135
66 Foreign branches of U.S. banks	6,803	5,373	1,430	4,962	202	1,303	215	107	15
67 Other banks in foreign countries	41,865	37,159	4,706	35,520	637	4,121	1,332	134	121
68 Certified and officers' checks, travelers checks, and letters of credit sold for cash	453	390	63	358	30	31	14	6	15
69 Demand deposits	3,392	3,175	217	2,852	30	85	135	142	148
70 Individuals, partnerships, and corporations	1,757	1,650	107	1,436	1	48	114	69	90
71 U.S. addressees (domicile)	1,070	1,070	0	875	0	21	109	64	0
72 Non-U.S. addressees (domicile)	687	570	107	560	1	26	5	5	90
73 U.S. government, states, and political subdivisions in United States	9	9	0	5	0	0	0	4	0
74 All other	1,626	1,516	110	1,411	30	37	21	69	58
75 Foreign governments and official institutions	437	434	3	370	0	1	2	61	2
76 Commercial banks in United States	160	139	21	136	0	1	0	1	21
77 U.S. branches and agencies of other foreign banks	16	16	0	15	0	1	0	0	0
78 Other commercial banks in United States	144	123	21	121	0	0	0	1	21
79 Banks in foreign countries	576	553	22	547	0	3	5	1	20
80 Certified and officers' checks, travelers checks, and letters of credit sold for cash	453	390	63	358	30	31	14	6	15
81 Time deposits	127,814	110,688	17,126	101,553	1,906	14,723	3,627	3,688	2,317
82 Individuals, partnerships, and corporations	38,001	35,441	2,560	30,553	38	1,422	823	3,222	1,943
83 U.S. addressees (domicile)	19,875	19,875	0	15,888	0	307	554	3,126	0
84 Non-U.S. addressees (domicile)	18,127	15,566	2,560	14,666	38	1,115	269	96	1,943
85 U.S. government, states, and political subdivisions in United States	105	105	0	21	0	4	3	79	0
86 All other	89,727	75,142	14,585	70,979	1,868	13,317	2,801	388	374
87 Foreign governments and official institutions	5,369	5,077	292	4,885	119	218	18	0	128
88 Commercial banks in United States	36,356	28,156	8,201	26,226	927	7,677	1,242	148	135
89 U.S. branches and agencies of other foreign banks	26,354	20,032	6,322	18,606	423	6,306	903	78	38
90 Other commercial banks in United States	10,003	8,124	1,879	7,621	504	1,371	339	70	97
91 Banks in foreign countries	48,002	41,910	6,092	39,867	822	5,421	1,541	240	111
92 Savings deposits	737	669	67	483	0	66	75	66	46
93 Individuals, partnerships, and corporations	736	669	67	483	0	66	75	66	46
94 U.S. addressees (domicile)	445	445	0	285	0	26	72	62	0
95 Non-U.S. addressees (domicile)	292	224	67	198	0	40	4	4	46
96 U.S. government, states, and political subdivisions in United States	0	0	0	0	0	0	0	0	0
97 All other	0	0	0	0	0	0	0	0	0
98 Credit balances	350	193	157	191	99	35	0	1	24
99 Individuals, partnerships, and corporations	204	103	100	102	49	33	0	1	20
100 U.S. addressees (domicile)	140	75	66	73	18	32	0	1	17
101 Non-U.S. addressees (domicile)	63	29	34	29	31	1	0	0	3
102 U.S. government, states, and political subdivisions in United States	0	0	0	0	0	0	0	0	0
103 All other	146	89	57	89	50	2	0	0	4
104 Foreign governments and official institutions	40	17	22	17	21	1	0	0	0
105 Commercial banks in United States	17	4	13	4	12	1	0	0	0
106 U.S. branches and agencies of other foreign banks	1	1	0	1	0	0	0	0	0
107 Other commercial banks in United States	16	3	13	3	12	1	0	0	0
108 Banks in foreign countries	90	68	22	68	17	0	0	0	4

For notes see end of table.

4.30 Continued

Item	All states[2]			New York		California, total[4]	Illinois, branches	Other states[2]	
	Total	Branches[3]	Agencies	Branches[3]	Agencies			Branches	Agencies
109 Federal funds purchased and securities sold under agreements to repurchase	20,060	14,258	5,802	13,295	518	5,260	452	330	205
By holder									
110 Commercial banks in United States	16,365	10,956	5,409	10,052	258	5,144	403	330	177
111 Others	3,694	3,301	393	3,243	260	116	48	0	28
By type									
112 One-day maturity or continuing contract	19,318	13,593	5,724	12,669	446	5,255	413	330	205
113 Securities sold under agreements to repurchase	2,202	2,172	30	2,170	12	10	1	0	10
114 Other	17,116	11,421	5,694	10,500	434	5,245	412	330	195
115 Other securities sold under agreements to repurchase	742	664	78	626	72	6	39	0	0
116 Other liabilities for borrowed money	45,530	27,294	18,236	25,464	1,949	16,202	923	558	435
117 Owed to banks	41,455	23,780	17,675	22,001	1,883	15,667	914	555	435
118 U.S. addressees (domicile)	39,942	22,399	17,543	20,691	1,856	15,618	893	521	362
119 Non-U.S. addressees (domicile)	1,513	1,381	132	1,309	27	50	21	34	73
120 Owed to others	4,075	3,514	561	3,463	66	534	8	3	0
121 U.S. addressees (domicile)	3,685	3,230	455	3,206	6	462	8	3	0
122 Non-U.S. addressees (domicile)	390	284	106	258	60	73	0	0	0
123 All other liabilities	53,953	40,357	13,597	31,180	1,302	9,346	6,565	1,828	3,732
124 Acceptances executed and outstanding	17,742	13,791	3,952	13,305	155	3,748	214	242	79
125 Net due to related banking institutions[6]	32,298	23,304	8,994	14,915	1,029	5,094	6,232	1,474	3,555
126 Other	3,912	3,262	650	2,961	118	504	119	113	98
MEMO									
127 Time deposits of $100,000 or more	93,536	78,687	14,849	69,787	243	14,383	3,564	3,551	2,010
128 Certificates of deposit (CDs) in denominations of $100,000 or more	32,301	30,389	1,913	25,160	10	1,328	1,270	3,202	1,331
129 Other	61,235	48,299	12,936	44,626	232	13,055	2,294	349	679
130 Savings deposits authorized for automatic transfer and NOW accounts	61	33	28	13	0	12	7	8	20
131 Money market time certificates of $10,000 and less than $100,000 with original maturities of 26 weeks	0	0	0	0	0	0	0	0	0
132 Time certificates of deposit in denominations of $100,000 or more with remaining maturity of more than 12 months	8,610	8,563	47	7,238	0	206	340	815	11
133 Acceptances refinanced with a U.S.-chartered bank	4,404	3,092	1,312	2,711	59	1,309	34	290	1
134 Statutory or regulatory asset pledge requirement	60,591	60,034	557	51,403	444	123	8,531	23	67
135 Statutory or regulatory asset maintenance requirement	9,361	8,939	422	5,885	0	500	405	2,152	418
136 Commercial letters of credit	7,858	5,232	2,627	4,609	141	2,333	307	223	246
137 Standby letters of credit, total	17,884	15,379	2,505	13,060	97	1,905	1,266	650	907
138 U.S. addressees (domicile)	14,729	12,541	2,188	10,542	4	1,689	1,094	595	805
139 Non-U.S. addressees (domicile)	3,155	2,837	318	2,518	93	216	173	54	101
140 Standby letters of credit conveyed to others through participations (included in total standby letters of credit)	3,098	2,964	134	2,647	0	101	166	86	97
141 Holdings of commercial paper included in total gross loans	674	395	279	332	10	260	59	0	12
142 Holdings of acceptances included in total commercial and industrial loans	5,743	4,348	1,395	4,170	70	1,375	85	40	4
143 Immediately available funds with a maturity greater than one day (included in other liabilities for borrowed money)	30,291	16,768	13,523	15,307	1,564	12,086	786	413	136
144 Gross due from related banking institutions[6]	94,768	75,547	19,221	68,801	1,233	16,500	2,559	3,500	2,173
145 U.S. addressees (domicile)	26,456	17,624	8,832	14,089	42	8,291	147	2,969	918
146 Branches and agencies in the United States	25,898	17,263	8,635	13,741	42	8,092	140	2,969	915
147 In the same state as reporter	2,153	1,075	1,078	1,001	2	1,033	0	4	113
148 In other states	23,745	16,189	7,557	12,739	40	7,060	140	2,965	802
149 U.S. banking subsidiaries[7]	557	361	197	349	0	198	8	0	3
150 Non-U.S. addressees (domicile)	68,312	57,922	10,389	54,712	1,191	8,209	2,412	532	1,255
151 Head office and non-U.S. branches and agencies	65,675	55,548	10,127	52,376	1,177	8,196	2,373	532	1,121
152 Non-U.S. banking companies and offices	2,637	2,375	262	2,336	15	113	39	0	135
153 Gross due to related banking institutions[6]	102,762	84,240	18,522	71,699	2,000	13,058	8,765	2,586	4,653
154 U.S. addressees (domicile)	26,350	18,554	7,796	11,342	215	4,518	4,540	2,040	3,694
155 Branches and agencies in the United States	25,990	18,251	7,739	11,138	215	4,487	4,455	2,030	3,665
156 In the same state as reporter	2,317	1,260	1,056	1,181	22	1,033	0	4	77
157 In other states	23,674	16,991	6,683	9,957	193	3,453	4,455	2,026	3,588
158 U.S. banking subsidiaries[7]	360	303	57	204	0	31	85	10	30
159 Non-U.S. addressees (domicile)	76,353	65,686	10,666	60,357	1,785	8,480	4,225	546	959
160 Head office and non-U.S. branches and agencies	74,126	63,619	10,507	58,342	1,734	8,374	4,210	546	920
161 Non-U.S. banking companies and offices	2,227	2,067	160	2,015	51	107	15	0	39

4.30 Continued

Item	All states[2]			New York		California, total[4]	Illinois, branches	Other states[2]	
	Total	Branches[3]	Agencies	Branches[3]	Agencies			Branches	Agencies
Average for 30 calendar days (or calendar month) ending with report date									
162 Total assets	252,176	196,933	55,243	175,699	6,133	45,620	11,458	6,468	6,799
163 Cash and due from depository institutions	51,275	46,451	4,824	43,538	322	4,688	1,952	419	357
164 Federal funds sold and securities purchased under agreements to resell	7,468	6,518	951	6,284	576	319	155	62	72
165 Total loans	133,826	100,151	33,675	86,102	4,264	26,658	8,531	3,346	4,925
166 Loans to banks in foreign countries	20,451	15,554	4,897	14,040	602	4,037	1,076	130	566
167 Total deposits and credit balances	127,393	109,877	17,516	100,368	1,935	15,039	3,844	3,745	2,462
168 Time CDs in denominations of $100,000 or more	31,112	29,281	1,831	24,005	16	1,334	1,267	3,260	1,230
169 Federal funds purchased and securities sold under agreements to repurchase	19,486	14,431	5,055	13,402	534	4,515	556	307	172
170 Other liabilities for borrowed money	45,382	27,008	18,374	25,317	1,983	16,226	821	539	496
171 Number of reports filed[8]	452	279	173	178	30	116	44	32	52

1. Data are aggregates of categories reported on the quarterly form FFIEC 002, "Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks." This form was first used for reporting data as of June 30, 1980. From November 1972 through May 1980, U.S. branches and agencies of foreign banks had filed a monthly FR 886a report. Aggregate data from that report were available through the Federal Reserve statistical release G.11, last issued on July 10, 1980. Data in this table and in the G.11 tables are not strictly comparable because of differences in reporting panels and in definitions of balance sheet items.

2. Includes the District of Columbia.

3. Includes all offices that have the power to accept deposits from U.S. residents, including any such offices that are considered agencies under state law.

4. Agencies account for virtually all of the assets and liabilities reported in California.

5. Total assets and total liabilities include *net* balances, if any, due from or due to related banking institutions in the United States and in foreign countries (see footnote 6). On the former monthly branch and agency report, available through the G.11 statistical release, *gross* balances were included in total assets and total liabilities. Therefore, total asset and total liability figures in this table are not comparable to those in the G.11 tables.

6. "Related banking institutions" includes the foreign head office and other U.S. and foreign branches and agencies of the bank, the bank's parent holding company, and majority-owned banking subsidiaries of the bank and of its parent holding company (including subsidiaries owned both directly and indirectly). Gross amounts due from and due to related banking institutions are shown as memo items.

7. "U.S. banking subsidiaries" refers to U.S. banking subsidiaries majority-owned by the foreign bank and by related foreign banks and includes U.S. offices of U.S.-chartered commercial banks, of Edge Act and Agreement corporations, and of New York State (Article XII) investment companies.

8. In some cases two or more offices of a foreign bank within the same metropolitan area file a consolidated report.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, Sept. 30, 1984[1]

Millions of dollars

Item	All states[2]			New York		California, total[4]	Illinois, branches	Other states[2]	
	Total	Branches[3]	Agencies	Branches[3]	Agencies			Branches	Agencies
1 **Total assets[5]**	**259,616**	**204,671**	**54,945**	**183,178**	**5,847**	**45,006**	**12,285**	**5,919**	**7,382**
2 Cash and due from depository institutions	58,079	52,957	5,121	49,965	380	4,941	1,901	521	370
3 Currency and coin (U.S. and foreign)	27	24	3	18	1	2	2	1	1
4 Balances with Federal Reserve Banks	815	761	55	684	16	40	22	40	14
5 Balances with other central banks	23	22	1	21	1	0	1	0	0
6 Demand balances with commercial banks in United States	1,292	1,104	188	1,025	60	106	37	21	43
7 All other balances with depository institutions in United States and with banks in foreign countries	55,649	50,797	4,852	47,976	301	4,772	1,834	456	310
8 Time and savings balances with commercial banks in United States	28,870	25,959	2,911	24,251	231	2,819	1,077	289	202
9 Balances with other depository institutions in United States	92	72	20	70	0	4	0	0	17
10 Balances with banks in foreign countries	26,687	24,766	1,921	23,654	70	1,949	757	167	91
11 Foreign branches of U.S. banks	1,656	1,601	56	1,544	26	21	56	0	8
12 Other banks in foreign countries	25,031	23,166	1,865	22,109	43	1,928	700	167	83
13 Cash items in process of collection	273	251	22	241	2	21	5	3	1
14 **Total securities, loans, and lease financing receivables**	**142,423**	**108,498**	**33,925**	**93,877**	**4,383**	**26,389**	**8,976**	**3,351**	**5,447**
15 Total securities, book value	10,761	9,665	1,096	9,112	81	996	387	26	159
16 U.S. Treasury	4,888	4,703	186	4,442	56	56	216	18	100
17 Obligations of other U.S. government agencies and corporations	684	663	21	657	0	19	1	2	5
18 Obligations of states and political subdivisions in United States	131	121	10	107	0	1	13	1	9
19 Other bonds, notes, debentures, and corporate stock	5,058	4,178	880	3,907	25	921	156	5	45
20 Federal funds sold and securities purchased under agreements to resell	9,103	7,673	1,430	7,079	778	601	499	75	72
By holder									
21 Commercial banks in United States	7,924	6,886	1,038	6,301	443	544	489	75	72
22 Others	1,179	787	391	777	335	56	10	0	0
By type									
23 One-day maturity or continuing contract	8,955	7,527	1,428	6,933	778	599	499	75	72
24 Securities purchased under agreements to resell	213	177	36	175	22	2	0	0	14
25 Other	8,742	7,350	1,392	6,758	756	597	499	75	58
26 Other securities purchased under agreements to resell	147	146	1	146	0	1	0	0	0
27 Total loans, gross	132,039	99,156	32,883	85,073	4,305	25,445	8,597	3,328	5,291
28 LESS: Unearned income on loans	377	323	55	309	3	52	8	3	3
29 EQUALS: Loans, net	131,662	98,834	32,828	84,764	4,302	25,393	8,589	3,325	5,289
Total loans, gross, by category									
30 Real estate loans	4,815	2,132	2,684	1,355	22	1,948	254	240	997
31 Loans to financial institutions	48,840	38,210	10,630	34,220	752	9,688	2,998	504	678
32 Commercial banks in United States	26,137	20,316	5,821	18,051	171	5,918	1,664	245	88
33 U.S. branches and agencies of other foreign banks	22,620	17,054	5,566	15,246	148	5,683	1,287	198	58
34 Other commercial banks	3,517	3,262	255	2,806	23	235	377	46	30
35 Banks in foreign countries	20,098	15,518	4,580	14,223	535	3,574	937	258	570
36 Foreign branches of U.S. banks	788	569	219	525	0	239	17	6	0
37 Other	19,310	14,949	4,361	13,698	535	3,335	919	252	570
38 Other financial institutions	2,605	2,376	229	1,945	47	196	397	1	19
39 Loans for purchasing or carrying securities	1,162	1,098	65	1,023	5	135	0	0	0
40 Commercial and industrial loans	60,446	45,293	15,153	36,940	1,778	11,736	4,752	2,393	2,847
41 U.S. addressees (domicile)	37,336	27,102	10,235	20,186	220	8,743	4,188	1,694	2,307
42 Non-U.S. addressees (domicile)	23,110	18,191	4,918	16,755	1,558	2,994	564	699	540
43 Loans to individuals for household, family, and other personal expenditures	273	241	33	194	4	28	8	28	11
44 All other loans	16,503	12,184	4,319	11,343	1,745	1,911	585	162	758
45 Loans to foreign governments and official institutions	15,709	11,526	4,182	10,771	1,727	1,817	555	118	721
46 Other	795	658	137	571	18	94	30	44	37
47 Lease financing receivables	0	0	0	0	0	0	0	0	0
48 All other assets	50,012	35,543	14,469	32,257	307	13,075	909	1,972	1,492
49 Customers' liability on acceptances outstanding	18,919	14,223	4,697	13,758	47	4,601	215	216	82
50 U.S. addressees (domicile)	11,951	7,795	4,157	7,547	8	4,168	179	37	12
51 Non-U.S. addressees (domicile)	6,968	6,428	540	6,211	39	433	36	178	70
52 Net due from related banking institutions[6]	23,523	15,220	8,303	12,997	69	7,322	373	1,611	1,152
53 Other	7,569	6,100	1,469	5,503	190	1,152	321	145	258

4.30 Continued

Item	All states[2]			New York		California, total[4]	Illinois, branches	Other states[2]	
	Total	Branches[3]	Agencies	Branches[3]	Agencies			Branches	Agencies
54 **Total liabilities[5]**	**259,616**	**204,671**	**54,945**	**183,178**	**5,847**	**45,006**	**12,285**	**5,919**	**7,382**
55 Total deposits and credit balances	138,452	120,771	17,682	111,732	1,801	15,155	4,147	3,014	2,602
56 Individuals, partnerships, and corporations	40,123	37,150	2,972	32,435	86	1,552	1,318	2,499	2,234
57 U.S. addressees (domicile)	20,636	20,557	79	16,735	10	402	1,072	2,399	18
58 Non-U.S. addressees (domicile)	19,486	16,593	2,894	15,700	76	1,150	245	100	2,215
59 U.S. government, states, and political subdivisions in United States	86	86	0	27	0	4	20	36	0
60 All other	98,244	83,534	14,709	79,270	1,715	13,600	2,810	480	368
61 Foreign governments and official institutions	5,742	5,446	297	5,246	164	206	25	31	70
62 Commercial banks in United States	39,312	31,152	8,159	28,895	867	7,729	1,416	298	107
63 U.S. branches and agencies of other foreign banks	28,199	21,838	6,361	20,141	380	6,370	1,035	230	43
64 Other commercial banks in United States	11,112	9,315	1,798	8,754	487	1,359	381	68	64
65 Banks in foreign countries	52,776	46,572	6,204	44,796	666	5,635	1,357	146	176
66 Foreign branches of U.S. banks	6,585	5,272	1,312	4,944	157	1,212	219	40	12
67 Other banks in foreign countries	46,191	41,299	4,892	39,852	508	4,423	1,138	106	164
68 Certified and officers' checks, travelers checks, and letters of credit sold for cash	414	365	49	334	19	30	11	4	16
69 Demand deposits	3,212	3,005	208	2,715	22	83	129	109	154
70 Individuals, partnerships, and corporations	1,785	1,660	125	1,444	3	47	113	71	108
71 U.S. addressees (domicile)	1,112	1,112	0	917	0	23	110	61	0
72 Non-U.S. addressees (domicile)	674	548	125	527	3	24	3	10	108
73 U.S. government, states, and political subdivisions in United States	4	4	0	4	0	0	1	0	0
74 All other	1,423	1,340	82	1,268	19	36	16	38	46
75 Foreign governments and official institutions	288	286	2	253	0	2	2	31	1
76 Commercial banks in United States	123	119	4	115	0	1	1	2	3
77 U.S. branches and agencies of other foreign banks	26	25	0	25	0	0	0	0	0
78 Other commercial banks in United States	97	94	3	90	0	1	1	2	3
79 Banks in foreign countries	598	571	27	567	0	3	2	0	26
80 Certified and officers' checks, travelers checks, and letters of credit sold for cash	414	365	49	334	19	30	11	4	16
81 Time deposits	133,987	116,792	17,195	108,228	1,651	14,947	3,947	2,835	2,378
82 Individuals, partnerships, and corporations	37,347	34,693	2,655	30,379	36	1,384	1,134	2,357	2,057
83 U.S. addressees (domicile)	18,941	18,941	0	15,475	0	301	895	2,271	0
84 Non-U.S. addressees (domicile)	18,406	15,751	2,655	14,904	36	1,083	240	86	2,057
85 U.S. government, states, and political subdivisions in United States	82	82	0	23	0	4	19	36	0
86 All other	96,558	82,018	14,540	77,826	1,615	13,559	2,794	442	321
87 Foreign governments and official institutions	5,354	5,108	245	4,942	116	203	23	0	69
88 Commercial banks in United States	39,110	30,973	8,137	28,720	851	7,726	1,415	296	103
89 U.S. branches and agencies of other foreign banks	28,119	21,758	6,361	20,062	380	6,370	1,035	230	43
90 Other commercial banks in United States	10,991	9,215	1,776	8,658	471	1,356	380	66	60
91 Banks in foreign countries	52,093	45,936	6,157	44,165	648	5,630	1,356	146	150
92 Savings deposits	765	691	73	507	0	67	71	70	49
93 Individuals, partnerships, and corporations	764	691	73	507	0	67	71	70	49
94 U.S. addressees (domicile)	454	454	0	294	0	27	67	66	0
95 Non-U.S. addressees (domicile)	311	238	73	214	0	41	3	4	49
96 U.S. government, states, and political subdivisions in United States	0	0	0	0	0	0	0	0	0
97 All other	0	0	0	0	0	0	0	0	0
98 Credit balances	489	283	206	281	127	58	0	1	21
99 Individuals, partnerships, and corporations	225	107	119	105	47	53	0	1	20
100 U.S. addressees (domicile)	130	51	79	50	10	51	0	1	18
101 Non-U.S. addressees (domicile)	96	56	40	56	37	2	0	0	2
102 U.S. government, states, and political subdivisions in United States	0	0	0	0	0	0	0	0	0
103 All other	263	176	87	176	81	5	0	0	1
104 Foreign governments and official institutions	100	52	49	52	47	1	0	0	0
105 Commercial banks in United States	78	60	18	60	16	2	0	0	1
106 U.S. branches and agencies of other foreign banks	54	54	0	54	0	0	0	0	0
107 Other commercial banks in United States	24	6	18	6	16	2	0	0	1
108 Banks in foreign countries	85	65	20	65	18	2	0	0	0

For notes see end of table.

4.30 Continued

Item	All states[2] Total	All states[2] Branches[3]	All states[2] Agencies	New York Branches[3]	New York Agencies	California, total[4]	Illinois, branches	Other states[2] Branches	Other states[2] Agencies
109 Federal funds purchased and securities sold under agreements to repurchase	22,821	16,962	5,859	16,044	561	5,309	531	227	150
By holder									
110 Commercial banks in United States	18,964	13,604	5,360	12,785	238	5,150	438	227	126
111 Others	3,857	3,359	498	3,258	322	159	93	0	24
By type									
112 One-day maturity or continuing contract	21,664	15,923	5,741	15,039	465	5,287	496	227	150
113 Securities sold under agreements to repurchase	2,093	2,062	31	2,042	12	9	20	0	10
114 Other	19,571	13,861	5,710	12,997	453	5,279	476	227	140
115 Other securities sold under agreements to repurchase	1,158	1,040	118	1,005	96	22	35	0	0
116 Other liabilities for borrowed money	40,311	23,730	16,581	21,697	1,940	14,343	1,009	635	686
117 Owed to banks	38,453	22,083	16,370	20,117	1,881	14,150	993	626	686
118 U.S. addressees (domicile)	37,118	20,908	16,210	19,018	1,845	14,125	973	592	565
119 Non-U.S. addressees (domicile)	1,335	1,175	160	1,098	37	25	20	34	121
120 Owed to others	1,857	1,647	211	1,581	59	193	16	9	0
121 U.S. addressees (domicile)	1,671	1,551	120	1,496	8	142	16	9	0
122 Non-U.S. addressees (domicile)	187	96	91	85	51	51	0	0	0
123 All other liabilities	58,032	43,209	14,823	33,704	1,545	10,199	6,597	2,043	3,943
124 Acceptances executed and outstanding	20,934	15,951	4,983	15,446	62	4,869	230	242	85
125 Net due to related banking institutions[6]	32,068	22,902	9,166	14,263	1,364	4,802	6,202	1,685	3,753
126 Other	5,029	4,356	674	3,995	120	528	166	116	105
MEMO									
127 Time deposits of $100,000 or more	98,637	83,624	15,012	75,319	43	14,564	3,889	2,738	2,084
128 Certificates of deposit (CDs) in denominations of $100,000 or more	31,544	29,607	1,938	24,786	0	1,285	1,621	2,465	1,388
129 Other	67,092	54,018	13,075	50,533	43	13,279	2,268	273	696
130 Savings deposits authorized for automatic transfer and NOW accounts	59	33	26	14	0	12	7	8	18
131 Money market time certificates of $10,000 and less than $100,000 with original maturities of 26 weeks	0	0	0	0	0	0	0	0	0
132 Time certificates of deposit in denominations of $100,000 or more with remaining maturity of more than 12 months	10,000	9,956	44	8,173	0	213	403	1,199	12
133 Acceptances refinanced with a U.S.-chartered bank	3,951	2,529	1,422	2,183	105	1,381	8	275	0
134 Statutory or regulatory asset pledge requirement	59,676	58,823	853	49,682	736	135	9,034	18	71
135 Statutory or regulatory asset maintenance requirement	9,322	8,920	403	5,469	0	482	439	2,532	400
136 Commercial letters of credit	7,869	5,329	2,539	4,800	150	2,311	218	201	188
137 Standby letters of credit, total	20,546	17,616	2,930	14,934	124	2,262	1,615	625	986
138 U.S. addressees (domicile)	17,264	14,661	2,603	12,310	9	2,083	1,386	578	898
139 Non-U.S. addressees (domicile)	3,282	2,955	327	2,624	115	179	229	47	88
140 Standby letters of credit conveyed to others through participations (included in total standby letters of credit)	3,224	3,003	222	2,627	0	195	182	126	94
141 Holdings of commercial paper included in total gross loans	662	393	268	345	4	251	45	0	17
142 Holdings of acceptances included in total commercial and industrial loans	4,354	3,129	1,225	2,991	61	1,205	81	11	5
143 *Immediately available funds with a maturity greater than one day* (included in other liabilities for borrowed money)	29,612	17,413	12,200	15,806	1,608	10,576	869	467	286
144 Gross due from related banking institutions[6]	102,563	84,053	18,510	77,368	850	16,431	3,021	2,912	1,981
145 U.S. addressees (domicile)	26,183	18,253	7,930	14,977	37	7,518	544	2,351	756
146 Branches and agencies in the United States	25,584	17,835	7,748	14,587	37	7,334	523	2,348	754
147 In the same state as reporter	1,871	1,002	869	954	2	841	0	2	72
148 In other states	23,712	16,833	6,879	13,633	35	6,493	523	2,345	683
149 U.S. banking subsidiaries[7]	599	418	181	390	0	184	21	3	1
150 Non-U.S. addressees (domicile)	76,380	65,800	10,581	62,391	813	8,913	2,477	561	1,225
151 Head office and non-U.S. branches and agencies	74,196	63,925	10,272	60,557	787	8,756	2,448	550	1,097
152 Non-U.S. banking companies and offices	2,184	1,875	309	1,833	26	157	29	11	129
153 Gross due to related banking institutions[6]	111,108	91,735	19,373	78,635	2,145	13,911	8,850	2,986	4,582
154 U.S. addressees (domicile)	32,861	25,597	7,264	18,519	69	4,276	4,192	2,202	3,603
155 Branches and agencies in the United States	32,484	25,332	7,151	18,361	69	4,225	4,105	2,185	3,540
156 In the same state as reporter	2,001	1,108	894	1,056	11	859	1	3	72
157 In other states	30,482	24,225	6,258	17,305	58	3,366	4,104	2,182	3,468
158 U.S. banking subsidiaries[7]	377	265	112	158	0	52	87	17	63
159 Non-U.S. addressees (domicile)	78,248	66,138	12,110	60,116	2,076	9,635	4,657	785	979
160 Head office and non-U.S. branches and agencies	75,856	63,900	11,956	57,903	2,039	9,524	4,648	785	957
161 Non-U.S. banking companies and offices	2,391	2,238	153	2,213	36	110	10	0	22

4.30 Continued

Item	All states[2]			New York		California, total[4]	Illinois, branches	Other states[2]	
	Total	Branches[3]	Agencies	Branches[3]	Agencies			Branches	Agencies
Average for 30 calendar days (or calendar month) ending with report date									
162 Total assets	256,406	201,929	54,477	181,204	5,750	44,694	11,527	5,857	7,374
163 Cash and due from depository institutions	55,568	50,670	4,898	47,913	346	4,695	1,884	376	354
164 Federal funds sold and securities purchased under agreements to resell	7,701	6,655	1,046	6,318	607	392	250	63	73
165 Total loans	127,825	95,700	32,125	81,840	4,032	25,004	8,331	3,336	5,282
166 Loans to banks in foreign countries	20,363	15,714	4,649	14,364	522	3,875	804	251	546
167 Total deposits and credit balances	133,024	115,916	17,108	107,099	1,757	14,684	4,031	2,955	2,498
168 Time CDs in denominations of $100,000 or more	30,710	28,872	1,838	24,368	0	1,293	1,280	2,490	1,279
169 Federal funds purchased and securities sold under agreements to repurchase	21,252	15,953	5,299	15,004	528	4,839	474	270	138
170 Other liabilities for borrowed money	40,515	23,841	16,674	21,879	1,825	14,649	936	621	605
171 Number of reports filed[8]	462	291	171	185	28	120	45	32	52

1. Data are aggregates of categories reported on the quarterly form FFIEC 002, "Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks." This form was first used for reporting data as of June 30, 1980. From November 1972 through May 1980, U.S. branches and agencies of foreign banks had filed a monthly FR 886a report. Aggregate data from that report were available through the Federal Reserve statistical release G.11, last issued on July 10, 1980. Data in this table and in the G.11 tables are not strictly comparable because of differences in reporting panels and in definitions of balance sheet items.
2. Includes the District of Columbia.
3. Includes all offices that have the power to accept deposits from U.S. residents, including any such offices that are considered agencies under state law.
4. Agencies account for virtually all of the assets and liabilities reported in California.
5. Total assets and total liabilities include *net* balances, if any, due from or due to related banking institutions in the United States and in foreign countries (see footnote 6). On the former monthly branch and agency report, available through the G.11 statistical release, *gross* balances were included in total assets and total liabilities. Therefore, total asset and total liability figures in this table are not comparable to those in the G.11 tables.
6. "Related banking institutions" includes the foreign head office and other U.S. and foreign branches and agencies of the bank, the bank's parent holding company, and majority-owned banking subsidiaries of the bank and of its parent holding company (including subsidiaries owned both directly and indirectly). Gross amounts due from and due to related banking institutions are shown as memo items.
7. "U.S. banking subsidiaries" refers to U.S. banking subsidiaries majority-owned by the foreign bank and by related foreign banks and includes U.S. offices of U.S.-chartered commercial banks, of Edge Act and Agreement corporations, and of New York State (Article XII) investment companies.
8. In some cases two or more offices of a foreign bank within the same metropolitan area file a consolidated report.

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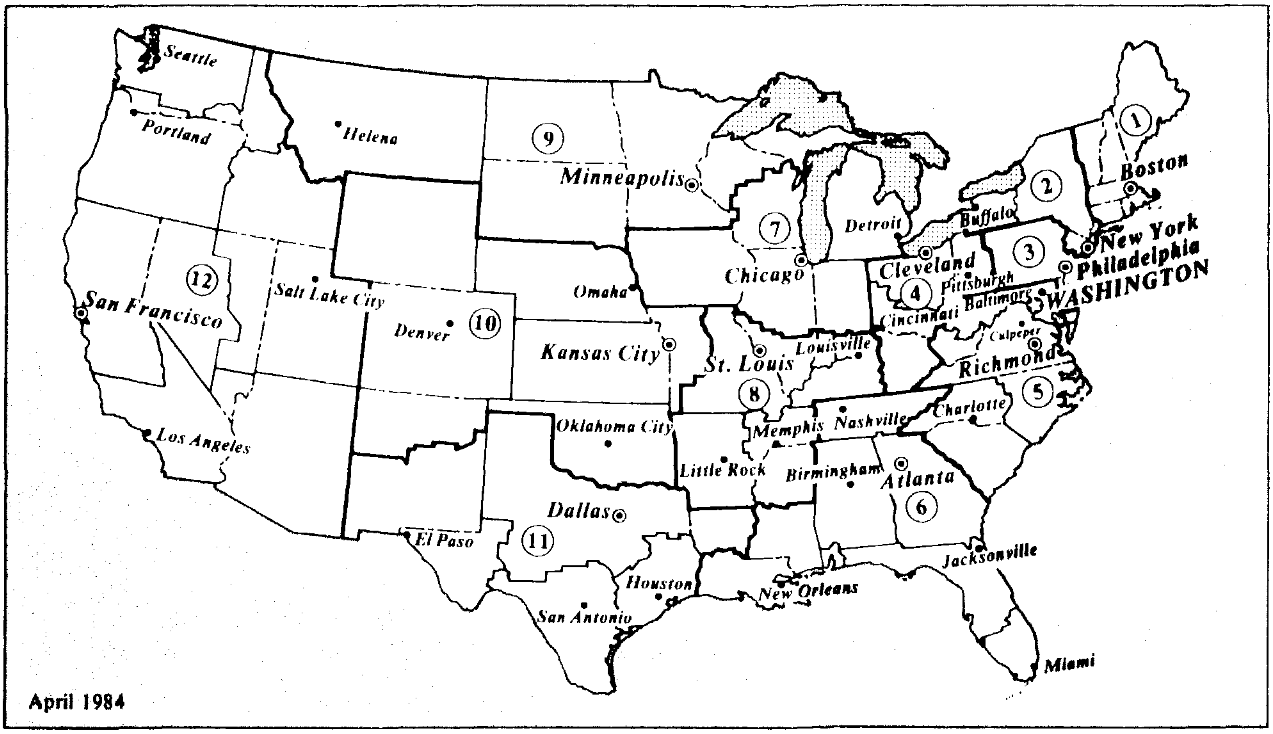
Federal Reserve Banks, Branches, and Offices

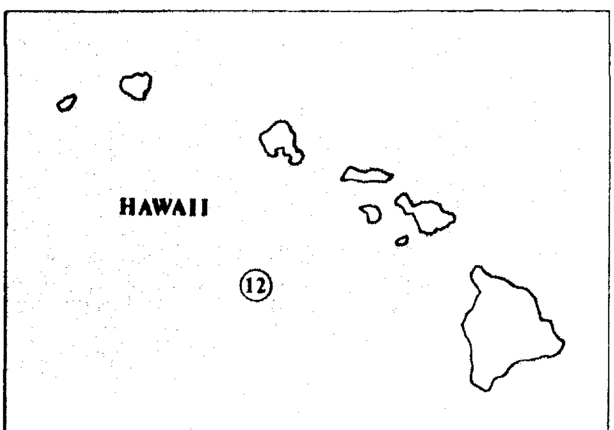
FEDERAL RESERVE BANK, branch, or *facility* Zip	Chairman Deputy Chairman	President First Vice President	Vice President in charge of branch
BOSTON* 02106	Joseph A. Baute Thomas I. Atkins	Frank E. Morris Robert W. Eisenmenger	
NEW YORK* 10045	John Brademas Clifton R. Wharton, Jr.	E. Gerald Corrigan Thomas M. Timlen	
Buffalo 14240	M. Jane Dickman		John T. Keane
PHILADELPHIA 19105	Robert M. Landis Nevius M. Curtis	Edward G. Boehne Richard L. Smoot	
CLEVELAND* 44101	William H. Knoell E. Mandell de Windt	Karen N. Horn William H. Hendricks	
Cincinnati 45201	Robert E. Boni		Charles A. Cerino
Pittsburgh 15230	Milton G. Hulme, Jr.		Harold J. Swart
RICHMOND* 23219	Leroy T. Canoles, Jr. Robert A. Georgine	Robert P. Black Jimmie R. Monhollon	
Baltimore 21203	Robert L. Tate		Robert D. McTeer, Jr.
Charlotte 28230	Wallace J. Jorgenson		Albert D. Tinkelenberg
Culpeper Communications and Records Center 22701			John G. Stoides
ATLANTA 30301	John H. Weitnauer, Jr. Bradley Currey, Jr.	Robert P. Forrestal Jack Guynn	
Birmingham 35283	Martha McInnis		Fred R. Herr
Jacksonville 32231	E. William Nash, Jr.		James D. Hawkins
Miami 33152	Eugene E. Cohen		Patrick K. Barron
Nashville 37203	Condon S. Bush		Jeffrey J. Wells
New Orleans 70161	Leslie B. Lampton		Henry H. Bourgaux
CHICAGO* 60690	Stanton R. Cook Robert J. Day	Silas Keehn Daniel M. Doyle	
Detroit 48231	Russell G. Mawby		Roby L. Sloan
ST. LOUIS 63166	W.L. Hadley Griffin Mary P. Holt	Vacancy Joseph P. Garbarini	
Little Rock 72203	Sheffield Nelson		John F. Breen
Louisville 40232	Henry F. Frigon		James E. Conrad
Memphis 38101	Donald B. Weis		Paul I. Black, Jr.
MINNEAPOLIS 55480	William G. Phillips John B. Davis, Jr.	Vacancy Thomas E. Gainor	
Helena 59601	Gene J. Etchart		Robert F. McNellis
KANSAS CITY 64198	Irvine O. Hockaday, Jr. Robert G. Lueder	Roger Guffey Henry R. Czerwinski	
Denver 80217	James E. Nielson		Wayne W. Martin
Oklahoma City 73125	Patience Latting		William G. Evans
Omaha 68102	Kenneth L. Morrison		Robert D. Hamilton
DALLAS 75222	Robert D. Rogers Bobby R. Inman	Robert H. Boykin William H. Wallace	
El Paso 79999	John R. Sibley		Joel L. Koonce, Jr.
Houston 77252	Robert T. Sakowitz		J.Z. Rowe
San Antonio 78295	Robert F. McDermott		Thomas H. Robertson
SAN FRANCISCO 94120	Alan C. Furth Fred W. Andrew	John J. Balles Richard T. Griffith	
Los Angeles 90051	Richard C. Seaver		Richard C. Dunn
Portland 97208	Paul E. Bragdon		Angelo S. Carella
Salt Lake City 84125	Don M. Wheeler		A. Grant Holman
Seattle 98124	John W. Ellis		Gerald R. Kelly

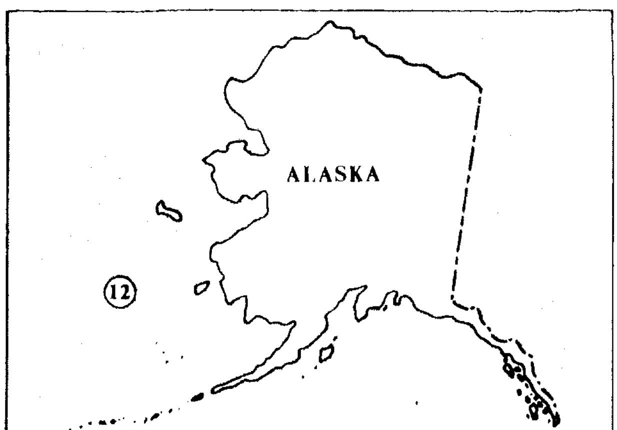
*Additional offices of these Banks are located at Lewiston, Maine 04240; Windsor Locks, Connecticut 06096; Cranford, New Jersey 07016; Jericho, New York 11753; Utica at Oriskany, New York 13424; Columbus, Ohio 43216; Columbia, South Carolina 29210; Charleston, West Virginia 25311; Des Moines, Iowa 50306; Indianapolis, Indiana 46204; and Milwaukee, Wisconsin 53202.

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